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

20 In re

21 **HUFFERMEN, INC.**

22 Debtor.

Case No. 2:18-bk-14369-MCW

Chapter 11

**DEBTOR'S FIRST DISCLOSURE
STATEMENT**

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I. INTRODUCTION

This document is the disclosure statement of the debtor, Huffermen, Inc. (“**Debtor**”), in the above entitled Chapter 11 bankruptcy proceeding. This Disclosure Statement is submitted by the Debtors pursuant to 11 U.S.C. §1125.

11 U.S.C. §1125(b) prohibits the solicitation of acceptances or rejections of a plan of reorganization unless such plan is accompanied by a copy of the Disclosure Statement which has been approved by the Bankruptcy Court.

1 The purpose of this Disclosure Statement is to provide creditors and interested
2 parties in this bankruptcy proceeding with such information as may reasonably be deemed
3 sufficient to allow creditors and interested parties to make an informed decision regarding
4 the Debtors' Joint Plan of Reorganization ("**Plan**"), a copy of which is attached hereto and
5 incorporated herein as **Exhibit "A"**.

7 Unless otherwise noted, those portions of the Plan and this Disclosure Statement
8 providing factual information concerning the Debtor, their assets and liabilities, have been
9 prepared from information submitted by the Debtor and their retained professionals. The
10 Debtor and other professionals employed by the Debtor have utilized all relevant, non-
11 privileged information provided by the Debtor in preparing this Disclosure Statement and
12 the Plan.
13

14 This Disclosure Statement contains information that may influence your decision to
15 accept or reject the Debtor's proposed Plan. Please read this document with care.
16

17 The financial information contained in this Disclosure Statement has not been
18 subjected to an audit by an independent certified public accountant. For that reason, the
19 Debtor is not able to warrant or represent that the information contained in this Disclosure
20 Statement is without any inaccuracy. To the extent practicable, the information has been
21 prepared from the Debtor's financial books and records and great effort has been made to
22 ensure that all such information is fairly representative.
23

24 This Disclosure Statement and the Plan will classify all creditors into Classes. The
25 treatment of each Class of creditors will be set forth in this Disclosure Statement and in the
26 Plan. You should carefully examine the treatment of the Class to which your Claim will
27 be assigned.
28

1 This Disclosure Statement requires approval by the Bankruptcy Court after notice
2 and a hearing pursuant to 11 U.S.C. §1125(b). Once approved, the Disclosure Statement
3 will be distributed with the Debtor's proposed Plan for voting. Approval of the Disclosure
4 Statement by the Bankruptcy Court does not constitute either certification or approval of
5 the Debtor's Plan by the Bankruptcy Court or that the Disclosure Statement is without any
6 inaccuracy.
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9 The Bankruptcy Court will confirm the Plan if the requirements of Section 1129 of
10 the Bankruptcy Code are satisfied. The Bankruptcy Court must determine whether the Plan
11 has been accepted by each impaired class entitled to vote on the Plan. Impaired classes
12 entitled to vote on the Plan are those classes of claims whose legal, equitable or contractual
13 rights are altered, as defined under §1124 of the Bankruptcy Code. An impaired class of
14 claims is deemed to have accepted the Plan if at least two thirds in amount of those claims
15 who vote and more than one half in number of those claims who vote have accepted the
16 Plan. An impaired class of interests is deemed to have accepted the Plan if the Plan has
17 been accepted by at least two thirds in amount of the allowed interests who vote on the
18 Plan.
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21 Even if each class of creditors does not accept the Plan, the Plan can be confirmed
22 under §1129(b) of the Code, so long as one impaired class of creditors accepts the Plan.
23 This is referred to as the "cram down" provision. The failure of each class to accept the
24 Plan could very well result in a conversion of this case to a Chapter 7 or dismissal of the
25 Chapter 11, and the secured creditors repossessing its collateral and disposing of it in a
26 commercially reasonable manner with no obligation to unsecured creditors.
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Only the votes of those creditors or interested parties whose ballots are timely

1 received will be counted in determining whether a class has accepted the Plan.

2 **II. DEFINITIONS**

3 The definitions set forth in Article I of the Plan apply in this Disclosure Statement
4 except to the extent other definitions are set forth in this Disclosure Statement.

5
6 **III. THE DEBTORS AND EVENTS PRECIPITATING THE CHAPTER 11**

7 Huffermen was formed on September 15, 2000, for the purpose of manufacturing
8 and marketing sport water bottles and specialty plastic products. Huffermen is recognized
9 throughout the promotional products industry as a leading manufacturer and supplier of
10 custom printed USA made sport water bottles. Huffermen has since expanded to
11 manufacturing cups, calendars, keychains and travel mugs along with other items such as
12 sunglasses, cozies, beach balls, etc. which can be imprinted with any custom logo.
13 Huffermen has thirty-seven (37) full-time employees (including its principal shareholders,
14 Ross Dodson (“**Mr. Dodson**”) and Eric Miller (“**Mr. Miller**”). Huffermen currently has
15 35 employees and average revenues for the past three (3) years were approximately \$3.5
16 million dollars annually.
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20 In 2013, Huffermen signed a lease with IPT Deer Valley IC, LLC (“**IPT Deer**
21 **Valley**”) and moved into the premises located at 21430 North 15th Lane, Suite 126,
22 Phoenix, Arizona 85027 (“**15th Lane Premises**”). The monthly rental payments for the
23 15th Lane Premises proved to be unsustainable when Huffermen lost a significant client
24 and Huffermen struggled to continue to make said rental payments.
25

26 In 2015, Huffermen originated two (2) loans with Chase Bank to fund its business
27 operations. One loan was a fixed term loan (“**Chase Loan**”) and the other was a line of
28 credit (“**Chase LOC**”). Huffermen granted Chase Bank a lien against all inventory, chattel

1 paper, accounts, equipment and general intangibles, including items acquired later and all
2 accessions, additions, replacements and substitutions relating to the foregoing; all proceeds
3 relating to any of the foregoing including insurance, general intangibles and other accounts
4 proceeds. The Chase Loan and Chase LOC are personally guaranteed by Mr. Dodson and
5 Mr. Miller.
6

7 Huffermen is a mature company that has made it through the worst of times.
8 Huffermen continues to procure customers and has a promising and productive future.
9 Huffermen has the customer base, a dedicated work force and the drive to succeed.
10

11 **IV. SIGNIFICANT EVENTS DURING THE CHAPTER 11**

12 **A. Administrative Proceedings**

13 Huffermen filed its Petition for Relief under Chapter 11 on November 26, 2018
14 commencing the instant bankruptcy proceeding (“**Bankruptcy Proceeding**”). On or about
15 January 4, 2019, Debtor attended an initial debtor interview with the analyst for the U.S.
16 Trustee’s Office. On or about January 8, 2019, the first meetings of creditors in the
17 Bankruptcy Proceeding was held and concluded.
18

19 **B. Retention of Professionals**

20 On November 27, 2018, Huffermen filed a Petition for Authority to Retain Keery
21 McCue, PLLC (“**KM**”) to act as its bankruptcy counsel. The Court signed an Order
22 Appointing KM as bankruptcy counsel on December 17, 2018 (*see* Dkt. No. 54).
23

24 **C. Use of Cash Collateral**

25 On November 27, 2018, Huffermen filed an Emergency Motion for Authorization
26 to Use Cash Collateral (“**CC Motion**”). Pursuant to the Motion, Huffermen requested an
27 order authorizing the use of cash collateral in accordance with the Budget attached to the
28

1 Motion. On December 4, 2018, IPT Deer Valley IC, LLC (Debtor's landlord) filed an
2 objection to the CC Motion (*see* Dkt. No. 38). A hearing was held on December 10, 2018
3 (**"Initial Cash Collateral Hearing"**). At the Initial Cash Collateral Hearing, the Court
4 implicitly overruled the IPT Deer Valley Objection and found that Huffermen and Chase
5 had reached a tentative agreement as to the interim use of cash collateral (*see* ME Order at
6 Dkt. No. 50 which constitutes **"First Interim CC Order"**). The Court set a continued
7 hearing on cash collateral for December 19, 2018 (**"Continued CC Hearing"**). At the
8 Continued Hearing, Chase once again stipulated to Huffermen's use of cash collateral and
9 the Court set a second continued hearing on cash collateral for January 8, 2019 (**"Second
10 Continued CC Hearing"**)(*see* ME Order at Dkt. No. 58 which constitutes **"Second
11 Interim CC Order"**). Prior to the Second Continued CC Hearing Chase and Huffermen
12 stipulated to the entry of a Third Interim Order Authorizing Debtor's Limited Use of Cash
13 Collateral (**"Third Interim CC Order"**)(*see* Dkt. No. 71). The Third Interim Order is
14 effective through July 1, 2019. Cash collateral issues have been and will be ongoing
15 throughout the bankruptcy proceeding and Huffermen will continue to operate under
16 extensions of the cash collateral orders.

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21 D. Motion to Approve Lease

22 On December 28, 2018, Huffermen filed a Motion to Approve Lease related to a
23 new premises for the it to operate from located at 135 Watkins Street, Phoenix, AZ 85004
24 (**"Watkins Property"**)(*see* Dkt. No. 61). After notice and a hearing, on January 14, 2019,
25 the Court entered an Order granting the Motion to Approve Lease (*see* Dkt. No. 81).

26
27 E. Motion to Reject Lease
28

1 On December 28, 2019, Huffermen timely filed a Motion to Reject its current lease
2 with IPT Deer Valley for the 15th Lane Premises (“**Lease Rejection Motion**”)(see Dkt.
3 No. 62). On January 18, 2019 IPT Deer Valley filed a Comment to the Lease Rejection
4 Motion (see Dkt. No. 82) to which Huffermen filed a Response (see Dkt. No. 85).
5 Huffermen vacated the 15th Lane Premises on January 25, 2019 and turned over possession
6 and control to IPT Deer Valley. On February 14, 2019, the Court entered a stipulated order
7 granting the Lease Rejection Motion with an effective date of January 25, 2019 (see Dkt.
8 No. 89).
9

10
11 F. Motions to Extend Plan Filing Deadlines

12 On March 13, 2019, Huffermen filed a Motion to Extend the Plan Exclusivity Period
13 (see Dkt. No. 94). The Motion was filed on negative notice and the time for objections
14 expires on or about April 4, 2019. By its Motion, Huffermen sought an Order pursuant to
15 11 U.S.C. §1121(d) to extend the period within which Huffermen has the exclusive right
16 to solicit acceptances of the Plan an additional 90 days from March 27, 2019 to June 25,
17 2019.
18

19
20 G. Claims Bar Date

21 On January 10, 2019, the Court signed an Order setting March 15, 2019 as the bar
22 date for non-governmental claims. The deadline for governmental claims pursuant to 11
23 U.S.C. § 1308 is the later of 180 days after the Petition Date or 60 days after the filing of
24 a tax return.
25

26 H. Appointment of Unsecured Creditors Committee

27 On January 7, 2019, the United States Trustee's Office filed a statement concerning
28 its inability to appoint a committee of unsecured creditors. (see Dkt. No. 72).

1 I. KM's Fee Applications

2 On February 27, 2019, KM filed its First Fee Application seeking approval of
3 \$15,741.35 in fees and costs (*see* Dkt. No. 91). On March 26, 2019, the proposed Order
4 approving the First Fee Application was uploaded to the Court but has not been signed to
5 date. KM will continue to file applications for fees and costs incurred in its representation
6 of Huffermen. Orders approving KM's application for fees will be signed by the Court to
7 reflect the fees and costs that are payable. KM will be filing additional fee applications
8 from time to time during this proceeding. Because this matter is ongoing, interested parties
9 should review the Court's docket for the current status of this matter.
10
11

12 V. DESCRIPTION OF ASSETS AND LIABILITIES OF HUFFERMEN

13 The values ascribed to the assets below are based on Huffermen's best estimate and
14 other factors such as the purchase price, comparable sales, and tax assessments, and where
15 applicable as referenced below, on appraisals obtained.
16

17 A. Real Property

18 Huffermen does not own any real property. Huffermen rents the facility where it
19 operates its business.
20

21 B. Personal Property

22 1. Cash on Hand

23 Huffermen held approximately \$198.63 in petty cash on hand at the time of
24 the filing of the petition for relief herein. Huffermen's petty cash is used in its ordinary
25 operations for small expenditures. Huffermen's petty cash as of March 15, 2019 is
26 \$177.43.
27

28 2. Bank Accounts

1 Huffermen held approximately \$73,368.86 in business bank accounts at the
2 time of the filing of the petition for relief herein. Huffermen's cash has been used in the
3 operation of its business. Huffermen's present cash balance as of March 15, 2019 is
4 \$21,249.58.
5

6 3. Security Deposits

7 IPT Deer Valley held a security deposit in the amount of \$13,418.20. This
8 deposit will be subject to offset by IPT Deer Valley against its administrative priority claim.
9 Arizona Public Service holds a security deposit in the amount of \$19,750.00.
10

11 4. Accounts Receivable

12 Huffermen listed general accounts receivable in the amount of approximately
13 \$187,694.94 as of the Petition Date, but this figure was at a gross amount and the included
14 receivables in the amount of \$3,419.39 that were over 90 days. The actual collectible
15 amounts receivable balance was approximately \$184,275.55. The present accounts
16 receivable balance as of March 15, 2019, is approximately \$178,597.11. The accounts
17 receivable have been collected in the ordinary course of business and used in the business
18 operations.
19
20

21 5. Office Equipment, Furnishings and Supplies

22 Huffermen listed miscellaneous office furniture valued at \$5,920.00.
23

24 6. Machinery, Fixtures and Equipment

25 Huffermen listed miscellaneous machinery and equipment valued at
26 \$237,939.34.
27

28 7. Inventory

Huffermen listed miscellaneous inventory valued at \$43,307.69 as of the

1 Petition Date. Huffermen currently has inventory valued at approximately \$36,215.61 as
2 of March 15, 2019.

3
4 C. Financial Reports

5 Huffermen's monthly operating reports are current and copies can be obtained from
6 the Court's electronic docket or from Huffermen's counsel.

7
8 D. Administrative Expenses

9 Huffermen anticipates its administrative expenses will consist primarily of
10 attorneys' fees for Keery McCue, PLLC ("KM"). On October 19, 2018, KM received a
11 check from Huffermen in the amount of \$2,500.00. On November 14, 2018, KM received
12 a check from Huffermen in the amount of \$12,000. Prior to the Petition Date, KM offset
13 the funds held in trust for pre-petition fees and costs and the Ch. 11 filing fee in the amount
14 of \$9,816.91 (*see* FRBP 2016 Discl. at Dkt. No. 9). On December 28, 2018, KM received
15 a check from Huffermen in the amount of \$5,000.00 that was deposited into KM's IOLTA
16 Account (*see* FRBP 2016 Discl. At Dkt. No. 66). KM estimates its fees will be in the range
17 of \$50,000.00 depending on creditor activity in this case and believes that it should be paid
18 out of Huffermen's post-petition earnings. There may be additional administrative
19 expenses for related costs such as experts and appraisal fees.
20
21

22 E. Priority Claims

23 Huffermen listed the Internal Revenue Service ("IRS") and Arizona Department of
24 Revenue ("ADOR") as "Notice Only."
25

26 On December 18, 2018, the IRS filed a proof of claim based on estimated taxes
27 asserting a claim for \$8,414 (Claims Register – Claim No 3). On February 12, 2019, the
28 IRS filed an amended proof of claim reducing its claim to zero (Claims Register – Claim

1 No. 3 Amended). The ADOR has not filed a proof of claim in the bankruptcy case.

2 F. Secured Claims

3
4 On March 11, 2019, JP Morgan Chase Bank N.A. (“**Chase Bank**”) filed a Secured
5 Claim in the amount of \$224,624.84 related to its first position blanket lien secured by all
6 of Huffermen’s assets (Claims Register – Claim No. 14).

7 On March 11, 2019, Chase Bank filed a Secured Claim in the amount of \$193,121
8 related to its second position blanket lien secured by all of Huffermen’s assets (Claims
9 Register – Claim No. 15).

10
11 G. Unsecured Claims

12 Huffermen anticipates the total amount of Allowed Unsecured Claims in this Class
13 will be approximately \$892,977.19 owed for business-related debt.

14
15 H. Claims Register

16 Attached hereto as Exhibit “B” is a chart reflecting the status of claims as
17 Huffermen is presently aware.

18
19 **VI. CLASSIFICATION, IMPAIRMENT AND TREATMENT OF CLAIMS AND**
20 **INTERESTS**

21 THE FOLLOWING STATEMENTS CONCERNING THE PLAN ARE MERELY
22 A SUMMARY OF THE PLAN AND ARE NOT COMPLETE. THE STATEMENTS
23 ARE QUALIFIED ENTIRELY BY EXPRESS REFERENCE TO THE PLAN.
24 CREDITORS ARE URGED TO CONSULT WITH COUNSEL OR EACH OTHER IN
25 ORDER TO UNDERSTAND THE PLAN FULLY. THE PLAN IS COMPLETE,
26 INASMUCH AS IT PROPOSES A LEGALLY BINDING AGREEMENT BY THE
27 DEBTORS. AN INTELLIGENT JUDGMENT CANNOT BE MADE WITHOUT
28 READING IT IN FULL.

VII. CLASSIFICATION OF CLAIMS AND INTERESTS

A. Classes

1 Class 1-A consists of Allowed Priority Claims under 11 U.S.C. §507(a)(2)
2 (Administrative Claims).

3
4 Class 1-B consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8) (Tax
5 Claims).

6 Class 1-C consists of Allowed Priority Claims under 11 U.S.C. § 503(b)(9) (Priority
7 Trade Claims).

8
9 Class 1-D consists of Allowed Priority Claim under 11 U.S.C. § 503(b)(1)(A) (Post-
10 Petition / Pre-Rejection Rents).

11 Class 2-A consists of the Allowed Secured Claim of Chase Bank regarding its first
12 position blanket lien over all of Huffermen's Assets.

13
14 Class 2-B consists of the Allowed Secured Claim of Chase Bank regarding its
15 second position lien over all of Huffermen's assets.

16 Class 3-A consists of the Allowed Unsecured Claims of Creditors.

17
18 Class 3-B consists of the Allowed Unsecured Claims of Administrative
19 Convenience for Creditors that wish to elect to reduce their payment to a total of 50% of
20 their Allowed Unsecured Claim in order to be paid ahead of unsecured creditors not making
21 the election.

22 Class 4-A consists of the Allowed Interest of Huffermen.

23
24 **VIII. IMPAIRMENT OF CLASSES**

25 Classes 1-A and 1-B are unimpaired under the Plan. All other classes are impaired,
26 as that term is defined in 11 U.S.C. §1124.

27 **IX. TREATMENT OF CLASSES**

28 **A. Class 1**

1 **1. Class 1-A: Administrative Claims**

2 Class 1-A consists of Allowed Priority Claims under 11 U.S.C. §507(a)(2)
3 (Administrative Claims). Unless they agree to an alternative form of treatment, the
4 Allowed Claims of Class 1-A shall be paid in full, in cash, by the earlier of the Effective
5 Date or the date that such are allowed and ordered paid by the Court. Any Class 1-A Claim
6 not allowed as of the Effective Date shall be paid as soon thereafter as they are allowed by
7 the Court according to the terms of this Class. The Allowed Administrative Claim of
8 counsel for Huffermen that has not been paid as of the Effective Date shall be paid in
9 monthly payments of principal and interest, with interest at eight percent (8%), until paid
10 in full, and paid before any distributions to general unsecured creditors. The Interest
11 Holders have guaranteed the payment of the Allowed Administrative Claim of counsel for
12 Huffermen, and will be repurchasing their ownership interest in consideration for the
13 payment of \$20,000.00.

14 **2. Class 1-B: Tax Claims**

15 Class 1-B consists of Allowed Priority Claims under 11 U.S.C. §507(a)(8)-
16 tax claims of Huffermen. ADOR, IRS and City of Phoenix (collectively the “Tax
17 Authorities”) are within this Class, none have which have asserted a proof of claim.

18 To the extent the Tax Authorities file or amend their proof of claim, and there
19 is a dispute between Huffermen and the Tax Authorities as to the amount of the priority of
20 such claim, Huffermen will file an objection to the proof of claim.

21 To the extent any of the Tax Authorities holds a further Unsecured Priority
22 Claim, as provided in 11 U.S.C. §1129(a)(9)(C), unless they agree to an alternative form
23 of treatment, the Allowed Priority Claims of Class 1-B (if any) shall be paid in full, in cash,
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1 in regular installment payments of a total value, as of the Effective Date of the Plan, equal
2 to the Allowed Priority Claim, over a period ending five (5) years after the Petition Date,
3 and in a manner that is not less favorable than the most favored non-priority unsecured
4 claim provided for by the Plan (other than cash payments made to a class of creditors under
5 §1122(b)). Any Allowed Priority Claims will receive interest at the Tax Claim Rate. Any
6 Class 1-B Claim not allowed as of the Effective Date shall be paid as soon thereafter as
7 they are allowed by the Court according to the terms of this Class.
8
9

10 **3. Class 1-C: Priority Trade Claims**

11 Class 1-C consists of the Allowed Priority Claims under 11 U.S.C. § 503
12 (b)(9) for trade creditors who delivered goods to Huffermen within the twenty (20) days
13 prior to the Petition Date. Attached hereto as **Exhibit “C”** are the trade creditors in this
14 Class regarding goods delivered to Debtor within the period prescribed by the Code.
15 Unless they agree to an alternative form of treatment, the Allowed Priority Claims of Class
16 1-C shall be paid in full out of Huffermen’s Excess Cash Flow over the twelve (12) months
17 following the Effective Date in prorated payments calculated based upon such creditors
18 claim as a percentage of the total for this entire class of claims. Payments on this basis to
19 any Class 1-C Claim not allowed as of the Effective Date shall commence as soon
20 thereafter as they are allowed by the Court according to the terms of this Class.
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23 **4. Class 1-D: Landlord Priority Administrative Claim**

24 Class 1-D consists of the Allowed Priority Administrative Claim held IPT
25 Deer Valley related to the unpaid post-petition, pre lease rejection rents in the amount of
26 \$56,347.62. Unless they agree to an alternative form of treatment, the remaining balance
27 of the Allowed Claims of Class 1-D (after the application of the offset for the rental deposit
28

1 of \$13,418.20 (described in Class 2-C *infra*) shall be paid in full over the twelve (12)
2 months following the Effective Date in equal monthly payments of \$3,577.45.

3
4 **B. Class 2**

5 **1. Class 2-A: Chase Bank**

6 Class 2-A consists of the Allowed Secured Claim of Chase Bank related to
7 its first position blanket lien on all of Huffermen's assets. Chase Bank filed a proof of
8 claim in the amount of \$224,624.84. Huffermen has been making adequate protection
9 payments to Chase Bank throughout the bankruptcy case consistent with the cash collateral
10 stipulation with Chase Bank. Huffermen shall recognize an allowed secured claim in the
11 amount of \$224,624.84 ("**Allowed Secured Claim**"). The Allowed Secured Claim shall
12 accrue interest at four and one-half percent (4.5%) annual interest. The Allowed Secured
13 Claim shall be re-amortized over one hundred and twenty (120) months. Huffermen shall
14 make equal monthly payments of principal and interest in the amount of \$2,327.00 per
15 month ("**Monthly P&I Payment**") commencing on the Effective Date. The Monthly P&I
16 Payment shall be sent to Chase Bank care of their Counsel, Larry Folks, at 1850 North
17 Central Ave., Suite 1140, Phoenix, AZ 85004. The Allowed Secured Claim may be pre-
18 paid at any time without penalty. Huffermen shall be deemed current on its obligations to
19 Chase Bank upon the entry of the Confirmation Order. Once the Allowed Secured Claim
20 is paid in full as reflected herein, Chase Bank shall release any and all rights or interests it
21 may have in the collateral. If Huffermen fails to tender the payments as required herein,
22 or if a tendered payment is not honored, then Chase Bank shall provide written notice to
23 Huffermen at 135 East Watkins Street, Phoenix, AZ 85004, and if the default occurs while
24 the above-captioned bankruptcy proceeding remains active, to Huffermen's counsel at
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1 6803 East Main Street, Suite 1116, Scottsdale, AZ 85251, indicating the nature of the
2 default. If Huffermen fails to cure the default with certified funds after the passage of 10
3 business days from the date said written notice is received by Huffermen and its counsel if
4 applicable, Chase Bank may file a declaration of such uncured event of default with the
5 Court. The terms herein shall control and resolve any claim Chase Bank may have against
6 any guarantor. Chase Bank shall provide Huffermen with monthly statements beginning
7 within thirty (30) days of the Effective Date of the Plan. To the extent either party must
8 seek relief from the Court to compel compliance with the terms herein, the prevailing party
9 shall be entitled to recover its attorneys' fees.
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12 **2. Class 2-B: Chase**

13 Class 2-B consists of the Allowed Secured Claim of Chase Bank related to
14 its second position blanket lien on all of Huffermen's assets. Chase Bank filed a proof of
15 claim in the amount of \$193,121.08. Huffermen has been making adequate protection
16 payments to Chase Bank throughout the bankruptcy case consistent with the cash collateral
17 stipulation with Chase Bank. Huffermen shall recognize an allowed secured claim in the
18 amount of \$193,121.08 ("**Allowed Secured Claim**"). The Allowed Secured Claim shall
19 accrue interest at four and one-half percent (4.5%) annual interest. The Allowed Secured
20 Claim shall be re-amortized over one hundred and twenty (120) months. Huffermen shall
21 make equal monthly payments of principal and interest in the amount of \$2,001.00 per
22 month commencing on the Effective Date. The Monthly P&I Payment shall be sent to
23 Chase Bank care of their Counsel, Larry Folks, at 1850 North Central Ave., Suite 1140,
24 Phoenix, AZ 85004. The Allowed Secured Claim may be pre-paid at any time without
25 penalty. Huffermen shall be deemed current on its obligations to Chase Bank upon the
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1 entry of the Confirmation Order. Once the Allowed Secured Claim is paid in full as
2 reflected herein, Chase Bank shall release any and all rights or interests it may have in the
3 collateral. If Huffermen fails to tender the payments as required herein, or if a tendered
4 payment is not honored, then Chase Bank shall provide written notice to Huffermen at 135
5 East Watkins Street, Phoenix, AZ 85004, and if the default occurs while the above-
6 captioned bankruptcy proceeding remains active, to Huffermen's counsel at 6803 East
7 Main Street, Suite 1116, Scottsdale, AZ 85251, indicating the nature of the default. If
8 Huffermen fails to cure the default with certified funds after the passage of 10 business
9 days from the date said written notice is received by Huffermen and its counsel if
10 applicable, Chase Bank may file a declaration of such uncured event of default with the
11 Court. The terms herein shall control and resolve any claim Chase Bank may have against
12 any guarantor. Chase Bank shall provide Huffermen with monthly statements beginning
13 within thirty (30) days of the Effective Date of the Plan. To the extent either party must
14 seek relief from the Court to compel compliance with the terms herein, the prevailing party
15 shall be entitled to recover its attorneys' fees.

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20 **C. Class 3**

21 **1. Class 3-A: General Unsecured Claims**

22 Class 3-A consists of the Allowed Unsecured Claims of Creditors. Class 3-
23 A Creditors may elect (at their sole option) to be treated in accordance with Class 3-B, or
24 it shall be treated in accordance with Class 3-A. Class 3-A Creditors shall be paid a pro-
25 rata share from Huffermen's Excess Cash Flow, on a semi-annual basis (with payments to
26 be sent out for the prior half-year by February 15 and August 15), after all senior Allowed
27 Claims (including Class 3-B) have been paid in accordance with the terms of the Plan, until
28

1 the Allowed Unsecured Claim have been paid in total the value of Huffermen's liquidation
2 equity (a total maximum of \$20,000.00) as calculated in Huffermen's Disclosure
3 Statement.
4

5 **2. Class 3-B: Administrative Convenience Unsecured Claims**

6 Class 3-B consists of Allowed Unsecured Claims of Creditors whose
7 Allowed Unsecured Claim is \$1,000.00 or less, or that make an election to reduce their
8 Allowed Unsecured Claim to \$1,000.00, so that they can be treated in accordance with
9 Class 3-B. Class 3-B Creditors shall be paid a pro-rata share from Huffermen's Excess
10 Cash Flow, on a semi-annual basis (with payments to be sent out for the prior half-year by
11 February 15 and August 15), until they have been paid 50% of the amount of their Allowed
12 Claim, after all senior Allowed Claims have been paid in accordance with the terms of the
13 Plan, but before any payments are made to Class 3-A.
14
15

16 **D. Class 4**

17 **1. Class 4-A: Allowed Interest of Huffermen**

18 Class 4-A consists of the Allowed Interests of the Interest Holder of
19 Huffermen. In consideration for retaining his Interest, the Interest Holder shall contribute
20 to Huffermen the amount of \$12,500.00. This funding will come from the Interest Holder.
21 The Interest Holders shall retain their Allowed Interest in Huffermen, but unless, and until
22 all senior Allowed Claims are paid in full in accordance with the terms of the Plan, the
23 Interest Holder shall receive no distribution on account of his Allowed Interest.
24
25

26 **X. LIQUIDATION ANALYSIS**

27 **A. Huffermen's Liquidation Analysis**

28 The following is a Liquidation Analysis indicating what Huffermen believes

creditors would receive in the event of a liquidation. The figures for “market value” and “liquidation value” are Huffermen’s best estimate on what these assets are worth on a market or liquidation basis.¹

Asset	Market Value	Liquidation Value	Secured Claim	Equity
Cash on Hand	\$198.63	\$198.63	\$0.00	\$198.63
JPMorgan Chase Acct. Ending in 0267	\$50.00	\$50.00	\$417,745.92	\$0.00
JPMorgan Chase Acct. Ending in 7651	\$73,318.86	\$73,318.86	\$417,745.92	\$0.00
IPT Deer Valley IC, LLC Security Deposit	\$13,418.20	\$13,418.20	\$13,418.20	\$0.00
APS Security Deposit	\$19,750.00	\$19,750.00	\$-	\$19,750.00
Accounts Receivable - 90 Days or Less	\$184,275.55	\$165,848.00	\$417,745.92	\$0.00
Accounts Receivable - Over 90 Days	\$3,419.39	\$0.00	\$-	\$0.00
Various Raw Materials	\$45,307.69	\$40,776.92	\$417,745.92	\$0.00
Office Fixtures	\$5,920.00	\$5,328.00	\$417,745.92	\$0.00
Manufacturing Equipment	\$237,939.34	\$214,145.41	\$417,745.92	\$0.00
Website - Huffermen, Inc.	\$0.00	\$0.00	\$-	\$0.00
	\$0.00	\$0.00	\$-	\$0.00
	\$0.00	\$0.00	\$0.00	\$0.00
	\$0.00	\$0.00		\$0.00
Total		\$532,834.01	\$431,164.12	
			Total Liquidated Value	\$101,669.89
			(Less Priority Claims)	(\$86,837.90)
			(Less Attorneys Fees)	(\$30,000.00)
			LIQUIDATION EQUITY	\$0.00

Chase Bank has a blanket security interest in substantially all of Huffermen’s assets. Creditors should note that on a liquidation basis, full market value for assets cannot be obtained. Further, there are costs associated with a liquidation of assets that must be paid out of any sale proceeds. The liquidation analysis does not contain an estimation of any tax liability that could be associated with the liquidation. This would lessen the recovery to creditors. **Creditors should note that after Administration Claims² and Priority Claims³, no Liquidation Equity would exist for the benefit of general Unsecured**

¹ Debtor estimates a ten percent (10%) discount to estimated market values for liquidation.
² Huffermen estimates its’ attorneys’ fees will be approximately \$30,000.
³ Huffermen estimates its priority claims at approximately \$86,937.90 (comprised of trade creditors entitled to

1 **Claims. Nonetheless, Huffermen will pay in full all of its Administrative Claims and**
2 **Priority Claims out of its Excess Cash Flow and pay a pro-rata distribution to its**
3 **general unsecured creditors in the total amount of \$20,000 so that they will receive a**
4 **distribution from the estate.**
5

6 This analysis is provided for informational purposes only, given that Huffermen's
7 Plan does not contemplate a liquidation. The importance of the analysis is to illustrate that
8 even if Huffermen's estate was liquidated, values would lessen significantly and creditors
9 would not be paid quickly and general unsecured creditors would not receive a distribution
10 at all. Huffermen's Plan not only calls for the commencement of immediate payments to
11 creditors, it also enhances the ability to pay creditors in a greater amount more quickly.
12 Unsecured creditors should be mindful that all administrative claims and priority claims
13 are paid before any distribution to general unsecured claims.
14
15

16 **XI. HUFFERMEN'S INCOME PROJECTIONS**

17 Huffermen has operated overall profitably while in bankruptcy, to a large extent due
18 to the extensive efforts of its principal and the patience of its creditors. Huffermen will
19 continue to generate sufficient revenues to service its operating expenses and to pay the
20 debt service called for under the Plan. Attached hereto as **Exhibit "D"** are Huffermen's
21 projections provided on an annual basis. As those projections demonstrate, Huffermen will
22 be able to continue to operate profitably, and will generate sufficient income to be able to
23
24
25
26
27

28 _____
priority pursuant to 11 U.S.C. § 503(b)(9) in the amount of \$43,908.38 and its former landlord, IPT Deer Valley for the net balance after offset of its rental deposit on its post-petition pre-rejection claim for rents in the amount of \$42,929.42).

1 service the debt as is necessary under the Plan, and provide a nominal return to the general
2 unsecured creditors.

3
4 **XII. EFFECT OF CONFIRMATION**

5 Except as otherwise provided in the Plan or the Court's order confirming the Plan,
6 the Confirmation Order acts as a discharge, effective as of the Effective Date, of any and
7 all debts of Huffermen that arose at any time before the entry of the Confirmation Order,
8 including but not limited to, all principal and any and all interest accrued thereon, pursuant
9 to §1141(d)(l) of the Bankruptcy Code. The discharge of Huffermen shall be effective as
10 to each claim regardless of whether a proof of claim thereof was filed, whether the claim
11 is an allowed claim, or whether the holder thereof votes to accept the Plan.
12

13 In addition, any pre-confirmation obligations of Huffermen dealt with in the Plan
14 shall be considered New Obligations of Huffermen and these New Obligations shall not be
15 considered in default unless and until the Reorganized Debtor defaults on the New
16 Obligations pursuant to the terms of the Plan. The New Obligations provided for in the
17 Plan shall be in the place of, and completely substitute for, any pre-Confirmation
18 obligations of Huffermen and, once the Plan is confirmed, the only obligations of
19 Huffermen shall be such New Obligations as provided for under the Plan.
20
21

22 **XIII. IMPLEMENTATION AND FUNDING OF THE DEBTOR'S PLAN**

23 Huffermen's plan will be funded by its operations and Excess Cash Flow. Further,
24 the Interest Holders will repurchase their ownership in Huffermen by borrowing
25 \$12,500.00 and contributing those funds to Huffermen for its use to pay administrative
26 claims. The Reorganized Debtors shall act as the Disbursing Agent under the Plan.
27
28

1 In the event any entity which possesses an Allowed Secured Claim, or any other
2 lien in any of the Debtor's property for which the Plan requires the execution of any
3 documents to incorporate the terms of the Plan, fails to provide a release of its lien or
4 execute the necessary documents to satisfy the requirements of the Plan, the Debtor may
5 record a copy of their Plan and the Confirmation Order with the appropriate governmental
6 agency and such recordation shall constitute the lien release and creation of the necessary
7 new liens to satisfy the terms of the Plan. If the Debtor deems advisable, they may obtain
8 a further Order from the Court that may be recorded in order to implement the terms of the
9 Plan.
10 Plan.

11 **XIV. TAX CONSEQUENCES**

12 Pursuant to §1125(a)(1) of the Bankruptcy Code, the Debtor is to provide a
13 discussion of the potential material federal tax consequences of the Plan to the Debtor, any
14 successor to the Debtor, and a hypothetical investor typical of the holders of claims or
15 interests in the case, that would enable such a hypothetical investor of the relevant class to
16 make an informed judgment about the Plan, but adequate information need not include
17 such information about any other possible or proposed plan and in determining whether
18 the Disclosure Statement provides adequate information, the Court shall consider the
19 complexity of the case, the benefit of additional information to creditors and other parties
20 in interest, and the cost of providing additional information.
21

22 Neither the Debtor nor their lawyers can make any statements with regard to the tax
23 consequences of the Plan on any of the creditors. Although they would note that to the
24 extent the creditor is not paid in full their Allowed Claim, they should consult with their
25 tax advisor concerning the possibility of writing off for tax purposes that portion of their
26
27
28

1 Allowed Claim that is not paid. Each creditor in this case, when analyzing the Plan, should
2 consult with its own professional advisors to determine whether or not acceptance of the
3 Plan by the creditor will result in any adverse tax consequences to the creditor.
4

5 The Bankruptcy Tax Act generally provides that the Debtor does not have to
6 recognize income from the discharge of indebtedness. The Plan contemplates significant
7 discharge of indebtedness; however, because the Debtor is in bankruptcy, they will not
8 have to recognize the discharge of indebtedness as income for tax purposes. The Debtor
9 does not believe the Plan will cause any adverse tax consequences.
10

11 **XV. NON-ALLOWANCE OF PENALTIES AND FINES**

12 No distribution shall be made under this Plan on account of, and no allowed claim,
13 whether secured, unsecured, priority, or administrative, shall include any fine, penalty,
14 exemplary or punitive damages, late charges or other monetary charge relating to or arising
15 from any default or breach by the Debtor, and any claim on account thereof shall be deemed
16 disallowed whether or not an objection to it is filed.
17

18 **XVI. EXECUTORY CONTRACTS**

19 The Debtor rejects all executory contracts and unexpired leases not otherwise
20 assumed herein or by separate order of the Court. Claims for any executory contracts or
21 unexpired leases rejected by the Debtor shall be filed no later than ten (10) days after the
22 earlier of Confirmation or the date the executory contract or unexpired lease is specifically
23 rejected. Any such Claims not timely filed and served shall be disallowed.
24
25

26 **XVII. VOTING PROCEDURE**

27 The Plan divides the claims of creditors and of interest-holders into separate classes.
28 All classes of claimants are encouraged to vote; however, only the vote of holders of claims

1 that are impaired by the Plan will have a significant impact upon the confirmation process.
2 Generally, this includes creditors who, under the Plan, will receive less than payment in
3 full of their claims on the Effective Date of the Plan.
4

5 All creditors entitled to vote on the Plan must cast their vote by completing, dating
6 and signing the ballot which has been mailed to them together with the Disclosure
7 Statement. The ballot contains instructions concerning the deadline for submitting the
8 ballot and to what address the ballot should be mailed.
9

10 This Disclosure Statement has been approved by the Bankruptcy Court in
11 accordance with §1125 of the Bankruptcy Code, and is provided to each person whose
12 claim or interest has been scheduled by the Debtor, or who has filed a proof of claim or
13 interest with respect to the Debtor or its property, each known equity interest holder and
14 other parties-in-interest known to the Debtor. The Disclosure Statement is intended to
15 assist creditors in evaluating the Plan and in determining whether to accept the Plan. In
16 determining acceptance of the Plan, votes of creditors will only be counted if submitted by
17 a creditor whose claim is duly scheduled by the Debtor as undisputed, non-contingent and
18 liquidated, or who has timely filed with the Court a proof of claim or proof of interest.
19
20

21 The Bankruptcy Court will schedule a hearing to determine whether the
22 requirements for confirmation under the Bankruptcy Code have been met and whether the
23 Plan has been accepted by each impaired class and by the requisite number of creditors in
24 such class. Under §1126 of the Code, an impaired class is deemed to have accepted the
25 Plan upon a favorable vote of at least two-thirds (2/3) in dollar amount and more than one-
26 half (1/2) in number of the allowed claims of class members voting on the Plan. Further,
27 unless there is unanimous acceptance of the Plan by an impaired class, the Court must also
28

1 determine that class members will receive at least as much as they would if the Debtors
2 were liquidated under Chapter 7 of the Code.

3
4 Even if each class of creditors does not accept the Plan, the Plan can be confirmed
5 under §1129(b) of the Code, so long as one impaired class of creditors accepts the Plan.
6 The failure of each class to accept the Plan could very well result in a conversion of this
7 case to a Chapter 7 or dismissal of the Chapter 11, and the secured creditors repossessing
8 their collateral and disposing of it in a commercially reasonable manner with no obligation
9 to unsecured creditors.
10

11 **XVIII. MODIFICATION OF PLAN**

12 In addition to its modification rights under §1127 of the Bankruptcy Code, the
13 Debtors may amend or modify their Plan at any time prior to Confirmation without leave
14 of the Court. The Debtor or the Reorganized Debtor may propose amendments and/or
15 modifications of their Plan at any time subsequent to Confirmation with leave of the Court
16 and upon notice to Creditors. After Confirmation of the Plan, the Debtor or the
17 Reorganized Debtor may, with approval of the Court, as long as it does not materially or
18 adversely affect the interests of Creditors, remedy any defect or omission or reconcile any
19 inconsistencies of the Plan, or in the Confirmation Order, if any may be necessary to carry
20 out the purposes and intent of their Plan.
21

22 **XIX. EXCULPATION CLAUSE**

23
24 From and after the Effective Date, neither Debtor, Reorganized Debtor, the
25 professionals employed on behalf of the Estate, nor any of his respective present or former
26 employees, advisors, attorneys, or agents, shall have or incur any liability, including
27 derivative claims, but excluding direct claims, to any holder of a Claim or any party-in-
28

1 interest, or any of their respective agents, employees, representatives, financial advisors,
2 attorneys, or Affiliates, or any of their successors or assigns, for any act or omission in
3 connection with, relating to, or arising out of (from the Petition Date forward), the Chapter
4 11 Case, Reorganized Debtor, the pursuit of confirmation of this Plan, or the consummation
5 of this Plan, except for gross negligence and willful misconduct, and in all respects shall
6 be entitled to reasonably rely upon the advice of counsel with respect to his duties and
7 responsibilities under this Plan or in the context of the Chapter 11 Case.
8
9

10 **XX. CLOSING OF THE CASE**

11 If the Court does not close this case on its own motion, the Reorganized Debtor will
12 move the Court to close this case once the Plan is deemed substantially consummated.
13 Until substantial consummation, the Reorganized Debtor will be responsible for filing pre-
14 and post-confirmation reports required by the United States Trustee and paying the
15 quarterly post-confirmation fees of the United States Trustee, in cash, pursuant to 28 U.S.C.
16 §1930, as amended. Pursuant to 11 U.S.C. §1129(a)(12), all fees payable under section
17 1930 of title 28, as determined by the Court at the hearing on confirmation of the Plan, will
18 be paid, in cash, on the Effective Date.
19
20

21 **XXI. RETENTION OF JURISDICTION**

22 The Court will retain jurisdiction until the Plan has been fully consummated for,
23 including but not limited to, the following purposes:
24

25 1. The classification of the Claims of any Creditors and the re-examination of
26 any Claims which have been allowed for the purposes of voting, and for the determination
27 of such objections as may be filed to the Creditor's Claims. The failure by the Debtor to
28 object to or examine any Claim for the purpose of voting shall not be deemed to be a waiver

1 of the Debtor's rights to object to or to re-examine the Claim in whole or in part.

2 2. To determine any Claims which are disputed by the Debtor, whether such
3 objections are filed before or after Confirmation, to estimate any Un-liquidated or
4 Contingent Claims pursuant to 11 U.S.C. §502(c)(1) upon request of the Debtor or any
5 holder of a Contingent or Un-liquidated Claim, and to make determination on any objection
6 to such Claim.
7

8 3. To determine all questions and disputes regarding title to the assets of the
9 estate, and determination of all causes of action, controversies, disputes or conflicts,
10 whether or not subject to action pending as of the date of Confirmation, between the
11 Debtors and any other party, including but not limited to, any rights of the Debtors to
12 recover assets pursuant to the provisions of the Bankruptcy Code.
13

14 4. The correction of any defect, the curing of any omission or any reconciliation
15 of any inconsistencies in the Plan, or the Confirmation Order, as may be necessary to carry
16 out the purposes and intent of the Plan.
17

18 5. The modification of the Plan after Confirmation, pursuant to the Bankruptcy
19 Rules and the Bankruptcy Code.
20

21 6. To enforce and interpret the terms and conditions of the Plan.

22 7. The entry of an order, including injunctions, necessary to enforce the title,
23 rights and powers of the Debtors, and to impose such limitations, restrictions, terms and
24 conditions of such title, right and power that this Court may deem necessary.
25

26 8. The entry of an order concluding and terminating this case.

27 **XXII. DISCLAIMER**

28 Court approval of this Disclosure Statement and the accompanying Plan of

1 Reorganization, including exhibits, is not a certification of the accuracy of the contents
2 thereof. Furthermore, Court approval of these documents does not constitute the Court's
3 opinion as to whether the Plan should be approved or disapproved.
4

5 **XXIII. RISKS**

6 The risk of the Plan lies essentially with the Debtor's ability to maintain their income
7 to make plan payments.
8

9 **XXIV. PROPONENTS' RECOMMENDATION/ALTERNATIVES TO THE PLAN**

10 The Debtor recommends that all creditors entitled to vote for the Plan do so. The
11 alternatives to confirmation of the Plan would be either conversion of this case to a case
12 under Chapter 7 of the Bankruptcy Code or its dismissal.
13

14 Conversion will result in the appointment of a Chapter 7 trustee and, most likely,
15 the hiring of an attorney by the trustee. Expenses incurred in administering the Chapter 7
16 case will take priority in the right to payment over allowed, administrative expenses
17 incurred in the Chapter 11 case. Both Chapter 7 and Chapter 11 administrative expenses
18 take priority over the payment of unsecured claims without priority. In other words,
19 conversion would likely decrease the net amount available to pay currently existing
20 creditors, and it is extremely likely general unsecured creditors would not receive any
21 distribution in a Chapter 7. Further, a Chapter 7 proceeding would not provide the Debtor
22 with the means to pay its Administrative Claims and Priority Claims over time.
23
24

25 In addition, conversion could substantially delay any distribution to creditors
26 beyond the time period for distribution defined in the Plan. A Chapter 7 trustee is not
27 limited to specific deadlines for closing a case and distributing assets to creditors. It is not
28 unusual for distributions in Chapter 7 cases to be delayed for years. Moreover, the return

1 on the assets of the Estate a trustee is likely to obtain through a standard Chapter 7
2 liquidation could be less than the return the Plan will generate.

3
4 Dismissal of this case would leave all creditors holding unsecured claims in the
5 position of having to institute legal proceedings to collect their debts. Moreover, outside
6 the context of a bankruptcy case, the first creditor to collect may collect all non-exempt
7 property, leaving nothing to be paid to remaining creditors. In addition, dismissal of this
8 case would open the door for the Debtor to file a new bankruptcy case, which could further
9 delay or reduce funds available to pay creditors.
10

11 For all these reasons, the Debtor urges you to vote to accept the Plan and to return
12 your ballots in time to be counted.

13 ***[REMAINDER OF THIS PAGE INTENTIONALLY BLANK]***

14
15 ***[SIGNATURES TO FOLLOW ON NEXT PAGE]***

1 DATED this 27th day of March, 2019

2 KEERY MCCUE, PLLC

3 

4 Patrick F. Keery, Esq.
5 *Attorneys for Debtor*

6 HUFFERMEN, INC.

7 

8 By: Ross Dodson
9 Its: President

10
11
12
13
14
15 **COPY** of the foregoing mailed, or served
16 via electronic notification* or fax** or if
17 so marked this 27th day of March 2019 to:

18 Office of U.S. Trustee*
19 230 North First Ave., Suite 204
20 Phoenix, AZ 85003-1706
21 Email: ustpreion14.px.ecf@usdoj.gov

22 Edward K. Bernatavicius, Esq.*
23 Office of United States Trustee
24 230 N. First Avenue, Suite 204
25 Phoenix, AZ 85003-1706
26 Email: Edward.K.Bernatavicius@usdoj.gov

27 Nancy K. Swift, Esq.*
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By: /s/ Mollie Thompson