

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2003-018945

04/28/2004

HON. THOMAS DUNEVANT, III

CLERK OF THE COURT
K. Ballard
Deputy

IN RE THE MATTER OF

FILED: 04/30/2004

DISSOLUTION OF C & H FURNITURE
MANUFACTURING INC, et al.

DONALD W HUDSPETH
H NORMAN STONE
JOHN W BLISCHAK

HEARING/
MATTER TAKEN UNDER ADVISEMENT

8:40 a.m. This is the time set for evidentiary hearing/oral argument on Third Party Plaintiff's Motion to Disqualify Harry Stone and Receiver's Motion to Approve Sale of Property. Present on behalf of Plaintiff Ignacy Czerski, individually, and as a Shareholder of C & H Furniture Manufacturing; and Third Party Defendants/Counterclaimants Ignacy Czerski and Yvada Czerski is N. Harry Stone. Present on behalf of Third Party Plaintiff Robert Hayworth and Counterdefendants Robert Hayworth and Eulalia Hayworth are Donald W. Hudspeth and A.J. Mitchell. Present on behalf of the Receiver, S. Barry Skversky, is John Blischak. Ignacy Czerski, Robert Hayworth, and S. Barry Skversky are also present.

Court reporter, Amy C. Prellwitz-Fuller, is present.

Counsel for Third Party Plaintiff/Counterdefendants Hayworth advises the Court that he also represents C & H Furniture Manufacturing on the claims of conversion, but not as to the dissolution of C & H Furniture.

LET THE RECORD REFLECT for purposes of this hearing and for clarity, Ignacy Czerski shall be referred to as the Plaintiff, and Robert Hayworth shall be referred to as Defendant.

Pending before the Court are the following motions:

- 1) Receiver's Motion to Approve Appraisal of Property, filed April 22, 2004;

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2003-018945

04/28/2004

- 2) Receiver's Motion for Expedited Hearing/Order on Appraisal of Property, filed April 22, 2004;
- 3) Receiver's Motion to Approve Sale of Property, filed April 16, 2004;
- 4) Receiver's Motion to Expedite Hearing/Ruling/Order on Sale of Building, filed April 16, 2004; and
- 5) Third Party Defendants/Counterclaimants' Motion for Order to Compel Robert Hayworth to Attend Deposition and Sanctions, filed March 16, 2004.

Motion to Approve Sale of Property

Receiver's Motion to Approve the Sale of the Property is discussed. Based thereon, the parties have no objection to the Receiver's motion. Further discussion is held regarding revisions to the proposed Order Approving Sale of Property. Based thereon, the Receiver's counsel shall submit a revised proposed Order consistent with the following and what counsel have stated on the record:

The parties' having submitted a proposed purchase contract for the sale of the building of C & H Furniture Manufacturing, Inc., located at the address located (insert property address), and the parties having submitted a purchase contract for such property to the Court, herein orders that the sale of the property pursuant to the attached contract is hereby approved.

The revised Order shall be submitted to the Court later today.

Motion to Approve Appraisal of Property

Receiver's Motion to Approve Appraisal of Property is discussed. The parties are agreeing that there will be two appraisers to appraise the business: Bays and Phoenix Machinery and Supply. The parties also agree that Phoenix Machinery and Supply will be appraising the business addressing the three items listed on page two of Third Party Defendants/Counterclaimants' Response to Receiver's Motion to Approve Appraisal of Property, filed on April 26, 2004. More specifically,

1. An appraisal of the business (without the building) on a going concern basis where the business continues to be conducted at its current location.
2. An appraisal of the business (without the building) on a going concern basis where the business is relocated to a different location.
3. An appraisal of the business (without the building), if the business is terminated and its assets (excluding the building) are sold at a publicized auction.

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2003-018945

04/28/2004

Counsel for the Receiver shall submit an Order to the Court later today consistent with the above and with the comments made by counsel on the record.

Discussion is held regarding the presence of the Receiver and Receiver's counsel for the evidentiary hearing regarding the Motion to Disqualify. There being no objection to Receiver's counsel being excused,

9:00 a.m. John Blischak, counsel for the Receiver, is excused.

Evidentiary Hearing re: Motion to Disqualify Harry Stone

Opening statements are waived.

Discussion is held regarding the marking of exhibits.

9:03 a.m. Court stands at recess.

Plaintiff's exhibit 1 and Defendant's exhibit 2 are marked for identification.

9:14 a.m. Court reconvenes with respective counsel and the parties present. The Receiver is also present.

Court reporter, Amy C. Prellwitz-Fuller, is present.

Pursuant to stipulation of counsel,

Plaintiff's exhibit 1 and Defendant's exhibit 2 are received in evidence.

N. Harry Stone is sworn and testifies.

S. Barry Skversky is sworn and testifies.

Robert Hayworth is sworn and testifies.

10:35 a.m. Court stands at recess.

10:46 a.m. Court reconvenes with respective counsel and the parties present. The Receiver is not present, nor is his counsel.

Court reporter, Amy C. Prellwitz-Fuller, is present.

LET THE RECORD REFLECT the Court conducts a bench conference with counsel. Based thereon,
Docket Code 020

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2003-018945

04/28/2004

10:49 a.m. The court reporter is excused from these proceedings.

LET THE RECORD REFLECT an electronic recording of the proceedings thus far has been made in addition to the court reporter being present.

A record of the following proceedings is made by CD/videotape in lieu of a court reporter.

Robert Hayworth retakes the stand and testifies further.

12:00 p.m. Court stands at recess.

1:33 p.m. Court reconvenes with respective counsel and the parties present.

A record of the proceedings is made by CD/videotape in lieu of a court reporter.

Robert Hayworth retakes the stand and testifies further.

N. Harry Stone retakes the stand and testifies further.

Ignacy Czerski is sworn and testifies.

Closing arguments.

LET THE RECORD REFLECT during the course of closing arguments, John Blischak, counsel for the Receiver, returns to the courtroom with proposed Orders.

At the conclusion of closing arguments, the proposed Orders of the Receiver are reviewed and discussed. Based thereon,

IT IS ORDERED approving and settling the formal written Order (re: Sale of the Building), signed by the Court this date in open court.

IT IS FURTHER ORDERED approving and settling the formal written Order (re: Approval of Appraisal), modified, as described on the record, and signed by the Court this date in open court.

IT IS ORDERED taking Third Party Plaintiff's Motion to Disqualify Harry Stone under advisement.

Discussion is held regarding the pending Motions to Compel filed by Third Party Defendants/Counterclaimants Czerski. Based thereon,
Docket Code 020 Form V000B Page 4

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

CV 2003-018945

04/28/2004

Counsel for Third Party Defendants/Counterclaimants Czerski withdraws their Motion for Order to Compel Robert Hayworth to Attend Deposition and Sanctions, filed March 16, 2004, and Motion to Compel Robert Hayworth's Deposition, filed April 12, 2004. Accordingly, those motions are withdrawn and rendered moot.

3:22 p.m. Matter concludes.

FILED: Unsigned Order (re: Motion to Retain the Services of an Appraiser) and Order re: Appraisal of Property