

**UNITED STATES BANKRUPTCY COURT
MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION**

IN RE:)	
)	Case No. 3:11-bk-11792
CITIZENS CORPORATION and)	Jointly Administered
FINANCIAL DATA TECHNOLOGY)	Chapter 11
CORPORATION,)	Judge Marian F. Harrison
Debtor.)	

**DISCLOSURE STATEMENT TO ACCOMPANY DEBTOR FINANCIAL DATA
TECHNOLOGY CORPORATION'S CHAPTER 11 PLAN OF LIQUIDATION DATED
FEBRUARY 1, 2013**

Financial Data Technology Corporation (the "Debtor" or "Fi-Data") submits this Disclosure Statement for use in soliciting acceptance of its Chapter 11 Plan of Liquidation dated February 1, 2013 (the "Plan"). The Plan relates only to the assets of, and claims against, Fi-Data and does not affect the Citizens Corporation case, whose bankruptcy shall remaining pending after the confirmation of this Fi-Data plan.

ARTICLE I. INTRODUCTION

This Disclosure Statement and the accompanying Ballot are being furnished by Debtor to the holders of Claims against Debtor pursuant to Section 1125 of the United States Bankruptcy Code in connection with the solicitation of ballots for the acceptance of Debtor's Plan of Liquidation filed under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code" or the "Code"). Capitalized terms used in this Disclosure Statement and not defined herein shall have their respective meanings set forth in the Plan or, if not defined in the Plan, as defined in the Bankruptcy Code.

On February 1, 2013, Debtor filed this Disclosure Statement and the Plan in the U.S. Bankruptcy Court for the Middle District of Tennessee, Nashville Division (the "Bankruptcy Court").

The purpose of this Disclosure Statement is to enable those persons whose Claims against Debtor are Impaired and who are entitled to vote under the Plan to make an informed decision with respect to the Plan before exercising their rights to vote to accept or reject the Plan. On March __, 2013, after notice and a hearing, this Disclosure Statement was approved by the Bankruptcy Court as containing information, of a kind and in sufficient detail, to enable Persons whose votes are being solicited to make an informed judgment with respect to acceptance or rejection of the Plan (the "Approval Order"). The Bankruptcy Court's approval of this Disclosure Statement does not constitute either a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan.

Holders of Claims against Fi-Data should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes with respect to the Plan may be made except pursuant to this Disclosure Statement. No statement or information concerning Debtor (particularly with respect to distributions to be made under the Plan) or any of the assets or properties of Debtor that is given for the purpose of soliciting acceptances or rejections of the Plan is authorized, other than as set forth in this Disclosure Statement. In the event of any inconsistencies between the provisions of the Plan and this Disclosure Statement, the provisions of the Plan shall control.

After carefully reviewing this Disclosure Statement, the Plan and all exhibits and any schedules attached hereto, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed Ballot. Then, **RETURN THE BALLOT IN SUFFICIENT TIME TO BE RECEIVED BY NO LATER THAN 4:00 P.M., CENTRAL TIME, ON _____, 2013 (THE "VOTING DEADLINE") AT THE FOLLOWING ADDRESS:**

Cindy Duck
Harwell Howard Hyne Gabbert & Manner, P.C.
333 Commerce Street, Suite 1500
Nashville, Tennessee 37201

DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF ALL CLAIMANTS AND, CONSEQUENTLY, THE DEBTOR URGES ALL CLAIMANTS TO VOTE TO ACCEPT THE PLAN.

Any Ballots received after the Voting Deadline will not be counted unless otherwise ordered by the Bankruptcy Court. Ballots that are received after the Voting Deadline may not be used in connection with the Debtor's request for confirmation of the Plan or any modification thereof, except to the extent allowed by the Bankruptcy Court. *See "Voting Ballots and Voting Deadline."*

Should you have any questions regarding the voting procedures, your ballot, or the ballot instructions, or if your ballot is damaged or lost, contact Glenn B. Rose, counsel for the debtor.

The Approval Order fixes _____, 2013, at 9:00 a.m. Central Time, in Courtroom Three, United States Bankruptcy Court for the Middle District of Tennessee, Nashville Division, 207 Customs House, 701 Broadway, Nashville, Tennessee 37203, as the date, time, and place for the hearing on Confirmation of the Plan, and fixes _____, 2013, as the date by which all objections to Confirmation of the Plan must be filed with the Bankruptcy Court and received by counsel for the Debtor and certain other persons identified in the Approval Order. The Debtor will request Confirmation of the Plan at the Confirmation Hearing.

This Disclosure Statement may not be relied upon for any purposes other than to determine how to vote on the Plan, and nothing contained herein shall constitute an admission of any fact or liability by any party or be admissible in any proceeding involving the Debtor, the Liquidation Agent, or any other party or be deemed conclusive advice on the legal effects of the liquidation of the Debtor upon the Holders of Claims or Interests.

This Disclosure Statement and the Plan refer alternatively to the Debtor and the Liquidation Agent. Except to the extent explicitly provided by the Plan or the Disclosure Statement, or by the Bankruptcy Code, the Liquidation Agent, as representative and authorized agent for the Debtor, shall have the authority to take any action provided by the Plan or the Disclosure Statement.

ARTICLE II. PURPOSE OF CHAPTER 11 AND PRECIPITATING FACTORS

Chapter 11 is the principal business reorganization chapter of the Code. Pursuant to Chapter 11, a debtor may be reorganized or liquidated for its benefit and that of the holders of claims against and interests in the debtor. Attempts to collect upon pre-petition claims from the debtor or attempts to foreclose upon the debtor's assets by any secured creditor are stayed during the pendency of the case. In this Chapter 11 Case, the Debtor continued in possession of its property and operated its businesses as a Debtor-in-Possession pursuant to the provisions of Sections 1107 and 1108 of the Code. The Plan is the sole vehicle for satisfying the rights of Holders of Claims against and Interests in the Debtor.

Since the 1990's, Fi-Data has been in the business of providing back-office services to banks. Among other services, Fi-Data performs check processing services for about twenty customers. In the course of its performance, Fi-Data utilizes software licensed from FiServ. In 2010 and 2011, Fi-Data had gross revenues of over nine million dollars (\$9,000,000).

On July 31, 2012 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. Pursuant to Sections 1107 and 1108 of the Bankruptcy Code, the Debtor is continuing to wind down its business and manage its properties as Debtor-in-Possession. No trustee or examiner has been appointed in the Debtor's case.

With the approval of the Court, the Debtor employed the law firm of Harwell Howard Hyne Gabbert & Manner, P.C. ("Debtor's Counsel") as its attorney to represent it as Debtor-in-Possession on the terms stated in the employment application and the Order of the Court approving such employment.

Simultaneously with the filing of this Disclosure Statement, the Debtor is filing a Chapter 11 Plan of Liquidation, which will be discussed and described in this Disclosure Statement. Terms defined in the Plan and not otherwise specifically defined in this Disclosure Statement will have the same meanings set forth in the Plan when used in this Disclosure Statement.

The Plan discussed in this Disclosure Statement proposes the liquidation of all assets that have not already been liquidated in the course of this Chapter 11 Case and for the distribution of the Debtor's net Cash in accordance with the requirements of the Bankruptcy Code.

Under the Bankruptcy Code, when soliciting acceptance or rejection of a plan of reorganization, a debtor must transmit to the holders of claims a disclosure statement approved by the court as containing "adequate information." On _____, 2013, the Bankruptcy Court found that this Disclosure Statement contains information that is in compliance with the adequate information requirement of the Bankruptcy Code. The Disclosure Statement describes various

transactions contemplated under the Plan and is supplied to you for purposes of assisting in your evaluation of, and your decision of how to vote on, the Plan.

ARTICLE III. PROGRESS OF THE CHAPTER 11 CASE

A. Filing of Petition

On July 31, 2012 (the “**Petition Date**”), Debtor filed a voluntary petition seeking relief under Title 11 of the Bankruptcy Code.

B. First Day Administration

On the Petition Date, Debtor filed several motions, including, but not necessarily limited to, the following:

1. a Motion for joint administration with the Chapter 11 case of Citizens Corporation;
2. a Motion to obtain Debtor-In-Possession financing, grant security interests, and accord priority status to Legends Bank;
3. a Motion for an order authorizing payment of pre-petition wages and benefits to employees, and authorizing continued use of an employee-funded bank account;
4. a Motion to approve Debtor’s sale of assets to FiServ free and clear of liens; and
5. a Motion to approve Debtor’s assumption and assignment of certain executory contracts and unexpired leases in connection with the proposed asset sale.

C. Schedules of Assets and Liabilities and Monthly Operating Reports

Pursuant to the Bankruptcy Rules and the requirements of the United States Trustee's Office, Debtor filed on August 14, 2012 its Schedules of Assets and Liabilities and the Statement of Financial Affairs (Doc. Nos. 196 and 197). Debtor has filed Monthly Operating Reports for each month since the Petition Date. In addition to the information provided herein, the Schedules, Statements and Monthly Operating Reports may be consulted and inspected by all interested persons. Copies of these and any other filings in this Chapter 11 Case may be obtained electronically by those authorized to participate in the PACER program by accessing the Bankruptcy Court’s website, www.tnmb.uscourts.gov, or by writing to Debtor’s counsel, H3GM, Attn: Glenn B. Rose, 333 Commerce Street, Suite 1500, Nashville, Tennessee, 37201. A fee will be charged for copies.

D. Deadline for Filing Proofs of Claim

Debtor filed a motion asking the Bankruptcy Court to set a general Claims Bar Date. By Order entered September 17, 2012, the Bankruptcy Court set **October 19, 2012** as the general Claims Bar Date – the deadline by which all proofs of claim for unscheduled debts or for debts scheduled as disputed, contingent, or unliquidated had to be filed with the Clerk of the Bankruptcy.

This Order also set other deadlines related to Claims, including establishing **January 28, 2013** as the Governmental Claims Bar Date for all governmental entities.

The Bankruptcy Court also ordered that all Persons holding Claims arising from, or as a consequence of, rejection of executory contracts or unexpired leases to file their proofs of claims on or before the later of (a) 30 days after entry of the order rejecting said contract or lease or (b) the General Claims Bar Date. For unexpired leases rejected as a matter of law pursuant to Section 365(d)(4) of the Bankruptcy Code and those contracts or leases deemed rejected by the Plan, the deadline for filing a claim is set by the Plan to be 30 days from the Effective Date. Should Debtor amend its schedules in the future to change the amount of any claim or change a claim to disputed, contingent, or unliquidated, the Plan provides that the Holder of such Claim shall have 30 days from service of notice of the change to file a proof of Claim.

E. Approval and Closing of FiServ Asset Purchase Agreement

Citizens Corporation is the sole shareholder of Debtor. In March 2011, Citizens filed for bankruptcy relief under Chapter 11 of the Code, and Gary Murphey was appointed Trustee. Mr. Murphey soon discovered that Fi-Data was the most significant asset of Citizen's estate. Soon after the commencement of Citizens' Chapter 11 case, Fi-Data's software licensor, FiServ, and at least six Fi-Data customers provided Fi-Data with notices of non-renewal of contracts. Because Fi-Data was losing customers and its software licensor, Mr. Murphey concluded that it would be in the best interest of both Citizens' and Fi-Data's creditors to sell Fi-Data.

Initially, Mr. Murphey explored the possibility of a sale of Fi-Data stock, but came to the conclusion that potential purchasers would prefer to purchase substantially all of Fi-Data's assets. After a period of negotiation and exploration, FiServ came forward with the best offer for Fi-Data's assets, and Mr. Murphey entered into an Asset Purchase Agreement with FiServ on behalf of Fi-Data and its parent, Citizens. This case was commenced soon thereafter, in order to preserve the value of the Debtor's assets and allow for an orderly sale of its assets. By order entered September 14, 2012, the Court approved the sale to FiServ pursuant to the terms of the Asset Purchase Agreement as modified, and the sale closed on that same date.

ARTICLE IV. DEBTOR'S ASSETS

The following is a summary description of Debtor's principal assets. Substantially all of Debtor's assets have been liquidated, pursuant to the Court's order authorizing the sale of Debtor's assets free and clear of liens, dated September 14, 2012. The remaining information has been compiled from Debtor's unaudited monthly operating report for the period ending October 31, 2012.

A. Sale Proceeds

Pursuant to Court orders approving compromise and settlement with Community South Bank and approving the Asset Sale Agreement, substantially all of Debtor's assets have been liquidated and a substantial sum was paid creditors. The amount and mechanism of these payments is described in the Plan and below.

B. Cash

Debtor retains cash on an ongoing basis in its operating account, which was not sold to FiServ as part of the Asset Purchase Agreement. As of January 1, 2013, Debtor had cash on hand in the amount of \$1,534,878 in its operating account.

C. Litigation Claims

1. Preference and fraudulent conveyance actions. The Liquidation Agent reserves the right to pursue Avoidance Actions on behalf of the Debtor under the Plan, but currently does not believe that such actions will result in any material recovery. Many of these payments were to fully secured creditors or regular payments timely made in the ordinary course of business. Debtor also reserves the right to pursue any fraudulent conveyances recoverable under the Bankruptcy Code or state law, but the Liquidation Agent is not presently aware of any such actions. Debtor and the Liquidation Agent will continue their analysis of potential preferences and fraudulent conveyances, and specifically reserve the right to pursue such actions.

2. Other actions. At this time, the Liquidation Agent has no present intent to pursue any other Causes of Action arising under the Bankruptcy Code or state law on behalf of the Debtor, but expressly reserves the right to do so. The Debtor does intend, however, to pursue certain tax refunds believed to be owed to the Debtor.

D. Reservation of Causes of Action/Authority to Pursue and Settlement

The Plan retains and reserves all Causes of Action, including Avoidance Actions, for pursuit or abandonment by Debtor after Confirmation, within their sole discretion.

As noted above, the Plan retains and reserves for pursuit by Debtor all Avoidance Actions arising under Chapter 5 of the Bankruptcy Code. Known Avoidance Actions include preference claims pursuant to Section 547. The terms of the Plan gives Debtor the widest possible latitude in deciding whether or not to pursue any possible Cause of Action, including without limitation any preference or other Avoidance Action.

All creditors identified in Exhibits A and B to Debtor's Statement of Financial Affairs, filed on September 14, 2012 (Doc. # 197) in Debtor's Chapter 11 Case, which attachment lists all creditors and insiders receiving payments from Debtor's in the 90 days preceding the Petition Date, may be the defendant of an Avoidance Action or other Cause of Action if the total payments made to them exceeds \$5,475. The Plan reserves and retains any and all other Causes of Action regardless of whether they are specifically identified or referred to herein. Nothing contained in this Disclosure Statement or in the Plan shall have any preclusive effect against Debtor (whether by waiver, admission, estoppel or otherwise) in any cause of action or proceeding that may exist or occur in the future.

ARTICLE V. LIABILITIES OF DEBTOR

A. Administrative Expenses

Administrative Claims are any claim that is defined in Section 503(b) of the Bankruptcy Code as being an “administrative expense” and granted priority under Section 507(a)(1) of the Bankruptcy Code, including:

- a Claim for any cost or expense of administration in connection with the Case, including, without limitation, any actual, necessary cost or expense of preserving Debtor’s estates and of operating the business of Debtor incurred on or before the Effective Date;
- the full amount of all Allowed Claims for compensation for legal, accounting and other services or reimbursement of costs under Sections 330, 331 or 503 of the Bankruptcy Code;
- all fees and charges assessed against the Debtor’s estate under Chapter 123 of Title 28 of the United States Code; and
- any allowed post-petition taxes and related items, including any interest and penalties on such post-petition taxes.

1. Ordinary Course Expenses

All amounts incurred by Debtor for services provided and goods purchased in the ordinary course of its business are entitled to administrative expense priority and shall be paid in the ordinary course of their business after the Effective Date, unless disputed by Debtor. The Debtor or the Liquidation Agent shall have the right to pay those Post-Petition and pre-Effective Date expenses incurred in the ordinary course of business, without the necessity of any Court approval. Because the Debtor ceased operations in September upon the closing of the asset sale to FiServ, the amount of these expenses on an on-going basis is not expected to be significant.

2. Professionals

Pursuant to Bankruptcy Court orders, Debtor retained the law firm of Harwell Howard Hyne Gabbert & Manner, P. C. (“H3GM”) as its bankruptcy counsel. On November 13, 2012, H3GM filed an Application for Allowance of Interim Compensation in the amount of \$127,850.40 for professional services actually rendered during the period of March 19, 2012 to October 31, 2012, which Debtor paid pursuant to Court order entered December 11, 2012.

Pursuant to his role as Trustee of Citizens and Liquidation Agent of Fi-Data, and in accordance with Bankruptcy Court orders, Gary Murphey is compensated at a rate of \$350 per hour. On October 26, 2012, the Bankruptcy Court approved Mr. Murphey’s Second Application for Allowance of Interim Compensation and Reimbursement in the amount of \$237,283.00 for his work performed between May 31, 2012 and September 29, 2012 in the administration of Fi-Data’s estate.

This interim period encompasses the entirety of Fi-Data's current bankruptcy case and was paid in October 2012.

3. Fees Due to the Office of the United States Trustee

All fees due under 28 U.S.C. § 1930 are entitled to administrative expense priority and will be paid in full when due. Quarterly fees are estimated to be \$6,500.

4. Administrative Tax Claims

Debtor does not believe it will owe any sums qualifying as Unsecured Administrative Claims for Taxes, but have included a provision for such claims in the event any do exist.

B. Secured Claims

To the best of Debtor's knowledge, the following claimants assert secured claims and liens on assets – including equipment, accounts, and personal property, formerly owned by the Debtor:

- (a) Capital Bank, as successor to GreenBank, in the amount of \$181,308.68;
- (b) Tennessee Bank and Trust, in the amount of \$55,000.00;
- (c) Dell Financial Products, in an unknown amount; and
- (d) Wells Fargo Equipment Finance, in the approximate amount of \$65,000.

Amounts owed to Capital Bank, Tennessee Bank and Trust and Wells Fargo Equipment Finance have already been paid pursuant to the order authorizing the sale of assets to FiServ.

C. Priority Claims

The Internal Revenue Service (the “**IRS**”) has filed a priority claim in the Chapter 11 Case in the amount of \$16,015.12. The Tennessee Department of Revenue has filed an estimated, priority claim against Fi-Data in the amount of \$344,990. The Debtor intends to object to this claim, as it believes all franchise and excise taxes for 2011 and 2012 have been paid and that Debtor is actually entitled to a refund for 2011. To the best of the Debtor's current knowledge, Debtor owes no more than approximately \$50,000 to priority claimants.

D. Unsecured Claims

Debtor estimates that total Allowed Unsecured Claims will be no more than \$1,400,000, including claims described in paragraphs 2, 3 and 4 below.

1. Settlement of the Claims of Community South Bank, Decatur County Bank and Southern Hospitality, Inc.

Community South Bank and Southern Hospitality, Inc. both filed large claims that have been resolved by Court orders entered in connection with the hearing related to the Debtor's sale of assets to FiServ; thus, each of these claims has been resolved and/or satisfied in full.

2. Claim of David S. Myers

David S. Myers has filed a claim against Fi-Data arising from Myers' pre-petition lawsuit against Fi-Data, alleging an entitlement to contribution from based on Myers' \$750,000 guaranty in a prior loan transaction. Gary Murphey has filed an objection on behalf of Fi-Data with the Bankruptcy Court on this claim. Debtor reasonably believes that Myers claim is without legal merit, and that his \$750,000 claim will be disallowed. However, to the extent Myers' claim is allowed, the pro rata distribution to the Remaining Unsecured Claims, as provided in Paragraph 4 below will be reduced accordingly. A hearing on the objection to Myers claim has been scheduled for May 10, 2013.

3. Rejection of Jordan Road Property Lease

Pursuant to court order, Debtor has an additional 90 days within which to assume or reject its lease of the Jordan Road Property, with the time period now lasting until February 26, 2013. Debtor anticipates that, upon the expiration of the period, it will reject this lease. In the event that Debtor rejects the Jordan Road Property lease, Debtor anticipates that the lessor of the Jordan Road Property will have an unsecured claim that could be as high as \$375,000, depending upon several factors, including whether and how quickly the owner finds a new tenant.

4. Administrative Convenience Class

Debtor estimates that it owes approximately \$20,467.40 to at least 22 creditors with unsecured claims of less than \$3,500 individually. Debtor proposes to pay these amounts in full on the Effective Date.

5. Remaining Unsecured Claims

Debtor estimates that it will owe approximately \$1,000,000.00 to unsecured, non-priority creditors at Effective Date, not including the claims of David S. Myers in the filed amount of \$750,000 and the unfiled estimated claim arising from the rejection of the Jordan Road Property lease. Among the larger claims are approximately \$680,000 due to The Farmers Bank, an unsecured penalty claim in the amount of \$49,436.67 filed by the Tennessee Department of Revenue and a claim in the amount of \$112,000 filed by Peoples State Bank of Commerce. Holders of Allowed Unsecured Claims should receive a Pro Rata distribution of some amount on the Effective Date. The timing of subsequent distributions will depend upon the resolution of the Debtor's objection to the claim of David S. Myers and any claim filed by the lessor of the Jordan Road Property. If Debtor's

objection to the Myers claim is sustained, Payment in Full will occur much sooner than if the Myers claim is allowed in full.

6. Unsecured Claims Incurred in the Ordinary Course of Business

Debtor estimates it will owe approximately \$28,289.00 for unsecured debts as of the Effective Date arising from the operation and liquidation of its business, excluding claims for ongoing professional fees.

ARTICLE VI. DISCUSSION OF THE PLAN

FOR CONVENIENCE OF ALL PARTIES, MATERIAL TERMS OF THE PLAN ARE SUMMARIZED IN THIS DISCLOSURE STATEMENT. ALTHOUGH DEBTOR BELIEVES THAT THIS DISCLOSURE STATEMENT ACCURATELY DESCRIBES THE MATERIAL PROVISIONS OF THE PLAN, ALL SUMMARIES OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED BY THE PLAN, THE EXHIBITS THERETO, AND THE DOCUMENTS DESCRIBED THEREIN, WHICH CONTROL IN THE EVENT OF ANY INCONSISTENCY OR INCOMPLETENESS. ACCORDINGLY, DEBTOR STRONGLY URGES EACH RECIPIENT ENTITLED TO VOTE ON THE PLAN TO REVIEW CAREFULLY THE CONTENTS OF THIS DISCLOSURE STATEMENT, THE PLAN, AND THE OTHER DOCUMENTS THAT ACCOMPANY OR ARE REFERENCED IN THIS DISCLOSURE STATEMENT OR THE PLAN IN THEIR ENTIRETY BEFORE MAKING A DECISION TO ACCEPT OR REJECT THE PLAN.

A. Summary of the Plan

Debtor proposes a liquidation plan, whereby all of Debtor's assets are liquidated, and the remaining Cash distributed to creditors as provided below and in the Plan. Debtor proposes paying all Administrative, Secured, and Priority Claims in full, that all general Unsecured Creditors – not including the claims of Community South Bank and Decatur County Bank – receive a Pro Rata amount of their claim upon the Effective Date, and that any remaining Cash be distributed to Class 8 upon the Final Distribution.

B. Classification and Estimation of Claims

1. Unclassified Claims

Under the Bankruptcy Code, the payment of certain types of Claims is accomplished without the requirement of classification of those Claims into Classes. Administrative Claims and Priority Tax Claims are not classified under Section 1123(a)(1) of the Bankruptcy Code for purposes of voting or receiving distributions under the Plan. The procedures for payment of Administrative Claims and Priority Tax Claims, as well as professional fees and fees to the Office of the U.S. Trustee, are discussed later in this Disclosure Statement and are detailed in the Plan.

2. Classified Claims

Section 1122 of the Bankruptcy Code states in part that “a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class.” The Plan classifies Claims into eight separate Classes pursuant to Sections 1122 and 1123 of the Bankruptcy Code. The classification and treatment of Claims pursuant to the Plan is detailed below:

- (a) **Class 1 Claims:** Class 1 consists of the Allowed Secured Claims of Capital Bank (as successor to GreenBank) and Tennessee Bank and Trust.
- (b) **Class 2 Claims:** Class 2 consists of the Allowed Secured Claims of Wells Fargo Equipment Finance.
- (c) **Class 3 Claims:** Class 3 consists of separate subclasses for any Allowed Secured Claim against the Debtor, other than the Class 1, 2 and 5 Secured Claims.
- (d) **Class 4 Claims:** Class 4 consists of all Unsecured Priority Claims.
- (e) **Class 5 Claims:** Class 5 is comprised of the claims, both Secured and Unsecured, of Community South Bank and Decatur County Bank.
- (f) **Class 6 Claims:** Class 6 consists of all Unsecured Non-Priority Claims against Debtor.
- (g) **Class 7 Claims:** Class 7 consists of all Allowed Unsecured Claims under \$3,500 against Debtor, or the Allowed Claim of any other Unsecured Claim holder electing treatment as a Class 6 Claimant by waiving that portion of their Claim in excess of \$3,500.
- (h) **Class 8 Interests:** Class 8 consists of all equity interests in the Debtor, which interests are pledged to the Lender Group.

C. Treatment of Unclassified Claims

The procedures for payment of Administrative Claims and Priority Tax Claims, as well as Fee Claims, fees to the Office of the U.S. Trustee are detailed in the Plan and are summarized as follows:

1. Administrative Claims.

(a) General Allowed Administrative Claims.

Each holder of an Administrative Claim, except as otherwise set forth in sections (b), (c), and (d) of section 2.1 of the Plan shall receive either: (i) with respect to Administrative Claims which are Allowed Claims on the Effective Date, the amount of such holder's Allowed Claim in cash on the Effective Date; (ii) with respect to Administrative Claims which become Allowed Claims after the Effective Date, the amount of such holder's Allowed Claim in one cash payment as soon as practicable after such claim becomes an Allowed Administrative Claim; or (iii) such other treatment agreed upon by the Debtor and such holder; provided, however, that any such Administrative Claim representing a liability incurred in the ordinary course of business by Debtor shall be paid in accordance with the terms and conditions of the particular transaction giving rise to such liability and any agreements relating thereto. Any person or Entity that asserts an Administrative Claim that is not paid on the Effective Date shall be required to file with the Court an application for payment of such asserted Administrative Claim and to serve notice thereof on all parties entitled to such notice. Any such claims must be filed within 90 days from the Effective Date. The failure to file timely the application as required under this section 2.1(a) of the Plan shall result in the Claim being forever barred and discharged. An Administrative Claim with respect to which an application has been properly Filed pursuant to this section 2.1(d) of this Plan and to which no objection has been filed or an objection has been filed but overruled by the Court, shall become an Allowed Administrative Claim to the extent such claim is allowed by Final Order.

(b) Administrative Tax Claims

Each holder of an Administrative Claim for Taxes for which Debtor is responsible and any other Taxes of Debtor payable pursuant to Section 507(a)(1) of the Bankruptcy Code shall be paid the Allowed Amount of such holder's Claim in cash, in full, on the latest of: (i) the Effective Date, (ii) if Contested or unknown to Debtor, the date such Claim is Allowed by Final Order, or (iii) the date such payment is due under applicable law. Any person or Entity that asserts an Administrative Claim for Taxes that is not paid on the Effective Date shall be required to file with the Court an application for payment of such asserted Administrative Claim and to serve notice thereof on all parties entitled to such notice. Any such claims must be filed within ninety (90) days from the Effective Date. The failure to file timely the application as required under section 2.1(c) of the Plan shall result in the Claim being forever barred and discharged. An Administrative Claim for Taxes with respect to which an application has been properly Filed pursuant to section 2.1(d) of the Plan and to which no objection has been filed or an objection has been filed but overruled by the Court, shall become an Allowed Administrative Claim to the extent such claim is allowed by Final Order.

(c) Payment of Fees to U.S. Trustee.

All fees payable under 28 U.S.C. § 1930 shall be paid in cash in full when due.

(d) **Fee Claims of Professionals.**

Each professional person whose retention with respect to this Chapter 11 Case has been approved by the Bankruptcy Court or who holds, or asserts, an Administrative Claim that is a Fee Claim shall be required to file with the Bankruptcy Court a final fee application within ninety (90) days after the Effective Date and to serve notice thereof on all parties entitled to such notice pursuant to applicable Bankruptcy Rules and in accordance with any orders entered in these cases regarding the compensation of professionals. Payments of Court-approved compensation shall be made promptly after the order approving such compensation becomes a Final Order. Debtor will not have any obligation for any Fee Claim that is disallowed or not approved by the Court.

D. Priority Tax Claims

All Allowed Priority Tax Claims will be Paid in Full on the later of the Effective Date, the entry of a Final Order allowing any Disputed Priority Tax Claim, and the date on which the Liquidation Agent determines that he or she has sufficient funds to pay these claims and still pay Administrative Expenses, Post-Effective Date Expenses, and other non-Tax Priority Claims as they come due; provided however, that all Allowed Priority Tax Claims must be Paid in Full over a period ending not later than five years after Petition Date. Notwithstanding anything herein to the contrary, the term Paid in Full shall include interest from the Effective Date at the rate set by applicable non-bankruptcy law with respect to Allowed Priority Tax Claims not paid on either the Effective Date or upon entry of a Final Order allowing such claims. Additionally, the Debtor and Liquidation Agent may in their sole discretion choose to make partial payments on Allowed Priority Tax Claims on a Pro Rata basis.

E. Treatment of Classified Claims

The treatment of and consideration to be received by holders of Allowed Claims pursuant to the Plan shall be in full settlement, release and discharge of their respective Claims against Debtor and its assets and any associated lien or encumbrance. The treatment of Classified Claims pursuant to the Plan is detailed below:

- (a) **Class 1** – The Secured Claims of Capital Bank (as successor to GreenBank) and Tennessee Bank and Trust have been Paid in Full.
- (b) **Class 2** – The Secured Claim of Wells Fargo Equipment Finance has been Paid in Full.
- (c) **Class 3** – Except to the extent that a Class 3 Claimant may otherwise agree, each holder of an Allowed Secured Class 3 Claim shall be fully satisfied, at the Debtor's option, by Debtor's selection of one of three options as described in the Plan:
 - (1) Note Option: Each holder of a Class 3 Claim shall retain all liens securing such Claim until such Claim is Paid in Full or until such Holder otherwise agrees. The terms and provisions relating to such liens shall be

set forth in appropriate documents agreed to between the parties, or, in the event of disagreement, as directed by the Court. The Debtor shall execute a note payable to the Class 3 Claimant and deliver it to the Holder of such Claim, along with an appropriate mortgage and/or security agreement, no later than the tenth (10th) business day after the later of the Effective Date or the date that such Claim becomes an Allowed Claim. The initial principal amount of each Class 3 Claim shall be equal to the lesser of (i) the amount which the Court shall determine is equal to the value of the assets securing such Claim or (ii) the amount of the Class 3 Claim. To the extent that any Creditor has a Deficiency Claim in addition to its Class 3 Claim, the Deficiency Claim shall be treated under this Plan as an Unsecured Claim against the Debtor.

(2) Unimpairment Option: At the option of Debtor, any Class 3 Claim may be deemed unimpaired. If such election is to be made, it must be made on or before the Effective Date. Any arrearage or other amounts owed as of the Effective Date (and any other payments which may at such date be required to make each such Claim unimpaired) shall be paid in cash, in full, on or before the forty-fifth (45th) business day after the Effective Date or as shall otherwise be agreed to in writing by the Holder of such Claim, and all other defaults with respect to such Claim required to be cured by Section 1124(2) of the Code shall be cured on or prior to the forty-fifth (45th) business day after the Effective Date as shall be agreed to in writing by the Holder of such Claim, and from and after the date of such cure any previously accelerated indebtedness shall be reinstated and any default rate of interest shall no longer apply, but shall be deemed waived (not forgiven). Each Class 3 claimant whose claim is unimpaired pursuant to the terms hereof shall retain such lien as such Creditor held prior to the Petition Date. After the reinstatement of its Class 3 Claim, each Class 3 Creditor will receive payments in accordance with the instruments governing such Claim or as such Creditor may otherwise in writing agree. Furthermore, after such unimpairment, each Class 3 Creditor will be entitled to exercise all rights, privileges, and remedies available to it under the instruments governing its Class 3 Claim in accordance with the terms for such instruments, without need for any application to or order of the Court.

(3) Cash Option: Debtor may also elect, at any time on, before or after the Effective Date, to fully satisfy a Class 3 Claim by paying in Cash to the Holder of a Class 3 Secured Claim the value as of the date of payment of the collateral in which the Holder had a valid, first priority security interest as of the Petition Date.

(4) Abandonment Option: Debtor may also elect, at any time before or after the Effective Date, to fully satisfy a Class 3 Claim by abandoning the collateral securing such Claim to the holder of such Claim.

(5) Release of Lien: Upon the satisfaction of any note given to any holder of a Class 3 Secured Claim pursuant to any of the methods provided for in this Plan, the holder of such Class 3 Secured Claim shall execute all instruments and documents necessary to release its lien securing such Claim or note.

- (d) **Class 4** – Class 4 Claims will be Paid in Full on the later of the Effective Date of the Plan or, if Disputed, promptly after Entry of a Final Order allowing the Claim in whole or in part.
- (e) **Class 5** – The Class 5 Claims of Community South Bank and Decatur County Bank were satisfied pursuant to the Court’s Order Authorizing the Asset Purchase Agreement, and the Court’s Order Approving Compromise and Settlement with Community South Bank (Doc. 247). Community South Bank and Decatur County Bank received \$300,000 at closing of the Asset Purchase Agreement and also have a right to participate in certain anticipated distributions on the claim secured by all of the stock of Fi-Data.
- (f) **Class 6** – Each Holder of an Allowed Claims Class 6 will receive a Pro Rata share of Cash available for distribution in accordance with Article VIII of the Plan until Paid in Full, together with interest after the Effective Date at the Federal Post Judgment Interest Rate. Alternatively, upon agreement of the Liquidating Agent and any creditor holding an Allowed Unsecured Claim, such creditor may be paid on such other terms as may be agreed, provided the Liquidating Agent determines in good faith that such treatment is no more favorable than the Pro Rata treatment otherwise provided to Class 6 Claimants under the Plan.
- (g) **Class 7** – Each holder of an Allowed Class 7 Claim will be paid in full cash on the Effective Date of the Plan up to a maximum of \$3,500. Any Person having a Contested Class 7 Claim shall be entitled to payment only after that Claim becomes an Allowed Claim pursuant to a Final Order;
- (h) **Class 8** – Legends Bank, as agent for the Lender Group, will be entitled to receive all cash remaining after satisfaction of the amounts owed to Classes 1 through 7 under the Plan. The Lender Group receives these funds because it is the Holder of a perfected security interest in all of Debtor’s stock. Community South Bank and Decatur County Bank have a right to participate in a portion of the distribution due on the the Lender Group claim pursuant to the terms of the settlement agreement approved by Court Order (Doc. 247).

F. Means of Execution and Implementation of the Plan

1. Liquidation Agent – Pursuant to Section 1129(a)(5) of the Code, it is hereby disclosed that the Liquidation Agent shall serve as the sole director and officer of the Debtor after the Effective Date. Pursuant to Section 1123(b)(3)(B) of the Code, the Liquidation Agent is appointed as the official representative to retain, enforce, pursue, settle and compromise each and every right, Claim and Cause of Action on behalf of the Debtor's estate. The initial Liquidation Agent is Gary Murphey, who also serves as Chapter 11 Trustee for Citizens.

The Liquidation Agent is generally responsible for implementing the Plan for the benefit of all Holders of Allowed Claims and Allowed Interests as provided by this Plan and for taking all action reasonably necessary to conclude and close this Chapter 11 Case, subject to the continued jurisdiction of the Court. The Liquidation Agent is also responsible for making Distributions and for winding down the Debtor's affairs, including, without limitation, objecting to and resolving filed Claims, filing final tax returns and terminating any benefit plans remaining in existence as of the Effective Date. The Liquidation Agent shall have full authority and discretion to investigate, pursue, settle, resolve and collect any Claims, Causes of Action and Avoidance Actions, without notice or Court approval and notwithstanding Rule 9019.

2. Asset Sale Proceeds – Debtor received one million dollars (\$1,000,000) from FiServ in consideration for substantially all of Debtor's assets, in accordance with the FiServ Asset Purchase Agreement. The Asset Sale Proceeds were used to pay the claims of Classes 1 and 5. The remaining proceeds constitute a portion of the Debtor's current cash.

3. Additional Payments Due from FiServ – On September 14, 2012, Debtor conveyed to FiServ substantially all of Debtor's assets used in the operation of its business other than Debtor's Remaining Assets, pursuant to the Asset Purchase Agreement. Under the terms of this Agreement, an additional payment of \$20,000 will be due on August 1, 2013, and a payment of \$500,000 will be due on August 1, 2014. Additionally, a final payment equal to one-third of the revenue generated from certain customers of Debtor after the closing of the Asset Purchase Agreement will be due on September 15, 2015. Debtor anticipates that these sums plus its cash on hand and any amounts recovered from liquidation of the Remaining Assets will be sufficient to make substantial payments on Allowed Claims in Class 6, all Post-Effective Date Expenses and to make a significant distribution to the Lender Group, as the holder of a perfected security interest in Debtor's stock. FiServ or its designee shall supply to the Liquidation Agent, on a quarterly basis within thirty (30) days after the end of each calendar quarter, an accounting and supporting documentation reflecting the revenues generated from the customers subject to the earn out. FiServ shall also supply to the Liquidation Agent such other information as may reasonably be requested in connection with these quarterly reports or the earn-out generally.

4. Cash on Hand and Remaining Assets – Debtor, in the normal course of its business, maintains a cash operating account. Debtor also retains certain assets of a minimal value, including claims against insiders that the Liquidation Agent does not currently anticipate pursuing unless he determines that any judgments obtained could be collected, that could provide additional limited value to the estate.

5. **Distributions** – The Plan contemplates the distribution of all Net Proceeds in accordance with the priorities established by the Plan and the procedures in the Plan. All Net Proceeds realized from further liquidation of Remaining Assets shall be paid in accordance with the priorities established by the Plan.

6. **Initial and Subsequent Distributions** – In accordance with Articles II, III, and VIII of the Plan, on the Effective Date, the Liquidation Agent shall make distributions to Classes 2, 3, 4, and 7 as well as payment on all allowed and undisputed Administrative Expense Claims, Priority Tax Claims, Post-Effective Date Expenses, and Ordinary Course Expenses. The Liquidation Agent shall make subsequent Distributions as is consistent with this Plan and deemed practical in the Liquidation Agent's sole discretion. The Liquidation Agent shall make the Final Distribution from the Claims Account in accordance with the Plan within 60 days after all of the Debtor's Assets have been liquidated and all Net Proceeds deposited into the Claims Account, all payments as called for by this Plan have been made, and all timely-filed Administrative Expenses and Post-Effective Date Expenses have been Paid in Full.

7. **Claims Reserve** – Until all Remaining Assets, including Causes of Action and Avoidance Actions, have been liquidated or abandoned, the Liquidation Agent shall not make any Pro Rata distribution, excluding the Final Distribution, without retaining in the Claims Account an amount sufficient to pay all timely Administrative Expenses and Post-Effective Date Expenses, as such may reasonably be anticipated to be required prior to the Closing of this Case.

8. **Final Distribution** – The Liquidation Agent shall make the Final Distribution from the Claims Account in accordance with the Plan within 60 days after all of the Debtor's Assets have been liquidated and all Net Proceeds deposited into the Claims Account. Upon resolution of all Disputed Claims and satisfaction of all amounts owed to the Holders of Allowed Administrative Claims, Post-Effective Date Expenses, and all Claims in Classes 1 through 6, the Liquidation Agent shall, upon written request of the Lender Group, transfer all cash to the Lender Group and shall assign to the Lender Group all Remaining Assets, including any future payments due from FiServ under the Asset Purchase Agreement.

G. Reservation of Causes of Action

Debtor will be responsible for evaluating, funding and pursuing any or none of the Causes of Action based on their reasonable business judgment and shall fund such amounts as they, in their sole and absolute discretion, shall deem appropriate and reasonable. The Plan provides that Debtor retains and reserves all Causes of Action, including Avoidance Actions, for pursuit by them post-confirmation after the Effective Date.

H. Authority to Pursue, and Settlement of, Causes of Action and Releases.

Debtor will be responsible for evaluating, funding and pursuing any or none of the Causes of Action based on its reasonable business judgment and shall fund such amounts as they, in their sole and absolute discretion, shall deem appropriate and reasonable. After the Effective Date, Debtor shall, in their sole and absolute discretion, be authorized to compromise and settle any of the Causes of Action, without Court approval or notice to any party, at any time, and for any consideration that

Debtor believes to be in its best interest (and not necessarily in the best interest of the Creditors) including, inter alia, the right to permit the Debtor to accept zero-cash or non-cash benefits.

I. Executory Contracts and Unexpired Leases

Pursuant to the Court's Order on Debtor's Omnibus Motion for an Order Approving Assumption and Assignment of Executory Contracts and Unexpired Leases in Connection with Proposed Asset Sale, Fixing Cure Amounts and Granting Related Relief, Debtor explicitly assumed certain executory contracts and unexpired leases, which have since been assigned to FiServ in the Asset Purchase Agreement. In addition, Debtor has obtained an extension of 90 days (to 210 total days) from the Petition Date within which to assume or reject its lease on the Jordan Road Property. This lease will automatically be deemed rejected at the end of this 210 day period. All contracts not expressly assumed as of the Effective Date will be deemed rejected within ten (10) days thereafter.

J. Debtor's Employees

Pre-Petition, Debtor employed 31 individuals, including 29 full-time employees. To the extent these employees did not otherwise voluntarily terminated their employment with Debtor, the remainder of Debtor's employees were hired by FiServ pursuant to the Asset Purchase Agreement.

K. Miscellaneous and General Provisions of the Plan

The Plan also includes the following miscellaneous and general provisions:

1. Election of Class 7 Status

Any Holder of an Allowed general Unsecured Claim in excess of \$3,500 may notify the Debtor of its intent to be treated as a Class 7 Claimant by sending notice by certified mail, return receipt request to the counsel for the Debtor at the following address: Glenn B. Rose, Esq. Harwell, Howard, Hyne, Gabbert & Manner, P.C., 333 Commerce Street, Suite 1500, Nashville, Tennessee 37201.

2. Claim Objections and Disallowance

With respect to any Claim for which Debtor has insurance coverage, the Holder of such a Claim will be treated as an Allowed Claim only to the extent that the Holder of the Claim can establish that such Claim is not recoverable under the Debtor's insurance. Unless the Holder of the Claim obtains a Final Order establishing that the Claim is not recoverable under the Debtor's insurance, such Claim is automatically disallowed and will be entitled to no distribution.

Debtor or any other party in interest may file with the Bankruptcy Court, within 120 days after the Effective Date, which date may be extended by Bankruptcy Court order, a written objection to the allowance or classification of any Claim in any Class, which objection shall be served upon the Claimant and other parties in interest. The failure to object to or to examine any Claim for the purposes of voting on this Plan shall not be deemed a waiver of such party's right to object to, or re-examine, the Claim in whole or in part within the above-described time period.

3. Additional Documents

Upon entry of the Confirmation Order, Debtor shall be authorized to execute all documents reasonably required by the Plan to effectuate the Plan, including, but not limited to, all contracts or other agreements reasonably necessary to effectuate the Plan.

4. Quarterly Fees

Debtor shall pay all fees payable to the United States Trustee under 28 U.S.C. § 1930 due after the Effective Date.

5. Destruction of Records

After the Effective Date, Debtor and the Liquidation Agent shall have the right to destroy or cause to be destroyed records that they determine to no longer be needed. Any objection to the destruction of such records must be raised as an objection to confirmation of the Plan or shall be deemed to be waived.

6. Effective Date

The Effective Date of the Plan shall be the first business day of the first month after the Confirmation Order becomes a Final Order; provided however, that if an appeal of the Confirmation Order is filed but no stay of the Confirmation Order has been entered, the Debtor may waive the requirement that the Confirmation Order be a Final Order and may, in its sole discretion, file with the Court a notice declaring that this requirement has been waived and establishing the Effective Date as of the date so designated in the notice. The Debtor will file notice of the Effective Date with the Court, but the Plan does not require the Debtor to serve notice of this date.

7. Modification

The Plan shall not be modified except upon the agreement of the Debtor.

8. Final Accounting and Case Closing

The Debtor, through the Liquidation Agent, shall be responsible for preparing and filing any required motion and the final accounting necessary to close the Case. The Liquidation Agent will make every effort to file a final accounting and motion for a final decree within 90 days of making the Final Distribution. This Chapter 11 Case may be closed notwithstanding the pendency of any claims objections, other contested motions, Causes of Action or Avoidance Actions, over which the Court shall retain jurisdiction.

9. Discharge Upon Confirmation

The Confirmation Order shall provide for the discharge of the Debtor from all Claims to the extent allowed pursuant to Section 1141 of the Code and shall permanently enjoin all Persons from commencing or continuing in any manner, any suit, action or other proceeding, on account of or respecting any Claim, demand, liability, obligation, debt, right, Cause of Action, interest, or remedy

for which any party received exculpation pursuant to the Plan, except as otherwise provided by the Plan. Parties asserting entitlement to payment of Administrative Expenses incurred Prior to the Confirmation Date and Holders of Claims and Interests shall be permanently enjoined from asserting any Claim or Interest against the Debtor, the Liquidation Agent, or the Debtor's Assets based upon any act or omission, transaction, or other activity that occurred prior to the Confirmation Date, except as otherwise provided in the Plan, whether or not a proof of claim or interest was filed and whether or not such claim or interest is allowed under Section 502 of the Code. The rights afforded under the Plan and the treatment of Administrative Expenses, Claims, and Interests under the Plan shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and termination of all Interests, unless otherwise set forth in the Plan.

ARTICLE VII. ACCEPTANCE AND CONFIRMATION OF THE PLAN

The Plan cannot be consummated unless it is confirmed by the Court. Confirmation of the Plan requires that, among other things, either (i) each Class of Claims or Interests that is impaired by the Plan has voted to accept the Plan by the requisite majority, or (ii) the Plan is determined by the Court to be fair and equitable, as defined by the Code, with respect to Classes of Claims or Interests that have rejected the Plan. The Code also requires that the confirmation of the Plan be in the "best interests" of all Holders of Claims and Interests.

The Debtor believes that the Plan meets the classification requirements of the Code, which require that all Claims or Interests in a Class be "substantially similar." Disputes regarding the proper classification of Claims or Interests not specifically classified in the Plan shall be resolved pursuant to the procedures established by the Code, the Rules and other applicable law.

A. Requirements for Confirmation

At the Confirmation Hearing, the Bankruptcy Court will determine whether the provisions of Section 1129 of the Code have been satisfied. Section 1129(a) of the Bankruptcy Code, as applicable here, provides generally as follows:

1. The Plan must comply with the applicable provisions of the Code, including Section 1123 which specifies the mandatory contents of a plan and Section 1122 which requires that Claims and Interests be placed in Classes with "substantially similar" Claims.
2. The proponents of the Plan must comply with the applicable provisions of the Code.
3. The Plan must have been proposed in good faith and not by any means forbidden by law.
4. Any payment made or to be made by Debtor or by a person issuing securities or acquiring property under the Plan, for services or for costs and expenses in or in connection with the Case, or in connection with the Plan and incident to the Case, must be disclosed to the Bankruptcy Court and approved or be subject to the approval of the Bankruptcy Court as reasonable.

5. The Plan must meet the “best interest of creditors” test which requires that each holder of a Claim of a Class of Claims that is impaired under the Plan either accept the Plan or receive or retain under the Plan on account of such Claim or Interest property of a value as of the Effective Date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtor was liquidated on such date under Chapter 7 of the Code.

6. Each Class of Claims or Interests must either accept the Plan or not be impaired under the Plan. Alternatively, as discussed herein, a Plan may be confirmed over the dissent of a Class of Claims or Interests if the “cramdown” requirements of Section 1129(b) of the Code are met.

7. Except to the extent that the holder of a particular Claim has agreed to a different treatment of such Claim, the Plan must provide that holders of Administrative Claims and Priority Claims (other than tax claims) will be paid in full in cash on the Effective Date of the Plan, and that holders of priority tax Claims will receive on account of such Claims deferred cash payments, over a period not exceeding five (5) years after the Petition Date, of a value, as of the Effective Date of the Plan, equal to the Allowed amount of such Claim.

8. At least one impaired Class must accept the Plan, determined without including the acceptance of the Plan by any insider holding a Claim of such Class.

9. The Plan must be “feasible.” In other words, it cannot be likely that confirmation of the Plan will be followed by the liquidation, or the need for further financial reorganization of Debtor, unless such liquidation is proposed in the Plan.

10. All fees required to be paid under the Code have been paid or the Plan provides for such payment on its Effective Date.

B. The Plan Meets All of the Requirements for Confirmation

Debtor believes that the Plan satisfies all of the statutory requirements of Chapter 11 of the Code and therefore should be confirmed. More specifically:

A. Best Interest Test and Liquidation Analysis

Section 1129(a)(7) of the Code requires that, with respect to each impaired Class, each member of such Class either (a) has accepted the Plan, or (b) will receive or retain under the Plan on account of its Claim, property of a value, as of the Effective Date, that is at least equal to the amount which such member of the Class would receive or retain if the Debtor was liquidated under Chapter 7 of the Code. The Court, in considering whether the Plan is in the “best interests” of creditors, is not required to consider any alternative to the Plan other than the dividend projected in a liquidation of all of the Debtor’s Assets under Chapter 7 of the Code.

B. Feasibility Test

Because the Plan proposes a liquidation of the Debtor, the Court is not required to determine that confirmation of the Plan is not likely to be followed by the liquidation or further financial

reorganization of the Debtor. However, in order to confirm a Plan, the Court must find that the Plan was proposed in good faith and that the Plan and its components comply with all applicable provisions of the Code.

C. Acceptance

Each impaired Class must accept the Plan by the percentages described in Article II above, or the Court must find that the Plan complies with the "Fair and Equitable" test described below with respect to any such non-accepting Class.

D. Fair and Equitable Test

If less than all the impaired Classes accept the Plan, the Plan may nevertheless be confirmed by the Court under Section 1129(b) of the Code, as long as one impaired Class of Claims has affirmatively voted to accept the Plan. In order to obtain Confirmation, pursuant to Section 1129(b) of the Code, the Debtor must demonstrate to the Court that as to each non-accepting Class, the Plan "does not discriminate unfairly" and is "fair and equitable with respect to that Class." A Plan does not discriminate unfairly if no Class receives more than it is entitled to for its Claim or Interest. The Code establishes different "fair and equitable" tests for Holders of Allowed Secured Claims, Allowed Unsecured Claims and Allowed Interests as follows:

1. Secured Creditors

An impaired secured creditor whose Claim is impaired must retain the liens securing its Claim and receive under the Plan Cash payments that have a present value at least equal to such Holder's Allowed Secured Claim, or otherwise receive the "indubitable equivalent" of the value of the interest in the Debtor's Asset upon which it holds a lien.

2. Unsecured Creditors

An impaired unsecured creditor whose Claim is impaired must receive or retain under the Plan (a) property of a value at least equal to the amount of its Allowed Unsecured Claim; or (b) the Holders of the Claims or Interests junior to the Claims of the dissenting Class of unsecured creditors will not receive any property under the Plan.

3. Interests

With respect to a Class of Interests, (i) the Plan must provide that each Holder of an Interest of such Class receive or retain an account of such Interest property of a value, as of the Effective Date of the Plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled, or the value of such Interest; or (ii) the Holder of any Interest that is junior to the interest of such Class will not receive or retain under the Plan on account of such junior Interest any property.

C. Creditors Eligible to Vote

Only the votes of Classes whose Claims or Interests are impaired by the Plan will be counted in connection with the confirmation of the Plan. Generally, and subject to the specific provisions of Section 1124 of the Code, a Class is "impaired" if its legal, equitable or contractual rights attaching to the Claims or Interests of that Class are modified, other than by curing defaults in stated maturities or by Payment in Full, in Cash, on the Effective Date. Class 6 is impaired under the Plan and, accordingly, entitled to vote to accept or reject the Plan. In determining acceptance of the Plan, votes will be counted only if submitted by a Holder of an Allowed Claim. Claims may be allowed by the Court for voting purposes only.

D. Acceptances Necessary to Confirm the Plan

For the Plan to be accepted and thereafter confirmed, it must be accepted by Class 6, which is impaired by the Plan. Under Section 1126 of the Code, an impaired Class is deemed to have accepted the Plan if: (i) with respect to a Class of Claims, votes representing at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Allowed Claims that have voted in that Class have accepted the Plan; and (ii) with respect to a Class of Interests, votes representing at least two-thirds (2/3) in amount of those Allowed Interests that have voted have accepted the Plan; provided that the vote of any Holder of an Allowed Claim or Allowed Interest whose acceptance or rejection of the Plan was not made in good faith, as determined by the Court, will not be counted.

Unless every Class of Claims that is impaired unanimously accepts the Plan, the Court, in order to confirm the Plan, must independently determine that the Plan provides to each Holder of a Claim of such Class a recovery which has a value, as of the Effective Date, at least equal to the value, as of the Effective Date, of the distribution which such Holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Code on the Effective Date. The Debtor believes that the Disclosure Statement and Plan will enable the Court to make this determination.

E. Confirmation Without Acceptance

Section 1129(b) of the Code provides that the Plan may be confirmed by the Court despite not being accepted by every impaired Class if: (i) at least one impaired Class of Claims has accepted the Plan; and (ii) the Court finds that the Plan does not discriminate unfairly and is fair and equitable to the rejecting Classes. Among other things, such a finding would require a determination by the Court that the Plan provides that no Holder of an Allowed Claim or Allowed Interest junior to the rejecting Class will receive or retain any property or payment under the Plan, until or unless such rejecting Class is Paid in Full.

The Debtor reserves the right pursuant to Section 1129(b) of the Code to request the Court to confirm the Plan if all of the applicable requirements of Section 1129(a) of the Code have been met. In addition, the Debtor reserves the right pursuant to Section 1126(e) of the Code to request the court to strike any ballot rejecting the Plan cast by any Holder of a Claim or Interest which was not cast in good faith.

F. Hearing on Confirmation of the Plan

The Court has set _____, 2013, at 9:00 a.m., prevailing local time, in Nashville, Tennessee for the hearing to determine whether the Plan has been accepted by the requisite number of Holders of Claims and Interests and whether the other standards for confirmation of the Plan have been satisfied. The hearing may be adjourned from time to time without further written notice other than an announcement in open court. Each Holder of a Claim or Interest will receive with this Disclosure Statement the Notice of Hearing on Confirmation of the Plan.

G. Discharge Upon Confirmation

The Confirmation Order shall provide for the discharge of the Debtor from all Claims to the extent allowed pursuant to Section 1141 of the Code and shall constitute an injunction against the pursuit of any Claim or Interest or Administrative Expense except as otherwise provided in the Plan. Parties asserting entitlement to payment of Administrative Expenses incurred Prior to the Confirmation Date and Holders of Claims and Interests shall be permanently enjoined from asserting any Claim or Interest against the Debtor, the Liquidation Agent, the Debtor's Assets based upon any act or omission, transaction or other activity that occurred prior to the Confirmation Date, except as otherwise provided in the Plan, whether or not a proof of claim or interest was filed and whether or not such claim or interest is allowed under Section 502 of the Bankruptcy Code. The rights afforded under the Plan and the treatment of Administrative Expenses, Claims and Interests under the Plan shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and termination of all Interests, unless otherwise set forth in the Plan.

H. Binding Effect of Plan

The provisions of the Plan shall be binding upon and inure to the benefit of all Persons described herein and/or claiming an interest in any and all property in which Debtor has an interest and such Persons' successors, heirs and assigns whether or not such Persons vote to accept the Plan. Failure to file a timely objection to the Plan will be deemed to be an agreement to the terms of the Plan for purposes of Section 1129(a)(9).

ARTICLE VIII. VOTING PROCEDURES

ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DETERMINED, PURSUANT TO THE BANKRUPTCY CODE, BASED UPON THE ALLOWED CLAIMS THAT ACTUALLY VOTE ON THE PLAN. THEREFORE, IT IS IMPORTANT THAT CLAIMANTS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.

A. Classes Entitled to Vote on the Plan

All Holders of Allowed Claims in an Impaired Classes are entitled to vote to accept or reject the Plan. Section 1124 of the Bankruptcy Code generally provides that a class of claims or interests is considered to be Impaired under a plan unless the plan does not alter the legal, equitable and

contractual rights of the holders of such claims or interest. As discussed in Discussion of the Plan, for purposes of the Plan solicitation Class 6 is impaired and is therefore entitled to vote on the Plan.

B. Voting by Holders of Disputed Claims

For purposes of the Plan, an Allowed Claim is a Claim against either of the Debtor that (a) has been scheduled by Debtor pursuant to the Code as undisputed, noncontingent, and liquidated and as to which no objection has been filed, (b) as to which a timely proof of claim or application for payment has been filed and as to which no objection has been filed within the time allowed for filing of objections, (c) has been Allowed by Final Order, or (d) has been Allowed under the Plan. Therefore, although the holders of Disputed Claims will receive ballots, these votes will not be counted unless such Claims become Allowed Claims as provided under the Plan or are temporarily allowed for voting purposes by the Bankruptcy Court.

C. Vote Required for Class Acceptance

During the Confirmation Hearing, the Bankruptcy Court will determine whether the Class voting on the Plan has accepted the Plan by determining whether sufficient acceptances have been received from the Holders of Allowed Claims actually voting in such Classes. A Class of Claims will be determined to have accepted the Plan if the holders of Allowed Claims in the Class casting votes in favor of the Plan (i) hold at least two thirds of the total amount of the Allowed Claims of the holders in such Class who actually vote and (ii) constitute more than one half in number of holders of the Allowed Claims in such Class who actually vote on the Plan.

As a condition to Confirmation, the Bankruptcy Code requires that each impaired Class of Claims accept the Plan, subject to the exception of Section 1129(b) of the Code described herein. At least one impaired Class of Claims must accept the Plan.

D. Voting Instructions

1. Ballots and Voting

Holders of Allowed Claims entitled to vote on the Plan have been sent a Ballot, together with instructions for voting, with this Disclosure Statement. Claimants should read the Ballot carefully and follow the instructions contained therein. In voting for or against the Plan, please use only the Ballot(s) that accompanies this Disclosure Statement.

If you are a member of a class entitled to vote on the Plan and did not receive a ballot for such Class, or if your ballot is damaged or lost, or if you have any questions concerning voting procedures, you should contact counsel for Debtor.

BALLOTS OF CLAIMANTS THAT ARE SIGNED AND RETURNED, BUT NOT EXPRESSLY VOTED EITHER FOR ACCEPTANCE OR REJECTION OF THE PLAN, SHALL BE COUNTED AS BALLOTS FOR THE ACCEPTANCE OF THE PLAN IF PERMITTED BY THE BANKRUPTCY COURT.

2. Returning Ballots and Voting Deadline

You should complete and sign each Ballot that you receive and return it in the pre-addressed envelope enclosed with each Ballot to Glenn Rose, by the Voting Deadline (as hereinafter defined). All Ballots will be tabulated and the tabulation of voting presented to the Bankruptcy Court at the Confirmation Hearing.

THE VOTING DEADLINE IS 4:00 P.M., CENTRAL STANDARD TIME, ON _____, 2013. IN ORDER TO BE COUNTED, BALLOTS MUST BE ACTUALLY RECEIVED ON OR BEFORE 4:00 P.M., CENTRAL STANDARD TIME, ON THE VOTING DEADLINE AT THE ADDRESS SET FORTH BELOW:

**Glenn B. Rose
Harwell Howard Hyne Gabbert & Manner, P.C.
333 Commerce Street, Suite 1500
Nashville, Tennessee 37201**

EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE MAY NOT BE ACCEPTED OR USED IN CONNECTION WITH THE DEBTOR'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

3. Incomplete or Irregular Ballots

Ballots which fail to designate the Class to which they apply shall be counted in the appropriate Class as determined by Debtor, subject only to contrary determinations by the Bankruptcy Court.

BALLOTS OF CLAIMANTS THAT ARE SIGNED AND RETURNED, BUT DO NOT INDICATE A VOTE EITHER FOR ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE COUNTED AS BALLOTS FOR THE ACCEPTANCE OF THE PLAN UNLESS THE BANKRUPTCY COURT RULES OTHERWISE.

4. Changing Votes

Bankruptcy Rule 3018(a) permits a Claimant, for cause, to move the Bankruptcy Court to permit such claimant to change or withdraw its acceptance or rejection of a Plan.

E. Contested and Unliquidated Claims

Contested Claims are not entitled to vote to accept or reject the Plan. If you are the Holder of a Contested Claim, you may ask the Bankruptcy Court pursuant to Bankruptcy Rule 3018 to have your Claim temporarily Allowed for the purpose of voting.

F. Possible Reclassification of Creditors

Debtor is required pursuant to Section 1122 of the Bankruptcy Code to place Claims into Classes that contain substantially similar Claims. While Debtor believes that the Plan has classified all Claims in compliance with Section 1122 of the Bankruptcy Code, it is possible that a Claimant may challenge the classification of its Claim. If Debtor is required to reclassify any Claims of any Claimants under the Plan, Debtor, to the extent permitted by the Bankruptcy Court, intends to continue to use the acceptances received from such Claimants pursuant to the solicitation of acceptances using this Disclosure Statement for the purpose of obtaining the approval of the Class or Classes of which such Claimants are ultimately deemed to be a member. Any reclassification of Claimants could affect the Class in which such Claimants were initially a member, or any other Class under the Plan, by changing the composition of such Class and the required vote thereof for approval of the Plan.

ARTICLE IX. LIQUIDATION ANALYSIS

This Plan is a plan of liquidation. To obtain confirmation of the Plan, the Debtor must show that each Holder of an Impaired Claim or Interest has accepted the Plan, or that each Holder will receive or retain under the Plan on account of the Holder's Claim or Interest property of a value, as of the Effective Date of the plan, that is not less than the amount such Holder would receive or retain if the debtor were liquidated under Chapter 7 of the code on said date. The Debtor estimates the total amount of Cash ultimately available for distribution on account of Allowed Unsecured Claims in Class 6 in accordance with the Plan will be approximately \$1,100,000.00, representing approximately 65% of Filed Unsecured Claims on the Effective Date. Debtor notes that, should the Myers Claim be disallowed, Class 6 Claimants will be paid in full on the Effective Date. Debtor further states that, in accordance with Article VII of the Plan, all Holders of Allowed Unsecured Claims in Class 6 will be paid in full under the Plan upon further payment pursuant to the FiServ Asset Purchase Agreement.

The proposed Plan is the culmination of an extensive exploration and negotiation process between the Debtor, FiServ, and Debtor's creditors, as orchestrated by Gary Murphey. The Debtor and Mr. Murphey are of the opinion that the proposed Plan captures the maximum value of the estate and provides a significantly greater recovery for the estate's Creditors than would otherwise be available under Chapter 7. In Chapter 7, a trustee would be entitled to a substantial fee based on the value of the debtor's assets, including a fee for distributing the cash already held by the debtor. Invoking Chapter 7 would cause the Debtor's business operations to essentially cease, draining all remaining value from the estate. Additionally, Chapter 7 would result in the Debtor renegotiating the FiServ Asset Purchase Agreement, causing an additional diminution of value. For these reasons, among others, the Debtor does not believe a Chapter 7 trustee would be able to generate funds for distribution equal in amount to the funds expected to be generated under the Plan. All Creditors of the Debtor will receive more under the plan than they would receive in a Chapter 7 case.

After payment of Allowed Administrative Expenses, Allowed Class 1, 2, 3, 4, 5, and 7 Claims, Allowed Priority Tax Claims and Post-Effective Date expenses, the Debtor believes that approximately \$1,100,000 will be available for Distribution to Class 6 Claimants. The Debtor

also estimates that the total Allowed Claims in Class 6 will be approximately \$1,030,000, not including the disputed \$750,000 claim filed by David S. Myers. Thus, the debtor estimates the probable range of recovery to Holders of Class 6 Allowed Unsecured Claims to be between 65% and 100% of the amount of their Allowed Unsecured Claims, depending upon the ultimate resolution of the Myers claim.

ARTICLE X. RECOMMENDATION OF DEBTOR

Debtor believes that the Plan is in the best interests of its creditors. Accordingly, Debtor asks and recommends that you vote for acceptance of the Plan and hereby solicit your acceptance of the Plan.

DATED: February 1, 2013

By: /s/ Gary M. Murphey
Gary M. Murphey
Chapter 11 Trustee for Citizens Corp.

**HARWELL HOWARD HYNE GABBERT
& MANNER, P.C.**

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