

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF FLORIDA
PENSACOLA DIVISION

In Re:)	CASE NO. 09-32501-WSS
)	
JOSEPH ROBERT GILCHRIST)	CHAPTER 11
)	
<i>Debtor</i>)	

JOSEPH ROBERT GILCHRIST'S
SECOND AMENDED DISCLOSURE STATEMENT PURSUANT TO
SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE

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ARTICLE I INTRODUCTION

Joseph Robert Gilchrist (“**Mr. Gilchrist**” or the “**Debtor**”) submits this Second Amended Disclosure Statement pursuant to § 1125 of title 11 of the United States Bankruptcy Code in support of the Debtor’s Second Amended Plan of Reorganization, as it may be amended (the “**Plan**”).

Unless otherwise defined herein, all capitalized terms contained herein have the meanings ascribed to them in the Plan or the Bankruptcy Code.

The Disclosure Statement sets forth certain information regarding the prepetition operations and financial history of the Debtor, events leading to the Debtor’s bankruptcy, significant events that have occurred during the Bankruptcy Case (as hereinafter defined), and the plan for reorganization of the Debtor. This Disclosure Statement also describes certain terms and provisions of the Plan, certain effects of confirmation of the Plan, certain risk factors associated with the Plan, and the manner in which distributions will be made under the Plan. Additionally, this Disclosure Statement discusses the confirmation process, the voting procedures and the requirements for voting on the Plan, as well as the conditions to effectiveness of the Plan, distribution under the Plan and the effect of confirmation.

A. Filing of the Debtor’s Bankruptcy Case.

On December 14, 2009, Mr. Gilchrist filed a voluntary chapter 11 petition in the United States Bankruptcy Court for the Northern District of Florida, Pensacola Division (the “Bankruptcy Court”), (the “Bankruptcy Case”). The Debtor continues to operate his business and manage his property and assets as debtor-in-possession pursuant to §§ 1107 and 1108 of the Bankruptcy Code.

B. Purpose of Disclosure Statement.

This Disclosure Statement is submitted in accordance with § 1125 of the Bankruptcy Code for the purpose of soliciting acceptances of the Plan from Holders of certain Classes of Claims. Acceptances of the Plan are only being sought from Holders of Claims that are “impaired” (as that term is defined in § 1124 of the Bankruptcy Code) by the Plan and who are receiving or retaining property under the Plan. Holders of Claims that are not impaired are deemed to have accepted the Plan. Holders of Claims that are not receiving or retaining any property under the Plan are deemed to have rejected the Plan.

The Debtor has prepared this Disclosure Statement pursuant to § 1125 of the Bankruptcy Code, which requires that a copy of the Plan, or a summary thereof, be submitted to all Holders of Claims against the Debtor, along with a written disclosure statement containing adequate information about the Debtor of a kind, and in sufficient detail, as far as is reasonably practical, that would enable a hypothetical, reasonable investor typical of the holders of Claims to make an informed judgment in exercising their right to vote on the Plan.

This Disclosure Statement was approved by the Bankruptcy Court on _____, 2010. Such approval is required by the Bankruptcy Code, and does not constitute a judgment by

the Bankruptcy Court as to the desirability of the Plan or the value or suitability of any consideration offered under the Plan. Such approval does indicate, however, that the Bankruptcy Court has determined that the Disclosure Statement meets the requirements of § 1125 of the Bankruptcy Code and contains adequate information to permit the Holders of Claims whose acceptance of the Plan is solicited to make an informed judgment regarding acceptance or rejection of the Plan.

APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED IN THIS DISCLOSURE STATEMENT IS INTENDED SOLELY FOR THE USE OF HOLDERS OF CLAIMS IN EVALUATING THE PLAN AND VOTING TO ACCEPT OR REJECT THE PLAN AND, ACCORDINGLY, MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON, OR WHETHER TO OBJECT TO, THE PLAN.

THE DEBTOR BELIEVES THAT THE PLAN AND THE PROPOSED TREATMENTS OF CLAIMS IS IN THE BEST INTERESTS OF HOLDERS OF CLAIMS, AND THEREFORE URGES YOU TO VOTE TO ACCEPT THE PLAN.

NEITHER THE FILING OF THE PLAN NOR ANY STATEMENT OR PROVISION CONTAINED IN THE PLAN OR IN THE DISCLOSURE STATEMENT, NOR THE TAKING BY ANY PARTY IN INTEREST OF ANY ACTION WITH RESPECT TO THE PLAN, SHALL (i) BE OR DEEMED TO BE AN ADMISSION AGAINST INTEREST, AND (ii) UNTIL THE EFFECTIVE DATE, BE OR BE DEEMED TO BE A WAIVER OF ANY RIGHTS ANY PARTY IN INTEREST MAY HAVE (a) AGAINST ANY OTHER PARTY IN INTEREST OR (b) IN ANY OF THE ASSETS OF ANY OTHER PARTY IN INTEREST, AND, UNTIL THE EFFECTIVE DATE, ALL SUCH RIGHTS ARE SPECIFICALLY RESERVED. IN THE EVENT THAT THE PLAN IS NOT CONFIRMED OR FAILS TO BECOME EFFECTIVE, NEITHER THE PLAN NOR THE DISCLOSURE STATEMENT, NOR ANY STATEMENT CONTAINED IN THE PLAN OR THE DISCLOSURE STATEMENT, MAY BE USED OR RELIED ON IN ANY MANNER IN ANY SUIT, ACTION, PROCEEDING OR CONTROVERSY, WITHIN OR WITHOUT THE DEBTOR'S BANKRUPTCY CASE, INVOLVING THE DEBTOR, EXCEPT WITH RESPECT TO CONFIRMATION OF THE PLAN.

C. Hearing on Confirmation of the Plan.

The Bankruptcy Court has set _____, 2010 at ____ [a.m./p.m.] Central Daylight Time as the time and date for the hearing (the “**Confirmation Hearing**”) to determine whether the Plan has been accepted by the requisite number of Holders of Claims and whether the other requirements for confirmation of the Plan have been satisfied. Holders of Claims may vote on the Plan by completing and delivering the enclosed ballot to John E. Venn, Jr., John E. Venn Jr., P.A., 220 West Garden Street, Suite 603, Pensacola, FL 32502 on or before 5:00 p.m. Central Standard Time on _____ 2010. If the Plan is rejected by one or more Impaired Classes of Claims, the Bankruptcy Court may still confirm the Plan, or a modification thereof, under § 1129(b) of the Bankruptcy Code (commonly referred to as a “cramdown”) if it determines, among other things, that the Plan does not discriminate unfairly and is fair and equitable with respect to the rejecting Class or Classes of Claims. The procedures and requirements for voting on the Plan are described in more detail below.

D. Sources of Information.

Except as otherwise expressly indicated, the portions of this Disclosure Statement describing the Debtor, its businesses, properties and management have been prepared from information furnished by the Debtor, or his agents and representatives, or from public records relating or referring to the Debtor. Real property values as set forth in Debtor’s Schedules are based upon the value placed upon the real property by the County Property Appraiser for the County in which the property is located at the time the Schedules were prepared.

Certain of the materials contained in this Disclosure Statement are taken directly from other readily accessible documents or are digests of other documents. While the Debtor has made every effort to retain the meaning of such other documents or portions that have been summarized, it urges that any reliance on the contents of such other documents should depend on a thorough review of the documents themselves. In the event of a discrepancy between this Disclosure Statement and the actual terms of a document, the actual terms of the document shall govern and apply.

The statements contained in this Disclosure Statement are made as of the date hereof unless another time is specified, and neither the delivery of this Disclosure Statement nor any exchange of rights made in connection with it shall, under any circumstances, create an implication that there has been no change in the facts set forth herein since the date of this Disclosure Statement.

No statements concerning the Debtor, the value of its property, or the value of any benefit offered to the holder of a Claim under the Plan should be relied on other than as set forth in this Disclosure Statement. In arriving at a decision, parties should not rely on any representation or inducement made to secure their acceptance or rejection that is contrary to information contained in this Disclosure Statement, and any such additional representations or inducements should be immediately reported to counsel for the Debtor, John E. Venn, Jr., John E. Venn Jr., P.A., 220 West Garden Street, Suite 603, Pensacola, FL 32502.

ARTICLE II

EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11.

The commencement of the chapter 11 case created an estate (“Bankruptcy Estate”) comprised of all of Debtor’s legal and equitable interests in property as of the date the petition is filed. In addition, pursuant to §1115 of the Bankruptcy Code, all such property, including Debtor’s post-petition earnings during the term of the plan, are included in the Bankruptcy Estate. Unless the Bankruptcy Court orders the appointment of a trustee, §§ 1101, 1107, and 1108 of the Bankruptcy Code provide that Debtor may continue to operate his business and control his assets as a “debtor-in-possession.”

The filing of the chapter 11 petition also triggered the automatic stay under § 362 of the Bankruptcy Code. The automatic stay is an injunction that halts essentially all attempts to collect prepetition claims from the Debtor or to otherwise interfere with Debtor’s business or his property except with permission of the Bankruptcy Court.

Formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims of creditors against, and interests of equity security holders in, the debtor. Unless a trustee is appointed or the Court so orders, only the debtor may file a plan during the first 120 days of a chapter 11 case or any extension of that period pursuant to an order of the Bankruptcy Court (the “Exclusive Period”). The Exclusive Period continues until 180 days after the date the chapter 11 petition was filed if a debtor timely files a plan. After the Exclusive Period has expired, a creditor or any other interested party may file a plan, unless the debtor files a plan within the Exclusive Period. The Exclusive Period has expired in this case so any creditor has the right to file a Plan.

B. Plan of Reorganization.

After a plan has been filed, the holders of Claims against or Equity Interests in a debtor generally are permitted to vote on whether to accept or reject the plan. Chapter 11 does not require that each holder of a Claim against or Equity Interest in a debtor vote in favor of a plan in order for the plan to be confirmed. At a minimum, however, a majority in number and two-thirds in amount of those Claims actually voting from at least one class of Claims impaired under the plan must vote to accept the plan. The Bankruptcy Code also defines acceptance of a plan by a class of Equity Interests as acceptance by holders of two-thirds of the number of shares actually voted.

Classes of Claims or Equity Interests that are not “impaired” under a plan of reorganization are conclusively presumed to have accepted the plan, and are therefore not entitled to vote. A class is “impaired” if the plan modifies the legal, equitable, or contractual rights attaching to the claims or equity interests of that class. Modification for purposes of impairment does not include curing defaults and reinstating maturity or payment in full in cash. Conversely, classes of Claims or Equity Interests that receive or retain no property under a plan

of reorganization are conclusively presumed to have rejected the plan, and therefore are not entitled to vote.

Even if classes of Claims and Equity Interests accept a plan of reorganization, the Bankruptcy Court may nonetheless deny confirmation. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and, among other things, requires that a plan be in the “best interests” of impaired, dissenting creditors and interest holders and that the plan be feasible. The “best interests” test generally requires that the value of the consideration to be distributed to impaired, dissenting creditors and interest holders under a plan may not be less than that which those parties would receive if the debtor were liquidated under a hypothetical chapter 7 proceeding. A plan must also be determined to be “feasible,” which generally requires a finding that there is a reasonable probability that the debtor will be able to perform the obligations incurred under the plan and that the debtor will be able to continue operations without the need for further financial reorganization or liquidation.

The Bankruptcy Court may confirm a plan of reorganization even though fewer than all of the classes of impaired claims and equity interests accept it. The Bankruptcy Court may do so under the “cramdown” provisions of § 1129(b) of the Bankruptcy Code. In order for a plan to be confirmed under the cramdown provisions, despite the rejection of a class of impaired Claims or Interests, the proponent of the plan must show, among other things, that the plan does not discriminate unfairly and that it is fair and equitable with respect to each impaired class of Claims or Equity Interests that has not accepted the plan.

The Bankruptcy Court must further find that the economic terms of a particular plan meet the specific requirements of §1129(b) of the Bankruptcy Code with respect to any class of Claims that votes to reject the plan. If a plan’s proponent seeks confirmation of the plan under the provisions of §1129(b) of the Bankruptcy Code, the plan must also meet all applicable requirements of §1129(a) of the Bankruptcy Code (except §1129(a)(8)). Those requirements include the requirements that (i) the plan comply with applicable Bankruptcy Code provisions and other applicable law; (ii) the plan be proposed in good faith; and (iii) at least one impaired class of creditors or interest holders has voted to accept the plan. In addition, in a chapter 11 case involving an individual such as this case, the debtor must meet the requirement of §1129(a)(15) if any creditor objects to confirmation.

ARTICLE III

VOTING PROCEDURES AND CONFIRMATION REQUIREMENTS

A. Ballots and Voting Deadline.

A ballot for voting to accept or reject the Plan is enclosed with this Disclosure Statement (along with a return envelope), and has been mailed to Holders of Claims (or their authorized representative) entitled to vote. After carefully reviewing the Disclosure Statement, including all exhibits, each Holder of a Claim (or its authorized representative) entitled to vote should indicate its vote on the enclosed ballot. All Holders of Claims (or their authorized representative) entitled to vote must:

- carefully review the ballot and corresponding instructions,
- execute the ballot, and
- return it in the enclosed return envelope, or otherwise forward it to the address indicated on the ballot, so that it is received by the Voting Deadline for the ballot to be considered.

If you believe you are a Holder of a Claim in an Impaired Class under the Plan and entitled to vote to accept or reject the Plan, but did not receive a ballot with these materials, please contact John E. Venn, Jr., John E. Venn Jr., P.A., 220 West Garden Street, Suite 603, Pensacola, FL 32502, Tel (850) 438-0034.

B. Holders of Claims Entitled to Vote.

Any Holder of Claim(s) against the Debtor whose Claim is Impaired under the Plan is entitled to vote if either (i) the Debtor has scheduled the Holder's Claim (and such Claim is not scheduled as disputed, contingent, or unliquidated) or (ii) the Holder of the Claim has filed a proof of claim or interest on or before the deadline set by the Bankruptcy Court for such filings. The deadline set by the Bankruptcy court for filing a proof of claim is July 26, 2010 for governmental units and April 29, 2010 for all other creditors. The ballot form that you received does not constitute a proof of claim.

Any Holder of a Claim as to which an objection has been filed is not entitled to vote, unless the Bankruptcy Court temporarily allows the Claim in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Such motion must be heard and determined by the Bankruptcy Court prior to or as part of the Confirmation Hearing. In addition, a vote by a Holder of a Claim may be disregarded if the Bankruptcy Court determines that such Holder's acceptance or rejection was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code or if such ballot was cast in bad faith.

Under §1126(f) of the Bankruptcy Code, a class that is not Impaired under a chapter 11 plan, and each holder of a claim or equity interest in such class, are conclusively presumed to have accepted the chapter 11 plan. Under §1126(g) of the Bankruptcy Code, a class is deemed not to have accepted a chapter 11 plan if the holders of claims or equity interests in such class do not receive or retain any property under the chapter 11 plan on account of such claims or equity interests. Holders of Claims that are unimpaired under the Plan, or that are not entitled to receive or retain any property under the Plan, are **not** entitled to vote to accept or reject the Plan. The Debtor will not be soliciting votes from such Holders of Claims or Equity Interests.

C. Bar Date for Filing Proofs of Claim.

The Bankruptcy Court has established as July 26, 2010 for governmental units and April 29, 2010 for all other creditors as the Bar Date for filing proofs of claim.

D. Definition of Impairment.

Under §1124 of the Bankruptcy Code, a Class of Claims or Equity Interests is impaired under a plan of reorganization unless, with respect to each Claim or Equity Interest of such class, the plan:

- (1) leaves unaltered the legal, equitable, and contractual rights of the holder of such claim or equity interest; or
- (2) notwithstanding any contractual provision or applicable law that entitles the holder of a claim or equity interest to receive accelerated payment of such claim or equity interest after the occurrence of a default:
 - (a) cures any such default that occurred before or after the commencement of the case under the Bankruptcy Code, other than a default of a kind specified in §365(b)(2) of the Bankruptcy Code or a kind that §365(b)(2) expressly does not require to be cured;
 - (b) reinstates the maturity of such Claim or Equity Interest as it existed before the default;
 - (c) compensates the holder of such Claim or Equity Interest for damages incurred as a result of reasonable reliance on such contractual provision or applicable law; and
 - (d) if such claim or such interest arises from any failure to perform a nonmonetary obligation, other than a default arising from a failure to operate a nonresidential real property lease subject to §365(b)(1)(A), compensates the holder of such claim or such interest (other than the debtor or an insider) for any actual pecuniary loss incurred by such holder as a result of such failure; and
 - (e) does not otherwise alter the legal, equitable, or contractual rights to which such Claim or Equity Interest entitles the holder of such claim or equity interest.

E. Vote Required for Class Acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that actually cast ballots for acceptance or rejection of the Plan; that is, acceptance takes place only if creditors holding claims constituting at least two-thirds in amount of the total amount of claims and more than one-half (1/2) in number of the creditors actually voting cast their ballots in favor of acceptance.

F. Information on Voting and Ballots.

Ballots are being forwarded to all Holders of Claims in accordance with the Bankruptcy Rules. For purposes of voting on the Plan, the amount and classification of a Claim and the procedures that will be used to tabulate acceptances and rejections of the Plan shall be exclusively as follows:

(a) If no proof of claim has been timely filed, the voted amount of a Claim shall be equal to the amount listed for the particular Claim in the Schedules, as and if amended, to the extent such Claim is not listed as contingent, unliquidated, or disputed, and the Claim shall be placed in the appropriate Class, based on the Debtor's records, and consistent with the Schedules and the Claims registry of the Clerk of the Bankruptcy Court (the "Clerk").

(b) If a proof of claim has been filed timely and has not been objected to before the expiration of the Voting Deadline, the voted amount of that Claim shall be the amount specified in the proof of claim filed with the Clerk.

(c) Subject to subparagraph (d) below, a Claim that is the subject of an objection filed before the Voting Deadline shall be disallowed for voting purposes unless the Debtor agrees to allow it in his discretion.

(d) If a Claim has been estimated or otherwise allowed for voting purposes by order of the Bankruptcy Court, the voted amount and classification shall be that set by the Bankruptcy Court.

(e) If a holder of a Claim (or its authorized representative) did not use the Ballot form provided by the Debtor or the Official Ballot Form authorized under the Federal Rules of Bankruptcy Procedure such Ballots may not be counted in the Debtor's discretion.

(f) If the Ballot is not received by the Debtor on or before the Voting Deadline at the place indicated on the Ballot or otherwise in the Solicitation Materials, the Ballot may not be counted in the Debtor's discretion.

(g) If the Ballot is not signed by the Holder of the Claim (or its authorized representative), the Ballot may not be counted in the Debtor's discretion.

(h) Whenever a Holder of a Claim (or its authorized representative) submits more than one Ballot voting the same Claim(s) before the Voting Deadline, except as otherwise directed by the Bankruptcy Court after notice and a hearing, the last such Ballot shall be deemed to reflect the voter's intent and shall supersede any prior Ballots unless the Debtor in its discretion otherwise determines.

G. Execution of Ballots by Representatives.

If a Ballot is signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations, or others acting in a fiduciary or representative capacity, such Persons must indicate their capacity when signing and, at the Debtor's request, must submit proper evidence of their authority to so act. In the event that the Debtor believes that an issue exists

with respect to authority of a party to execute a Ballot, the Debtor shall file a motion and request that the Bankruptcy Court determine such party's authority to execute the Ballot.

H. Confirmation of Plan.

1. Solicitation of Acceptances.

THE DEBTOR IS REQUESTING THAT YOU VOTE TO ACCEPT THE PLAN.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTOR OR THE PLAN IS AUTHORIZED BY THE DEBTOR, OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE, OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED ON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO DEBTOR'S COUNSEL FOR APPROPRIATE ACTION.

THIS IS A SOLICITATION SOLELY BY THE DEBTOR, AND IS NOT A SOLICITATION BY ANY ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL FOR THE DEBTOR. THE REPRESENTATIONS, IF ANY, MADE IN THIS DISCLOSURE STATEMENT ARE THOSE OF THE DEBTOR AND NOT OF SUCH ATTORNEYS, ACCOUNTANTS, OR OTHER PROFESSIONALS, EXCEPT AS MAY BE OTHERWISE SPECIFICALLY AND EXPRESSLY INDICATED.

Under the Bankruptcy Code, a vote for acceptance or rejection of a plan may not be solicited unless the claimant has received a copy of a disclosure statement approved by the Bankruptcy Court prior to, or concurrently with, such solicitation. This solicitation of votes on the Plan is governed by §1125(b) of the Bankruptcy Code. Violation of §1125(b) of the Bankruptcy Code may result in sanctions by the Bankruptcy Court, including disallowance of any improperly solicited vote.

2. Requirements for Confirmation of the Plan.

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of §1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court shall enter an Order confirming the Plan. For the Plan to be confirmed, §1129 of the Bankruptcy Code requires that:

(a) The Plan and the Debtor comply with the applicable provisions of the Bankruptcy Code;

(b) The Debtor complies with the applicable provisions of the Bankruptcy Code and is proposing the Plan in good faith and not by any means forbidden by law;

(c) Any payment or distribution made or promised by the Debtor under the Plan for services or for costs and expenses in connection with the Plan has been disclosed to the Bankruptcy Court, and any such payment made before the confirmation of the Plan

is reasonable, or if such payment is to be fixed after confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court as reasonable;

(d) The Debtor has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan with the debtor, or a successor to the debtor under the plan; and the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and the Debtor has disclosed the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for such insider.

(e) With respect to each Impaired Class of Claims or Equity Interests, either each holder of a Claim or Equity Interest of the Class has accepted the Plan, or will receive or retain under the Plan on account of that Claim or Equity Interest, property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would so receive or retain if the Debtor was liquidated on such date under chapter 7 of the Bankruptcy Code. If section 1111(b)(2) of the Bankruptcy Code applies to the Claims of a Class, each holder of a Claim of that Class will receive or retain under the Plan on account of that Claim property of a value, as of the Effective Date, that is not less than the value of that holder's interest in the Debtor's interest in the property that secures that claim;

(f) Each Impaired Class of Claims or Equity Interests has accepted the Plan ;

(g) Except to the extent that the holder of a particular Administrative Claim or Priority Unsecured Claim has agreed to a different treatment of its Claim, the Plan provides that Administrative Claims and Allowed Priority Unsecured Claims shall be paid in full on the Effective Date or the date such Claim becomes an Allowed Claim;

(h) With respect to allowed unsecured claims of governmental units, the holder of such claim will receive on account of such claim, regular installment payments in cash (i) of a total value, as of the effective date of the plan equal to the allowed amount of such claim, (ii) over a period ending not later than 5 years after the date of the order for relief under Section 301, 302 or 303, and (iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under Section (b));

(i) With respect to a secured claim which would otherwise meet the description of an unsecured claim of a governmental unit under Section 507(a)(8), but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments in the same manner and over the same period as described in paragraph (h) above;

(j) If a Class of Claims or Equity Interests is impaired under the Plan, at least one such Class of Claims or Equity Interests has accepted the Plan, determined without

including any acceptance of the Plan by any insider holding a Claim or Equity Interest of that Class;

(k) Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan;

(l) If the Debtor is required by a judicial or administrative order or by statute to pay a domestic support obligation, the debtor must have paid all amounts payable under such order or such statute for such obligation that first become payable after the date of the filing of the petition; and

(m) If the Holder of an Allowed Unsecured Claim objects to the Confirmation of the Plan, either (1) the value as of the effective date of the Plan, of property to be distributed under the Plan on account of such Claim must be not less than the amount of such Claim; or (2) the value of the property to be distributed under the Plan must not be less than the Projected Disposable Income of the Debtor to be received during the 5-year period beginning on the date that the first payment is due under the Plan or during the period for which the Plan provides payments, whichever is longer.

The Debtor believes that the Plan satisfies all of the statutory requirements of the Bankruptcy Code for confirmation and that the Plan was proposed in good faith. The Debtor believes it has complied, or will have complied, with all the requirements of the Bankruptcy Code governing Confirmation of the Plan.

3. Acceptances Necessary to Confirm the Plan.

Voting on the Plan by each Holder of a Claim (or its authorized representative) is important. Chapter 11 of the Bankruptcy Code does not require that each holder of a Claim vote in favor of the Plan in order for the Court to confirm the Plan. Generally, to be confirmed under the acceptance provisions of §1126(a) of the Bankruptcy Code, the Plan must be accepted by each Class of Claims that is Impaired under the Plan by parties holding at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims of such Class actually voting in connection with the Plan. Even if all Classes of Claims accept the Plan, the Bankruptcy Court may refuse to confirm the Plan.

4. Cramdown.

In the event that any Impaired Class of Claims or Equity Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtor if, as to each Impaired Class that has not accepted the Plan, the Plan “does not discriminate unfairly” and is “fair and equitable.” A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if no class receives more than it is legally entitled to receive for its claims or equity interest. “Fair and equitable” has different meanings for Holders of Secured and Unsecured Claims and equity interests.

With respect to a Secured Claim, “fair and equitable” means either (a) the Impaired Secured Creditor retains its Liens to the extent of its Allowed Claim and receives deferred cash

payments at least equal to the Allowed amount of its Claims with a Present Value as of the Effective Date of the Plan at least equal to the value of such creditor's interest in the property securing its Liens; (b) property subject to the Lien of the Impaired Secured Creditor is sold free and clear of that Lien, with that Lien attaching to the proceeds of sale, and such Lien proceeds must be treated in accordance with clauses (a) and (c) hereof; or (c) the Impaired Secured Creditor realizes the "indubitable equivalent" of its Claim under the Plan.

With respect to an Unsecured Claim, "fair and equitable" means either (a) each impaired creditor receives or retains property of a value equal to the amount of its Allowed Claim or (b) the holders of Claims and Equity Interests that are junior to the Claims of the dissenting class will not receive any property under the plan; provided, however, that in the case of an individual such as this Bankruptcy Case, the Debtor may retain property included in the estate under section 1115, subject to the requirements in subparagraph 2(m) of this Article.

ARTICLE IV

BACKGROUND OF THE DEBTOR,

DEBTOR'S BUSINESS INTERESTS AND

EVENTS LEADING TO THIS BANKRUPTCY CASE

A. Description of the Debtor's Businesses and Affiliates.

1. The Flora-Bama.

In 1978 Mr. Gilchrist filed articles of incorporation with the Secretary of State for the State of Florida incorporating Flora-Bama Lounge and Package Store, Inc., n/k/a MGFB Properties, Inc. ("Flora-Bama Lounge") as a Subchapter "S" corporation. The Flora-Bama Lounge was incorporated to lease a bar and package store in Escambia County, Florida which is now commonly referred to as "the Flora-Bama." The lease contained an option to buy, which was exercised in the early 1980's.

Sometime prior to the year 2000, the Flora-Bama Lounge employed Pat McClellan as manager of the Flora-Bama. As that relationship progressed, in a series of transactions Mr. McClellan was offered and acquired a total of 30 shares of the common stock of Flora-Bama Lounge. Mr. Gilchrist currently has 68 shares of the common stock, with 2 shares having been acquired by Flora-Bama Lounge as treasury stock. There are no restrictions on the transferability of either Mr. Gilchrist's shares or those held as treasury stock.

In February of 2003 Mr. Gilchrist and Mr. McClellan decided to offer a stock incentive program to key employees of Flora-Bama Lounge. Accordingly, Flora-Bama Management, Inc. ("Flora-Bama Management") was incorporated as a Florida Sub "S" corporation. All of the assets of Flora-Bama Lounge except the real property owned by Flora-Bama Lounge and the trademarks held by Flora-Bama Lounge were transferred to Flora-Bama Management. The stock in Flora-Bama Management is currently held by Mr. Gilchrist (26,900 shares), Mr. McClellan

(12,000 shares) and approximately 30 employees who collectively own 7,825 shares for a total issued and outstanding of 46,725 shares.

The operations of the Flora-Bama are conducted by Flora-Bama Management, which leases the two parcels of real property from Flora-Bama Lounge and has a license to use the trade names owned by Flora-Bama Lounge. In addition, the operations of Flora-Bama utilize the Silver Moon property and the 1.5 acre parcel adjacent to the Flora-Bama. The Silver Moon property is used both for parking as well as the operation of a bar and package store. The use of such property allows Flora-Bama to continue its package store operations that can no longer be conducted on the premises of the Flora-Bama. In addition, it enables Flora-Bama to provide sufficient parking for customer use. The 1.5 acre parcel is used not only for parking but also has some of the facilities used in the operation located on it. According to the architect for the Flora-Bama, Robert Heffernan, in order to meet the code requirements it is imperative that the Flora-Bama maintain use of the 1.5 acre parcel. The parking provided by the Silver Moon property is not essential to meet building code requirements, but it is helpful in maintaining the level of customer activity that enables Flora-Bama to generate its present revenues. Debtor is unable to anticipate the extent of the adverse impact upon the revenue of Flora-Bama that will result if the use of the Silver Moon property is lost. However, Debtor is of the opinion that the revenue lost if Flora-Bama does not have use of the Silver Moon property will exceed the anticipated lease payment of \$14,000 per month.

A balance sheet together with a profit and loss statement for Flora-Bama Lounge for the year ending December 31, 2009 is attached as Exhibit "A." A balance sheet together with a profit and loss statement for the year ending December 31, 2009 for Flora-Bama Management is attached as Exhibit "B." A separate set of financial statements are maintained for the operation of the Silver Moon Bar across the street, although the Silver Moon operation is owned and operated by Flora-Bama Management. A balance sheet together with a profit and loss statement for the Silver Moon operation for the year ending December 31, 2009 is attached as Exhibit "C."

These financial statements attest to the fact that the Flora-Bama is a very profitable operation.

Over the past two calendar years, Mr. Gilchrist's share of the profits from Flora-Bama Lounge and Flora-Bama Management (per his K-1s) are approximately as follows:

	<u>2008</u>	<u>2009</u>
Flora-Bama Lounge	\$653,323	\$616,824
Flora-Bama Management	\$733,656	\$838,367

However, it is anticipated that the distributions from Flora-Bama Lounge and Flora-Bama Management will be reduced for the next two to three years for at least three (3) reasons:

- (1) In 2007 Flora-Bama Lounge borrowed \$3,000,000 from Southeast Capital on a short term loan that came due in 2009. This loan was renewed and extended and came due in July of 2010. It presently has an interest rate of 15%. Because the loan was for Mr. Gilchrist's other ventures that were unrelated to the operation of the Flora-Bama, Mr. Gilchrist made the payments on such loan until shortly before he filed this Chapter 11. Because of the Chapter 11, Mr. Gilchrist is unable to make the loan payments to Southeast Capital and the Flora-Bama Lounge will be required to make these loan payments. Attempts have been made by Flora-Bama Lounge to refinance

the Southeast Capital loan without success. When Flora-Bama Lounge was unable to refinance this loan, it had no alternative but to file a petition seeking relief under Chapter 11 itself. In an effort to preserve the value of the tradename, the name of the Flora-Bama Lounge was changed to MGFB Properties, Inc. The chapter 11 case for Flora-Bama Lounge is currently pending in the Bankruptcy Court for the Northern District of Florida, styled "In re MGFB Properties, Inc." and numbered 10-31455. A Plan and Disclosure Statement have been filed in such case. Until a plan is confirmed in the MGFB Properties case, Flora-Bama Lounge will be unable to pay dividends to its shareholders. In all likelihood the Confirmation Hearing will be held before the end of this year. It is anticipated that Debtor will begin receiving dividends next year. Creditors are encouraged to review the Disclosure Statement in the MGFB Properties chapter 11 for additional information on Flora-Bama Lounge. A copy is available upon written request made to John E. Venn, Jr.

- (2) Flora-Bama Management has used two parcels of property owned by Mr. Gilchrist for its operation. These have been leased on a basis that is less than a fair market rent. In order to continue using these properties, Flora-Bama Management will have to pay a fair market rent in the future which will add a significant operating expense to that incurred for rent in prior years.
- (3) The facilities suffered significant damages during the hurricanes of the past five (5) years. In fact, the facilities had to be demolished after Hurricane Ivan. *See Article in Pensacola News Journal, April 16, 2005.* Since only a small portion of the loss was covered by insurance, the facilities have never been rebuilt to their former status. Instead, Flora-Bama has made due with temporary repairs by putting up tents, removable flooring, portable bathrooms and trailers for storage. This has been less than ideal for several reasons. For example, government officials have threatened to close the facilities on more than one occasion. Numerous articles have appeared in the Pensacola News Journal relating to this possibility. In addition, they have attempted to impose limits on the number of customers that can be served in the present facilities. In addition, the current facilities are very susceptible to weather issues and are inadequate to maintain business during the winter months or on inclement days. Some of the repairs and improvements are necessary to cure building code violations and must be made immediately. The architect, Robert Heffernan, estimates that it will require approximately \$500,000 to bring the facilities up to code. If Flora-Bama doesn't make these repairs and improvements, the facilities will be shut down. Since the filing of the petition, approximately ½ of the work has been done to cure these code violations. The repairs needed to bring the facilities to a stage where it does not rely solely on tents and temporary flooring will require an additional \$1,500,000 according to Mr. Heffernan. Such repairs and improvements are needed to make the facilities less susceptible to weather related problems as well as usable during the winter season. Since Flora-Bama Lounge is unable to borrow the money necessary to make these repairs and improvements, they will have to be made from cash flow.
- (4) The oil spill in the Gulf of Mexico has significantly reduced the revenue of Flora-Bama Management this summer. Revenues declined by 25% over the prior year in June and 35% over the prior year in July. While the oil problem appears to have been resolved as of this date, the longer term impact on tourism in this area remains

uncertain. The projection done by Mr. Andre take a relatively conservative approach as set forth in the assumptions attached to his projections.

Flora-Bama Lounge engaged the services of Terry Andre, formerly with the firm of O'Sullivan, Creel, to prepare cash flow projections for the next (7) years as part of the chapter 11 reorganization plan in the MGFB Properties Case. These projections include reserves and expenses that take into account the anticipated costs and expenses in the MGFB Properties Case, the need to make the improvements that management deems necessary to comply with building codes and maintain profitability, and to lease the properties belonging to Debtor that are being utilized in the operation of the Flora-Bama upon terms that are acceptable to management of Flora-Bama Management.

Attached as Composite Exhibit "D" are consolidated profit and loss projections for seven years for the three operations that make up Flora-Bama.

From the profit and loss projections Mr. Andre has prepared cash flow projections. The cash flow projections adjust the profit and loss projections to account for cash receipts and expenditures that are not normally included in profit and loss projections, including the anticipated dividends or distributions to shareholders. A consolidated cash flow projection for the three operations by year for 7 years is attached as Exhibit "E." This Exhibit shows the anticipated dividends that Debtor will receive over the next 7 years from the operation of the Flora-Bama Lounge, Flora-Bama Management and the Silver Moon.

2. Flora-Bama O.L.D S.A.L.T.S., Inc.

Flora-Bama O.L.D. S.A.L.T.S., Inc. is a Florida Corporation owned by Mr. Gilchrist (80%) and Mr. McClellan (20%). It has boat slips for rent on Old River. A balance sheet as of April 5, 2010 along with a profit and loss statement for the period from January 1, 2009 through October 29, 2009 is attached as Exhibit "F". The money owed to Mr. Gilchrist as well as future distributions he receives during the Term of the Plan are Property of the Estate and will be included in his Projected Disposable Income.

3. Pat Mac, Inc.

Pat Mac, Inc. was incorporated in Alabama and Florida to own various real properties in Florida and Alabama. It was originally owned by Mr. Gilchrist and Mr. McClellan. In 1998 Mr. McClellan sold his interest in Pat Mac to Mr. Gilchrist. Sometime thereafter, the Alabama properties were conveyed to Mr. Gilchrist, who then merged the Alabama corporation into the Florida corporation.

Pat Mac currently owns an apartment complex in Escambia County, Florida known as Austinwoods Apartments along with a single family residence adjacent to the apartment complex which is being used by Debtor's daughter.

The Escambia County Property Appraiser has valued the apartment complex on the 2009 Certified Assessment Roll as \$8,362,863 and the single family residence at \$86,861. The apartments are encumbered by a first and second mortgage in favor of Branch Banking & Trust ("BB&T") and a third mortgage in favor of Gulf Coast Community Bank. BB&T has filed a claim relating to their first and second mortgages in the amount of \$7,714,383.98. Gulf Coast

Community Bank has filed a proof of claim in connection with its third mortgage in the amount of \$274,872.23.

A balance sheet together with a profit and loss statement for the portion of the year 2009 ending October 15, 2009 is attached as Exhibit "G."

As a result of the current recession, occupancy and rental rates have declined. As a result, Pat Mac is in default under its loan with Branch Banking and Trust Company ("BB&T"). In December of 2009 Mr. Gilchrist entered into a forbearance agreement with BB&T under the terms of which a management company was engaged to manage the apartments. In December of 2009 BB&T agreed to forbear for a period of approximately one (1) year provided there is no default in the forbearance agreement.

Mr. Gilchrist is attempting to sell the apartment complex. Because of the likely taxable gain on the sale of the apartments it is unlikely that any significant monies will result to creditors.

4. Condominium Units.

Mr. Gilchrist owns condominium units in the Mirabella Condominiums, the Phoenix Condominiums and the Lighthouse Condominiums. These are currently being rented to the extent possible and the money received from rentals is being used to maintain insurance and pay the owners' association assessments. The rental income from these units is insufficient to pay the mortgage payments on the units and the mortgages on the units are in default. These units are being surrendered to the respective Holders of Allowed Secured Claims under the Plan.

5. Other Business and Real Property Interests.

Mr. Gilchrist has a multitude of other business interests, primarily related to real estate. Some involve land he owns in his own name or jointly with others. Some are owned by partnerships or limited liability companies in which he has a membership interest along with one or more other persons. Because of the present real estate market, it is unlikely that any of them have any equity or will realize any benefit to his creditors with the exception of the two (2) parcels used by Flora-Bama Management in the operation of the Flora-Bama.

Most of the property is raw, unimproved land. There is one development held by GW Sod I, LLC that is being developed and the development is almost completed. He is a member of GW Sod I along with Eddie Woerner. Unless GW Sod I is able to sell one or more parcels in the near future, it is likely that there will be a default in the mortgage which may result in loss of the property through foreclosure.

Mr. Gilchrist's real estate is listed in Schedule A, as amended, and his other business interests are listed in Schedule B, as amended, of his Schedules. Copies of Schedules A and B, as amended, are attached as Exhibits "H" and "I", respectively. The values listed in Schedule A will be the deemed the values set forth in this Disclosure Statement. Except where noted otherwise, the values in Amended Schedule A are based upon the records and information obtained from the County Property Appraiser of the county in which the property is located based upon the Certified Assessment for the year 2009.

B. Events Leading to Bankruptcy.

The following is Mr. Gilchrist's recitation of facts regarding the events that it believes contributed to his having to file for bankruptcy protection:

The Flora-Bama has been very successful. It grew in stature and profitability from a relatively small operation to one that grosses over \$7.5 Million a year. If he had stuck to the bar business he wouldn't be in a chapter 11 today.

Unfortunately, he didn't. He began acquiring real estate and did very well until the downturn in the market in 2007. As a result he found himself in a position where he had a great deal of raw land with significant payments due. He sold and mortgaged things, including the real estate owned by Flora-Bama Lounge to make the payments until he was unable to do so any longer. When he faced loss of the Silver Moon property as a result of a foreclosure civil action filed by Central Progressive, he felt he had no choice but to file a petition seeking relief under chapter 11 of the Bankruptcy Code to preserve and protect the operation of the Flora-Bama as his only means of repaying creditors.

C. Creditors

Attached as Exhibit "J" is a copy of Schedules D, E and F listing Debtor's Creditors. Pursuant to the Bankruptcy Code, a Creditor whose claim is scheduled and whose claim is not listed as disputed, contingent or unliquidated is allowed in the amount scheduled. If a creditor's claim is listed as disputed, contingent or unliquidated, a creditor must file a claim by the Bar Date to be Allowed. The Claim of a Creditor who files a Proof of Claim by the Bar Date is allowed as filed unless there is a timely objection. A list of Claims together with Debtor's assessment of the class and estimated amount of such Claims is attached as Exhibit "K".

**ARTICLE V
EVENTS DURING THE CHAPTER 11 BANKRUPTCY CASE**

A. Filing of the Chapter 11 Petition.

On December 14, 2009 Mr. Gilchrist filed a petition seeking relief under Chapter 11. Since that time he has timely filed his monthly operating reports. As of this July 31, 2010 Debtor had approximately \$140,000 on hand and all post-petition expenses, including estimated taxes but not including professional fees, have been paid.

The only significant events to date is the motions for relief from the automatic stay filed by Central Progressive on the Silver Moon property, Gulf Coast Community Bank on the 200 acres in Foley, and Regions Bank on one of the condominium units.

Orders were entered granting relief from the stay to Gulf Coast Community Bank and Regions Bank. Those properties are presently being foreclosed.

Central Progressive sought relief from the automatic stay to (1) liquidate its deficiency claim resulting from the foreclosure of certain real estate in Walton County, Florida owned by Joe Pete Investments, and (2) foreclose the lien of its second mortgage on the Silver Moon property. This motion was resolved by an agreement for adequate protection under the terms of which a month-to-month lease of the Silver Moon property by Flora-Bama Management pays interest on the first mortgage held by Warrington Bank.

B. Retention of Professionals by the Debtor.

The Debtor filed an application to employ John E. Venn, Jr. P.A. as counsel for the Debtor. He also engaged the services of Randall Sansom as accountant to file a short year tax return for him as well as to assist with tax returns and other tax and accounting matters for the Bankruptcy Estate and Debtor's affiliates. He has also engaged Kay Hastings to act as rental agent to rent the condominium units and Helen Brown Galloway to inventory and appraise his personal property.

All of the aforesaid applications have been approved by the Bankruptcy Court.

The contact information for Debtor's bankruptcy attorney is:

**John E. Venn, Jr.
John E. Venn, Jr., P.A.
220 West Garden Street Suite 603,
Pensacola, FL 32502
Telephone No. (850) 438-0005
Facsimile No. (850) 438-1881
johnevennjrpa@aol.com**

C. Statements and Schedules.

On January 11, 2010, the Debtor filed his Statements and Schedules [*Docket No. 29*]. Amendments to the Schedules can be found at Docket numbers 70, 82, 118 and 148. The Statements and Schedules may be further amended from time to time.

The Schedules and Statements contain detailed information on the assets and liabilities of Debtor as well as historical information which may be important for you to review. A copy of Schedules A and B, as amended, are attached as an exhibit. In addition, a copy of Schedules D, E and F, as amended are attached as an exhibit. A complete copy of the Schedules and Statement of Financial Affairs may be obtained by sending a written request to Debtor's attorney at the address set forth above.

**ARTICLE VI
DESCRIPTION OF THE PLAN OF REORGANIZATION**

Introduction.

A summary of the principal provisions of the Plan and the treatment of Classes of Allowed Claims and Allowed Equity Interests is set forth below. The following summary is entirely qualified by the Plan. In the event of a conflict the terms and provisions of the Plan shall control.

The Plan, and not the Disclosure Statement, governs the rights and obligations of the parties.

A complete copy of the Plan is attached as Exhibit “O” to this Disclosure Statement.

A. Article I of the Plan.

Article I of the Plan contains definitions that are used in the Plan, this Disclosure Statement and proceedings relating to the Plan and Disclosure Statement.

B. Article II of the Plan.

Article II of the Plan addresses the treatment of Administrative Claims, Professional Fee Claims, Priority Tax Claims and other Priority Claims.

C. Article III of the Plan.

Article III of the Plan lists the Classes for Claims as follows:

3.1. Classification.

Pursuant to section 1122 of the Bankruptcy Code, a Claim is placed in a particular Class for purposes of voting on the Plan and receiving Distributions under the Plan only to the extent (i) the Claim is an Allowed Claim in that Class and (ii) the Claim has not been paid, released, or otherwise compromised by the Debtor before the Effective Date. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims, Professional Fee Claims, and Priority Claims and Priority Tax Claims are not classified under the Plan.

3.2. Identification of Classes.

The following are the designations for the Classes of Claims against the Estate. Listing of a Claimant in a Class does not mean that any claim of such Claimant is an Allowed Claim.

<u>DESIGNATION</u>	<u>POTENTIAL CLAIMANTS</u>
Class 1 – Secured Claim of Bank of America [10122 Nelle Ave., Pensacola]	Bank of America
Class 2 – Secured Claim of Bank of America [Mirabella Condo, Unit 1501]	Bank of America
Class 3 – Secured Claim of Branch Banking & Trust [first on home at 16000 and 16296 Perdido Key Dr., Pensacola]	Branch Banking & Trust
Class 4 – Secured Claim of Central Progressive Bank [Silver Moon property]	Central Progressive Bank
Class 5 – Secured Claim of Coastal Bank & Trust [2d on home at 16000 and 16296 Perdido Key Dr., Pensacola, FL]	Coastal Bank & Trust
Class 6 – Secured Claim of Coastal Bank	Coastal Bank & Trust

& Trust [9500 South Loop Rd, Pensacola, FL]

Class 7 – Secured Claim of State Line Investments, LLC [1.5 acres on Gulf next to Flora-Bama Lounge]

State Line Investments, LLC

Class 8 – Secured Claim(s) of First National Bank of Baldwin County [20 acres on Blue Angel Parkway, Pensacola, FL]

First National Bank of Baldwin County

Class 9 – Secured Claim of Flora-Bama Management [shares of stock in First National Bank of Baldwin County]

Flora-Bama Management

Class 10 – Secured Claim of Gulf Coast Community Bank [1st on 200 acres, Foley, AL]

Gulf Coast Community Bank

Class 11 – Secured Claim of M & T Mortgage [1st on units 1516 and 1517, Phoenix X Condominiums]

M & T Bank

Class 12 – Secured Claim of Regions Bank [1st on unit 1615, Lighthouse Condominiums]

Regions Bank

Class 13 – Secured Claim of Warrington Bank [1st on Silver Moon property]

Warrington Bank

Class 14 – Secured Claim of Donald Russell

Donald Russell

Class 15 – Secured Claim of Baldwin County, Alabama Tax Collector

Baldwin County Tax Collector

Class 16 – Escambia County, Florida Tax Collector

Escambia County Tax Collector

Class 17 – Claims of Flora-Bama Lounge, Inc. and Flora-Bama Management for shareholder loans.

Flora-Bama Lounge, Inc. and Flora-Bama Management, Inc.

Class 18 – General Unsecured Claims Arising Under Rejected Executory Contracts

See Exhibit “A”

Class 19 – General, Unsecured Creditors with Allowed Claims based upon a Guaranty by Debtor of a Debt Owed by a Third Party.

See Exhibit “A”

Class 20 – General, Unsecured Creditors

See Exhibit “A”

with Allowed Claims based upon rights of contribution

Class 21 – General, Unsecured Creditors with Allowed Claims less than \$10,000 See Exhibit “A”

Class 22 – All Other Unsecured Creditors with Allowed Claims equal to or greater than \$10,000 Including Deficiency Claims See Exhibit “A”

D. ARTICLE IV OF THE PLAN.

Article IV of the Plan provides the treatment of the various classes as follows:

4.1 Classes Of Claims And Equity Interests; Treatment.

(a) Class 1 – Secured Claim of Bank of America.

(1) **Description of Claim.** Bank of America has a mortgage on real property referred to in the Schedules as 10122 Nelle Ave., Pensacola, Florida and which is more particularly described in the mortgage recorded at Official Records Book 6101, at page 356 of the public records of Escambia County Florida. The property encumbered by this mortgage is jointly owned by Debtor and Steve Owensby. The mortgage is superior to all other secured claims except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. Bank of America has filed a proof of claim as Claim No. 25, which is listed as a secured claim in the amount of \$175,892.65 and no unsecured claim.

(2) **Impairment and Voting.** The Claim in Class 1 is impaired under the Plan. The Holder of an Allowed Secured Claim in Class 1 is entitled to vote to accept or reject the Plan.

(3) **Treatment.** To the extent that the Holder of the Claim in this Class has an Allowed Secured Claim, upon the Effective Date of the Plan Debtor will surrender the real property which is security for Holder’s Allowed Secured Claim.

Unless a party in interest objects, the surrender will be accomplished in one of three (3) ways as follows:

(a) The automatic stay of §362 of the Bankruptcy Code shall be modified to allow the Holder to foreclose the Lien of its mortgage. Unless there has been an objection filed challenging the validity or perfection of the Holder’s Secured Claim, such modification of the automatic stay shall be effective upon the Effective Date of the Plan without further order of the Bankruptcy Court.

(b) In the alternative, or in addition to relief from the stay, the Holder shall have the option of accepting a deed in lieu of foreclosure in a form and containing terms substantially

similar to Exhibit "B." If the Holder elects to accept a deed in lieu, it shall do so by sending notice to Debtor's attorney within 30 days of the Confirmation Date, in which event a duly executed deed will be delivered to the Holder on or before the Effective Date of the Plan. The effect of the delivery and recording of such deed shall be to convey all of Debtor's rights, title and interest to the Holder or its designee free and clear of all Liens and other interests that are inferior or subordinate to the Lien of the Holder's mortgage. Any rights of redemption that Debtor may have pursuant to applicable law shall be waived, released and discharged upon delivery of the deed.

(c) The property which is subject to the Lien will be sold pursuant to a 363(k) sale with the Holder having the right to a credit bid for the amount of its Allowed Secured Claim, which auction shall be conducted on the first Business Day on or after the Effective Date. The auction shall be conducted pursuant to the sale procedures set forth in Exhibit "C", or such other procedures as approved by the Bankruptcy Court.

In the event Holder rejects all three options for treatment under this Plan, then the Allowed Secured Claim of Holder shall be treated by such other method, as the Bankruptcy Court determines in connection with proceedings pursuant to §1111(b) of the Bankruptcy Code, that does not discriminate unfairly and that is fair and equitable.

If Holder accepts the Plan or does not reject the Plan and a Confirmation Order is entered, Holder shall notify Debtor's attorney within 30 days after the Confirmation Date which option for treatment it elects. Absent a timely election, or a timely notice of the election, Holder shall be deemed to have elected the option in subparagraph (a).

Upon the Effective Date of the Plan Debtor shall not have any obligation or duty to insure, preserve, protect or maintain the real property that is security for the Holder's Secured Claim. The Holder shall be entitled to take possession of such real property upon the Effective Date of the Plan and shall be responsible for any obligations incurred after the Effective Date of the Plan, including any owners' assessments due after the Effective Date of the Plan. On and after the Effective Date of the Plan, Holder shall be deemed for all purposes to be the owner of such property and Debtor shall no longer have any interest in such property.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(b) Class 2 - Secured Claim of Bank of America.

(1) Description of Claim. Bank of America has a mortgage on real property referred to in the Schedules as Unit 1501, Mirabella Condominiums and which is more particularly described in the mortgage recorded at Official Records Book 6021, at page 852 of the public records of Escambia County Florida. The real property encumbered by this mortgage

is owned by Debtor. The Lien of the mortgage is superior to all other secured claims as to the real property except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes and a mortgagee's statutory obligation to pay owners' assessments. Bank of America has not filed a proof of claim relating to this property. The Secured Claim of Bank of America for this property is listed on Debtor's Schedules as being held by Countrywide, its predecessor in interest in the secured amount of \$770,000.00 and the unsecured amount of \$190,214.00. It is not listed as being disputed, contingent or unliquidated.

(2) **Impairment and Voting.** The Claim in Class 2 is impaired under the Plan. The Holder of an Allowed Claim in Class 2 is entitled to vote to accept or reject the Plan.

(2) **Treatment.** To the extent that the Holder of the Claim in this Class has an Allowed Secured Claim, upon the Effective Date of the Plan Debtor will surrender the real property which is security for Holder's Allowed Secured Claim.

Unless a party in interest objects, the surrender will be accomplished in one of three (3) ways as follows:

(a) The automatic stay of §362 of the Bankruptcy Code shall be modified to allow the Holder to foreclose the Lien of its mortgage. Unless there has been an objection filed challenging the validity or perfection of the Holder's Secured Claim, such modification of the automatic stay shall be effective upon the Effective Date of the Plan without further order of the Bankruptcy Court.

(b) In the alternative, or in addition to relief from the stay, the Holder shall have the option of accepting a deed in lieu of foreclosure in a form and containing terms substantially similar to Exhibit "B." If the Holder elects to accept a deed in lieu, it shall do so by sending notice to Debtor's attorney within 30 days of the Confirmation Date, in which event a duly executed deed will be delivered to the Holder on or before the Effective Date of the Plan. The effect of the delivery and recording of such deed shall be to convey all of Debtor's rights, title and interest to the Holder or its designee free and clear of all Liens and other interests that are inferior or subordinate to the Lien of the Holder's mortgage. Any rights of redemption that Debtor may have pursuant to applicable law shall be waived, released and discharged upon delivery of the deed.

(c) The property which is subject to the Lien will be sold pursuant to a 363(k) sale with the Holder having the right to a credit bid for the amount of its Allowed Secured Claim, which auction shall be conducted on the first Business Day on or after the Effective Date. The auction shall be conducted pursuant to the sale procedures set forth in Exhibit "C", or such other procedures as approved by the Bankruptcy Court.

In the event Holder rejects all three options for treatment under this Plan, then the Allowed Secured Claim of Holder shall be treated by such other method, as the Bankruptcy

Court determines in connection with proceedings pursuant to §1111(b) of the Bankruptcy Code, that does not discriminate unfairly and that is fair and equitable.

If Holder accepts the Plan or does not reject the Plan and a Confirmation Order is entered, Holder shall notify Debtor's attorney within 30 days after the Confirmation Date which option for treatment it elects. Absent a timely election, or a timely notice of the election, Holder shall be deemed to have elected the option in subparagraph (a).

Upon the Effective Date of the Plan Debtor shall not have any obligation or duty to insure, preserve, protect or maintain the real property that is security for the Holder's Secured Claim. The Holder shall be entitled to take possession of such real property upon the Effective Date of the Plan and shall be responsible for any obligations incurred after the Effective Date of the Plan, including any owners' assessments due after the Effective Date of the Plan. On and after the Effective Date of the Plan, Holder shall be deemed for all purposes to be the owner of such property and Debtor shall no longer have any interest in such property.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(c) **Class 3 – Secured Claim of Branch Banking & Trust.**

(1) **Description of Claim.** Branch Banking & Trust ("BB&T"), as successor in interest to Colonial Bank, has a mortgage on real property referred to in the Schedules as 16000 and 16296 Perdido Key Dr., Pensacola, Florida and which is more particularly described in the mortgage recorded at Official Records Book 5715, at page 1847 of the public records of Escambia County Florida. The property encumbered by this mortgage is owned by Debtor. The Lien of the mortgage is superior to all other secured claims except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. BB&T has filed a secured claim numbered 3 in the amount of \$1,927,800.98.

(2) **Impairment and Voting.** The Holder of Allowed Secured Claim in Class 3 is impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claim.

(3) **Treatment.**

The real property which is the subject of BB&T's Secured Claim in this Class shall be sold at auction pursuant to the procedures set forth in Exhibit "C." BB&T shall be entitled to bid a credit up to the amount of its Allowed Secured Claim as set forth in such procedures.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion

for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(d) **Class 4 – Secured Claim of Central Progressive Bank.**

(1) **Description of Claim.** Central Progressive Bank (“Central Progressive”) has a mortgage on real property referred to in the Schedules as the Silver Moon property and which is more particularly described in the mortgage recorded at Official Records Book 6235, at page 319 of the public records of Escambia County Florida. The real property encumbered by this mortgage (which does not include any property owned by Debtor that is South of Perdido Key Drive) is owned by Debtor and is leased to Flora-Bama Management, Inc.. The mortgage is a second mortgage on the real property subject to a first mortgage in favor of Warrington Bank but superior to all other claims as to the real property except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. Central Progressive has filed a proof of claim numbered 10, which asserts a secured claim in the amount of \$1,550,000 and an unsecured claim in the amount of \$6,797,737.97. The Schedules valued the property encumbered by the Lien of Holder’s second mortgage at \$1,299,000 less \$957,784 owed to Warrington Bank resulting in the amount of the Secured Claim of Holder as \$341,216. Accordingly, if Holder accepts treatment providing for payment of the Present Value of its Allowed Secured Claim, it will be necessary to value the property which is encumbered by the Lien of Holder’s mortgage pursuant to §506 of the Bankruptcy Code and Bankruptcy Rule 3012 of the Bankruptcy Rules unless an agreement is reached as to such value.

(2) **Impairment and Voting.** The Holder of Allowed Secured Claim in Class 4 is impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if and to the extent that it holds an Allowed Secured Claim.

(3) **Treatment.** Except as provided in the following paragraph, Holder will retain the Lien of its second mortgage and be paid the Present Value of its Allowed Secured Claim. Commencing the first day of the first full month after the Effective Date of the Plan and on the first day of each successive month thereafter during the Term of the Plan Debtor will pay to Central Progressive the Present Value of the Allowed Secured Claim of Central Progressive. Payments will be based upon a twenty (20) year amortization, with the entire amount of principal and interest due and payable on the last day of the Term of the Plan. Such payments shall be due on the first day of each month during the Term of the Plan with a ten (10) day grace period.

In the event that Central Progressive files an election to be treated pursuant to §1111(b) of the Bankruptcy Code, the real property which is security for Central Progressive’s Secured Claim shall be sold at an auction free and clear of all liens, encumbrances and other interests pursuant to the procedures, terms and conditions set forth in Exhibit “C” to this Plan. If Central Progressive enters a bid at such auction, it shall be required to pay in cash the amount owed to Warrington Bank, as the Holder of the first mortgage on such property, as well as ad valorem real estate taxes that are due, and such other costs and expenses as are set forth in the

Sale Procedures Exhibit, and Holder shall be entitled to bid a credit up to the amount of its Secured Claim for any bid in excess of the amount of cash it is required to pay.

If Central Progressive intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any unsecured claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(e) **Class 5 – Secured Claim of Coastal Bank & Trust.**

(1) **Description of Claim.** Coastal Bank & Trust (“Coastal Bank”) has a second mortgage on real property referred to in the Schedules as 16000 and 16296 Perdido Key Dr., Pensacola, Florida and which is more particularly described in the mortgage recorded at Official Records Book 6005, at page 1143 of the public records of Escambia County Florida. The property encumbered by this mortgage is owned by Debtor. The mortgage is subordinate to the mortgage of BB&T described in Class 3 but is superior to all other claims except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. Coastal Bank has filed a proof of claim, Claim numbered 17, asserting a Claim in the amount of \$503,829.60, with an “unknown” value for the property securing such Claim. The Schedules reflect a value of the property as \$1,705,222.00, which is less than the amount owed to the Holder of the first mortgage on the Property.

(2) **Impairment and Voting.** The Holder of an Allowed Secured Claim in Class 5 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claim.

(3) **Treatment.**

The real property which is the subject of Coastal Bank’s mortgage will be sold at auction pursuant to the procedures set forth in Exhibit “C.” If Coastal Bank enters a bid at such auction, it shall be required to pay in cash the amount owed to the BB&T, as the Holder of the first mortgage on such property, as well as ad valorem real estate taxes that are due, and such other costs and expenses as are set forth in the Sale Procedures, and Holder shall be entitled to bid a credit up to the amount of its Secured Claim for any bid in excess of the amount of cash it is required to pay.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

Anything herein to the contrary notwithstanding, Coastal Bank & Trust shall be entitled to waive its Secured Claim in Class 5, in which event Coastal Bank & Trust will

not be deemed the owner of the property subject to its second mortgage but instead will be treated as an Unsecured Creditor in Class 22.

(f) **Class 6 – Secured Claim of Coastal Bank & Trust**

(1) **Description of Claim.** Coastal Bank & Trust (“Coastal Bank”) has a first mortgage on real property referred to in the Schedules as “9500 South Loop Rd., Pensacola, Florida” and which is more particularly described in the mortgage recorded at Official Records Book 4495, at page 16 of the public records of Escambia County Florida. The property encumbered by this mortgage is owned by Debtor. The mortgage is a first mortgage that is superior to all other Claims and Liens except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. Coastal Bank has filed a proof of claim, Claim numbered 16, asserting a Claim in the amount of \$93,746.52, with an unknown value for the property securing such Claim. The Schedules reflect a value of the property subject to the Lien of Coastal Bank’s mortgage in the amount of \$190,706.00.

(2) **Impairment and Voting.** The Holder of Allowed Secured Claims in Class 6 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claim.

(3) **Treatment.** The Holder of an Allowed Secured Claim in this Class will retain its lien and Debtor will pay to such Holder the Present Value of the Allowed Secured Claim. Such Allowed Secured Claim shall be paid in equal, consecutive monthly payments together with interest amortized over a twenty (20) year term with the entire remaining balance of principal and interest due on the last day of the Term of the Plan. The first payment will be due the first day of the first full month after the Effective Date of the Plan and on the first day of each consecutive month thereafter.

(g) **Class 7 – Secured Claim of State Line Investments, LLC.**

(1) **Description of Claim.** State Line Investments, LLC (“State Line”), as assignee of the Claim of First National Bank of Baldwin County (“First National”) secured by a first mortgage on real property referred to in the Schedules as “1.5 acres on Gulf (lot next to Flora Bama Lounge)” and which is more particularly described in the mortgage recorded at Official Records Book 5679, at page 1756 of the public records of Escambia County Florida. The property encumbered by this mortgage is owned by Debtor. The mortgage is a first mortgage superior to all other Claims and Liens except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. First National filed a proof of claim, Claim numbered 11, which proof of claim was subsequently amended, and which amended claim asserts a Claim in the amount of \$3,258,912.00, which is secured by property with an alleged value of \$2,300,000 leaving an unsecured claim of \$958,912.42. Such Claim was thereafter assigned to State Line, which is now the Holder of record of such Claim. Prior to the assignment, either First National or State Line filed an 1111(b) election [*Docket No. 143*]

(2) **Impairment and Voting.** The Holder of Allowed Secured Claims in Class 7 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claim.

(3) **Treatment.** The Holder of an Allowed Secured Claim in this Class shall be paid the sum of \$17,000 a month with the first payment due the first day of the first full month after the Effective Date and on the first day of each succeeding month thereafter during the Term of the Plan, with a final payment on the last day of the Plan equal to the Claim amount of \$3,258,912.42 less the sum of all monthly payments paid to Holder during the Term of the Plan

(h) **Class 8 – Secured Claim of First National Bank of Baldwin County**

(1) **Description of Claim.** First National Bank of Baldwin County (“First National”) has a first mortgages on two contiguous parcels of real property referred to in the Schedules as “Blue Angel Parkway, Pensacola, FL (Parcel ID’s 232S311102000001 and 232S311102001001)” and which property is more particularly described in the first mortgage recorded at Official Records Book 5039, at page 1271 of the public records of Escambia County, Florida and the first mortgage recorded at Official Records Book 5934, at page 1298, of the public records of Escambia County, Florida. The property encumbered by these mortgages is owned by Debtor. The mortgages are a first mortgages superior to all other claims except the lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. First National filed a proof of claim, Claim numbered 11, which included these two mortgages as well as another. First National thereafter filed a proof of claim, Claim numbered 27, which asserts a Claim in the amount of \$595,823.97, of which \$380,000 is listed as the Secured Claim and \$215,823.97 is listed as the Unsecured Claim. The Schedules list the value of the two parcels as \$362,217.00.

(2) **Impairment and Voting.** The Holder of Allowed Secured Claims in Class 8 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claim.

(3) **Treatment.** To the extent that the Holder of the Claim in this Class has an Allowed Secured Claim, upon the Effective Date of the Plan Debtor will surrender the real property which is security for Holder’s Allowed Secured Claim.

Unless a party in interest objects, the surrender will be accomplished in one of three (3) ways as follows:

(a) The automatic stay of §362 of the Bankruptcy Code shall be modified to allow the Holder to foreclose the Lien of its mortgage. Unless there has been an objection filed challenging the validity or perfection of the Holder’s Secured Claim, such modification of the

automatic stay shall be effective upon the Effective Date of the Plan without further order of the Bankruptcy Court.

(b) In the alternative, or in addition to relief from the stay, the Holder shall have the option of accepting a deed in lieu of foreclosure in a form and containing terms substantially similar to Exhibit "B." If the Holder elects to accept a deed in lieu, it shall do so by sending notice to Debtor's attorney within 30 days of the Confirmation Date, in which event a duly executed deed will be delivered to the Holder on or before the Effective Date of the Plan. The effect of the delivery and recording of such deed shall be to convey all of Debtor's rights, title and interest to the Holder or its designee free and clear of all Liens and other interests that are inferior or subordinate to the Lien of the Holder's mortgage. Any rights of redemption that Debtor may have pursuant to applicable law shall be waived, released and discharged upon delivery of the deed.

(c) The property which is subject to the Lien will be sold pursuant to a 363(k) sale with the Holder having the right to a credit bid for the amount of its Allowed Secured Claim, which auction shall be conducted on the first Business Day on or after the Effective Date. The auction shall be conducted pursuant to the sale procedures set forth in Exhibit "C", or such other procedures as approved by the Bankruptcy Court.

In the event Holder rejects all three options for treatment under this Plan, then the Allowed Secured Claim of Holder shall be treated by such other method, as the Bankruptcy Court determines in connection with proceedings pursuant to §1111(b) of the Bankruptcy Code, that does not discriminate unfairly and that is fair and equitable.

If Holder accepts the Plan or does not reject the Plan and a Confirmation Order is entered, Holder shall notify Debtor's attorney within 30 days after the Confirmation Date which option for treatment it elects. Absent a timely election, or a timely notice of the election, Holder shall be deemed to have elected the option in subparagraph (a).

Upon the Effective Date of the Plan Debtor shall not have any obligation or duty to insure, preserve, protect or maintain the real property that is security for the Holder's Secured Claim. The Holder shall be entitled to take possession of such real property upon the Effective Date of the Plan and shall be responsible for any obligations incurred after the Effective Date of the Plan, including any owners' assessments due after the Effective Date of the Plan. On and after the Effective Date of the Plan, Holder shall be deemed for all purposes to be the owner of such property and Debtor shall no longer have any interest in such property.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(i) **Class 9 – Secured Claim(s) of Flora-Bama Management, Inc.**

(1) **Description of Claim(s) in this Class.** Flora-Bama Management, Inc. (“Flora-Bama Management”) has a Secured Claim secured by 25,000 shares of stock owned by Debtor in First National Bank of Baldwin County. Flora-Bama Management filed a proof of claim, Claim numbered 23, asserting a Claim in the amount of \$120,923.30, which Claim is filed as a Secured Claim for the same amount. The Schedules list the value of the 25,000 shares of stock in First National Bank of Baldwin County, Alabama as unknown. Since First National Bank of Baldwin County has entered into a Consent Order with the Comptroller of the Currency, Debtor doesn’t believe that the stock has a significant present market value.

(2) **Impairment and Voting.** The Holder of Allowed Secured Claim in Class 9 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if they hold an Allowed Secured Claim.

(3) **Treatment.** If Flora-Bama Management has an Allowed Secured Claim, Debtor will surrender such stock to Flora-Bama Management. Upon the Effective Date of the Plan, Debtor will execute documents transferring such stock to Flora-Bama Management. If Flora-Bama Management intends to assert an Unsecured Claim for a deficiency, it shall file a unsecured Proof of Claim specifying the deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period.

Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 17.

(j) **Class 10 – Secured Claim of Gulf Coast Community Bank**

(1) **Description of Claim(s) in this Class.** Gulf Coast Community Bank (“Gulf Coast”) has a mortgage on real property referred to in the Schedules as “120 acres and 80 acres – Foley Beach Express, Baldwin County, AL” and which is more particularly described in the mortgage recorded at 1064004. The real property encumbered by this mortgage is owned by Debtor. The mortgage is superior to all other secured claims as to the real property except the lien(s) of the Baldwin County Tax Collector for ad valorem real property taxes. Gulf Coast filed a proof of claim, being Claim numbered 8, which asserted a Claim in the amount of \$5,002,187.50, which included a Secured Claim of \$2,800,000 and an Unsecured Claim of \$2,202,187.50. The Schedules value the property at \$2,125,300.00. Since the Petition Date, Gulf Coast obtained an order modifying the automatic stay of §362(a) to allow them to proceed with state court remedies to foreclose the Lien securing their Claim. The status of such proceedings is unknown. Accordingly, if the ownership of the property securing such Claim has been transferred at the as of the Confirmation Date, it is not the intent of this Plan to treat the Secured Claim of Gulf Coast and this Class shall be deleted. Only if ownership of the property remains in Debtor as of the Confirmation Date will this Class remain as part of the Plan

(2) **Impairment and Voting.** The Holder of Allowed Secured Claim in Class 10 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) **Treatment.** To the extent that the Holder of the Claim in this Class has an Allowed Secured Claim, upon the Effective Date of the Plan Debtor will surrender the real property which is security for Holder's Allowed Secured Claim.

Unless a party in interest objects, the surrender will be accomplished in one of three (3) ways as follows:

(a) The automatic stay of §362 of the Bankruptcy Code shall be modified to allow the Holder to foreclose the Lien of its mortgage. Unless there has been an objection filed challenging the validity or perfection of the Holder's Secured Claim, such modification of the automatic stay shall be effective upon the Effective Date of the Plan without further order of the Bankruptcy Court.

(b) In the alternative, or in addition to relief from the stay, the Holder shall have the option of accepting a deed in lieu of foreclosure in a form and containing terms substantially similar to Exhibit "B." If the Holder elects to accept a deed in lieu, it shall do so by sending notice to Debtor's attorney within 30 days of the Confirmation Date, in which event a duly executed deed will be delivered to the Holder on or before the Effective Date of the Plan. The effect of the delivery and recording of such deed shall be to convey all of Debtor's rights, title and interest to the Holder or its designee free and clear of all Liens and other interests that are inferior or subordinate to the Lien of the Holder's mortgage. Any rights of redemption that Debtor may have pursuant to applicable law shall be waived, released and discharged upon delivery of the deed.

(c) The property which is subject to the Lien will be sold pursuant to a 363(k) sale with the Holder having the right to a credit bid for the amount of its Allowed Secured Claim, which auction shall be conducted on the first Business Day on or after the Effective Date. The auction shall be conducted pursuant to the sale procedures set forth in Exhibit "C", or such other procedures as approved by the Bankruptcy Court.

In the event Holder rejects all three options for treatment under this Plan, then the Allowed Secured Claim of Holder shall be treated by such other method, as the Bankruptcy Court determines in connection with proceedings pursuant to §1111(b) of the Bankruptcy Code, that does not discriminate unfairly and that is fair and equitable.

If Holder accepts the Plan or does not reject the Plan and a Confirmation Order is entered, Holder shall notify Debtor's attorney within 30 days after the Confirmation Date which option for treatment it elects. Absent a timely election, or a timely notice of the election, Holder shall be deemed to have elected the option in subparagraph (a).

Upon the Effective Date of the Plan Debtor shall not have any obligation or duty to insure, preserve, protect or maintain the real property that is security for the Holder's Secured Claim. The Holder shall be entitled to take possession of such real property upon the Effective

Date of the Plan and shall be responsible for any obligations incurred after the Effective Date of the Plan, including any owners' assessments due after the Effective Date of the Plan. On and after the Effective Date of the Plan, Holder shall be deemed for all purposes to be the owner of such property and Debtor shall no longer have any interest in such property.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(k) Class 11 – Secured Claim of M & T Mortgage

(1) Description of Claim(s) in this Class. M & T Mortgage ("M & T") has a mortgage on real property referred to in the Schedules as "Units 1516 and 1517 Phoenix Condominiums, Orange Beach, AL" and which is more particularly described in the mortgage recorded at 1010968 with the Judge of the Probate Court for Baldwin County, Alabama. The real property encumbered by this mortgage is owned by Debtor. The mortgage is superior to all other secured claims as to the real property except the lien(s) of the Baldwin County Tax Collector for ad valorem real property taxes and a mortgagee's obligation to pay owners' assessments. M & T filed a proof of claim, Claim numbered 6, which asserts a Claim in the amount of \$917,556.50 without identifying the portion of such Claim that is a Secured Claim. The Schedules value the property which is security for such Claim at \$848,700.00.

(2) Impairment and Voting. The Holder of Allowed Secured Claim in Class 11 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) Treatment. To the extent that the Holder of the Claim in this Class has an Allowed Secured Claim, upon the Effective Date of the Plan Debtor will surrender the real property which is security for Holder's Allowed Secured Claim.

Unless a party in interest objects, the surrender will be accomplished in one of three (3) ways as follows:

(a) The automatic stay of §362 of the Bankruptcy Code shall be modified to allow the Holder to foreclose the Lien of its mortgage. Unless there has been an objection filed challenging the validity or perfection of the Holder's Secured Claim, such modification of the automatic stay shall be effective upon the Effective Date of the Plan without further order of the Bankruptcy Court.

(b) In the alternative, or in addition to relief from the stay, the Holder shall have the option of accepting a deed in lieu of foreclosure in a form and containing terms substantially similar to Exhibit “B.” If the Holder elects to accept a deed in lieu, it shall do so by sending notice to Debtor’s attorney within 30 days of the Confirmation Date, in which event a duly executed deed will be delivered to the Holder on or before the Effective Date of the Plan. The effect of the delivery and recording of such deed shall be to convey all of Debtor’s rights, title and interest to the Holder or its designee free and clear of all Liens and other interests that are inferior or subordinate to the Lien of the Holder’s mortgage. Any rights of redemption that Debtor may have pursuant to applicable law shall be waived, released and discharged upon delivery of the deed.

(c) The property which is subject to the Lien will be sold pursuant to a 363(k) sale with the Holder having the right to a credit bid for the amount of its Allowed Secured Claim, which auction shall be conducted on the first Business Day on or after the Effective Date. The auction shall be conducted pursuant to the sale procedures set forth in Exhibit “C”, or such other procedures as approved by the Bankruptcy Court.

In the event Holder rejects all three options for treatment under this Plan, then the Allowed Secured Claim of Holder shall be treated by such other method, as the Bankruptcy Court determines in connection with proceedings pursuant to §1111(b) of the Bankruptcy Code, that does not discriminate unfairly and that is fair and equitable.

If Holder accepts the Plan or does not reject the Plan and a Confirmation Order is entered, Holder shall notify Debtor’s attorney within 30 days after the Confirmation Date which option for treatment it elects. Absent a timely election, or a timely notice of the election, Holder shall be deemed to have elected the option in subparagraph (a).

Upon the Effective Date of the Plan Debtor shall not have any obligation or duty to insure, preserve, protect or maintain the real property that is security for the Holder’s Secured Claim. The Holder shall be entitled to take possession of such real property upon the Effective Date of the Plan and shall be responsible for any obligations incurred after the Effective Date of the Plan, including any owners’ assessments due after the Effective Date of the Plan. On and after the Effective Date of the Plan, Holder shall be deemed for all purposes to be the owner of such property and Debtor shall no longer have any interest in such property.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(I) Class 12 – Secured Claim of Regions Bank

(1) Description of Claim. Regions Bank (“Regions”) has a mortgage on real property referred to in the Schedules as “Unit 1615, Lighthouse Condominiums, Gulf

Shores, AL” and which is more particularly described in the mortgage recorded with the Judge of the Probate Court for Baldwin County, Alabama at number 1002218 . The real property encumbered by this mortgage is owned by Debtor. The mortgage is superior to all other secured claims as to the real property except the lien(s) of the Baldwin County Tax Collector for ad valorem real property taxes and a mortgagee’s statutory obligation to pay owners’ assessments. Regions Bank did not file a proof of claim. The Schedules list the amount owed to Regions as \$376,425.00 and the value of the property as \$437,200.00. Since the Petition Date, Regions obtained an order modifying the automatic stay of §362(a) to allow them to proceed with state court remedies to foreclose the Lien securing their Claim [*Docket No. 154*]. The status of such proceedings is unknown. Accordingly, if the ownership of the property securing such Claim has been transferred at the as of the Confirmation Date, it is not the intent of this Plan to treat the Secured Claim of Regions and this Class shall be deleted. Only if ownership of the property remains in Debtor as of the Confirmation Date will this Class remain as part of the Plan

(2) **Impairment and Voting.** The Claim in Class 12 is impaired under the Plan. The Holder of an Allowed Claim in Class 12 is entitled to vote to accept or reject the Plan.

(3) **Treatment.** To the extent that the Holder of the Claim in this Class has an Allowed Secured Claim, upon the Effective Date of the Plan Debtor will surrender the real property which is security for Holder’s Allowed Secured Claim.

Unless a party in interest objects, the surrender will be accomplished in one of three (3) ways as follows:

(a) The automatic stay of §362 of the Bankruptcy Code shall be modified to allow the Holder to foreclose the Lien of its mortgage. Unless there has been an objection filed challenging the validity or perfection of the Holder’s Secured Claim, such modification of the automatic stay shall be effective upon the Effective Date of the Plan without further order of the Bankruptcy Court.

(b) In the alternative, or in addition to relief from the stay, the Holder shall have the option of accepting a deed in lieu of foreclosure in a form and containing terms substantially similar to Exhibit “B.” If the Holder elects to accept a deed in lieu, it shall do so by sending notice to Debtor’s attorney within 30 days of the Confirmation Date, in which event a duly executed deed will be delivered to the Holder on or before the Effective Date of the Plan. The effect of the delivery and recording of such deed shall be to convey all of Debtor’s rights, title and interest to the Holder or its designee free and clear of all Liens and other interests that are inferior or subordinate to the Lien of the Holder’s mortgage. Any rights of redemption that Debtor may have pursuant to applicable law shall be waived, released and discharged upon delivery of the deed.

(c) The property which is subject to the Lien will be sold pursuant to a 363(k) sale with the Holder having the right to a credit bid for the amount of its Allowed Secured Claim, which auction shall be conducted on the first Business Day on or after the Effective Date. The auction

shall be conducted pursuant to the sale procedures set forth in Exhibit “C”, or such other procedures as approved by the Bankruptcy Court.

In the event Holder rejects all three options for treatment under this Plan, then the Allowed Secured Claim of Holder shall be treated by such other method, as the Bankruptcy Court determines in connection with proceedings pursuant to §1111(b) of the Bankruptcy Code, that does not discriminate unfairly and that is fair and equitable.

If Holder accepts the Plan or does not reject the Plan and a Confirmation Order is entered, Holder shall notify Debtor’s attorney within 30 days after the Confirmation Date which option for treatment it elects. Absent a timely election, or a timely notice of the election, Holder shall be deemed to have elected the option in subparagraph (a).

Upon the Effective Date of the Plan Debtor shall not have any obligation or duty to insure, preserve, protect or maintain the real property that is security for the Holder’s Secured Claim. The Holder shall be entitled to take possession of such real property upon the Effective Date of the Plan and shall be responsible for any obligations incurred after the Effective Date of the Plan, including any owners’ assessments due after the Effective Date of the Plan. On and after the Effective Date of the Plan, Holder shall be deemed for all purposes to be the owner of such property and Debtor shall no longer have any interest in such property.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(m) Class 13 – Secured Claim of Warrington Bank

(1) Description of Claim. Warrington Bank has a first mortgage on real property referred to in the Schedules as “17395 Perdido Key Dr., Pensacola, FL and 17359 Perdido Key Dr. (Silver Moon property)” and which is more particularly described in the mortgage recorded at Official Records Book 4526, at page 1530 of the public records of Escambia County Florida. The property encumbered by this mortgage is owned by Debtor. The mortgage is a first mortgage superior to all other Claims except the Lien(s) of the Escambia County Tax Collector for ad valorem real property taxes. Warrington Bank filed a proof of claim, Claim numbered 2, asserting a Claim in the amount of \$995,905.54, which Claim is fully secured by property valued at \$1,600,000. Since the Petition Date, as adequate protection to Central Progressive, interest has been paid to Warrington Bank.

(2) Impairment and Voting. The Holder of Allowed Secured Claims in Class 13 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claim.

(3) **Treatment.** Except as provided in the paragraph immediately following, the Holder of an Allowed Secured Claim in this Class will retain the lien of its mortgage and Debtor will pay to such Holder the Present Value of the Holder's Allowed Secured Claim. Payments will be based upon a twenty (20) year amortization, with the remaining balance of principal and interest due and payable on the last day of the Term of the Plan. Such payments shall be due on the first day of each month during the Term of the Plan with the first payment due the first day of the first full month after the Effective Date of the Plan. In addition, the lease entered into between Debtor and either Flora-Bama Lounge, Inc. and / or Flora-Bama Management, Inc. will be assigned to the Holder of an Allowed Secured Claim in this Class as additional collateral.

In the event that the Holder of an Allowed Secured Claim in Class 4 makes an election pursuant to §1111(b) of the Bankruptcy Code, the real property which is the subject of the Secured Claim in this Class will be sold at auction pursuant to the procedures set forth in Exhibit "C". The Holder of an Allowed Secured Claim in this Class (i.e. Class 13) shall be entitled to bid a credit bid for the amount of its Allowed Secured Claim together with interest and costs that have accrued since the Petition Date until the date of the auction. To the extent that the highest and best bid exceeds the credit bid of the Holder in this Class, the successful bidder at such auction shall be required to pay in Cash at closing the amount of the Holder's Allowed Secured Claim, together with interest and costs that have accrued after the Petition Date until the date of the auction.

(n) **Class 14 – Secured Claim of Donald Russell**

(1) **Description of Claim(s) in this Class.** Donald Russell ("Russell") has a mortgage on Debtor's undivided one-half interest in real property referred to in the Schedules as "21.42 acres on Highway 98 in Lillian / Elberta, Alabama" and which is more particularly described in the mortgage recorded at 1052351. The real property encumbered by this mortgage is owned by Debtor and Donald Russell jointly. The mortgage is superior to all other secured claims as to the real property except the lien(s) of the Baldwin County Tax Collector for ad valorem real property taxes. Russell has filed a proof of claim, Claim numbered 4, which asserts a Claim in the amount of \$287,073.76, of which \$200,000.00 is listed as a Secured Claim and \$87,073.76 is listed as an Unsecured Claim.

(2) **Impairment and Voting.** The Holder of Allowed Secured Claim in Class 14 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) **Treatment.** To the extent that the Holder of the Claim in this Class has an Allowed Secured Claim, upon the Effective Date of the Plan Debtor will surrender the real property which is security for Holder's Allowed Secured Claim.

Unless a party in interest objects, the surrender will be accomplished in one of three (3) ways as follows:

(a) The automatic stay of §362 of the Bankruptcy Code shall be modified to allow the Holder to foreclose the Lien of its mortgage. Unless there has been an objection filed challenging the validity or perfection of the Holder's Secured Claim, such modification of the automatic stay shall be effective upon the Effective Date of the Plan without further order of the Bankruptcy Court.

(b) In the alternative, or in addition to relief from the stay, the Holder shall have the option of accepting a deed in lieu of foreclosure in a form and containing terms substantially similar to Exhibit "B." If the Holder elects to accept a deed in lieu, it shall do so by sending notice to Debtor's attorney within 30 days of the Confirmation Date, in which event a duly executed deed will be delivered to the Holder on or before the Effective Date of the Plan. The effect of the delivery and recording of such deed shall be to convey all of Debtor's rights, title and interest to the Holder or its designee free and clear of all Liens and other interests that are inferior or subordinate to the Lien of the Holder's mortgage. Any rights of redemption that Debtor may have pursuant to applicable law shall be waived, released and discharged upon delivery of the deed.

(c) The property which is subject to the Lien will be sold pursuant to a 363(k) sale with the Holder having the right to a credit bid for the amount of its Allowed Secured Claim, which auction shall be conducted on the first Business Day on or after the Effective Date. The auction shall be conducted pursuant to the sale procedures set forth in Exhibit "C", or such other procedures as approved by the Bankruptcy Court.

In the event Holder rejects all three options for treatment under this Plan, then the Allowed Secured Claim of Holder shall be treated by such other method, as the Bankruptcy Court determines in connection with proceedings pursuant to §1111(b) of the Bankruptcy Code, that does not discriminate unfairly and that is fair and equitable.

If Holder accepts the Plan or does not reject the Plan and a Confirmation Order is entered, Holder shall notify Debtor's attorney within 30 days after the Confirmation Date which option for treatment it elects. Absent a timely election, or a timely notice of the election, Holder shall be deemed to have elected the option in subparagraph (a).

Upon the Effective Date of the Plan Debtor shall not have any obligation or duty to insure, preserve, protect or maintain the real property that is security for the Holder's Secured Claim. The Holder shall be entitled to take possession of such real property upon the Effective Date of the Plan and shall be responsible for any obligations incurred after the Effective Date of the Plan, including any owners' assessments due after the Effective Date of the Plan. On and after the Effective Date of the Plan, Holder shall be deemed for all purposes to be the owner of such property and Debtor shall no longer have any interest in such property.

If the Holder intends to assert an unsecured claim for a deficiency, it shall file a unsecured Proof of Claim specifying any deficiency balance within ninety (90) days of the Effective Date of the Plan, unless such time is extended by the Bankruptcy Court upon a motion for extension filed within such ninety (90) day period. Any Unsecured Claim for a deficiency, if Allowed, will be treated within Class 21 or Class 22, whichever is applicable.

(o) **Class 15 – Secured Claim of Baldwin County Tax Collector**

(1) **Description of Claims.** The Allowed Secured Claim for Ad Valorem Real Property taxes for any other property owned by the Debtor in Baldwin County, Alabama on real property which is being surrendered pursuant to this Plan.

(2) **Impairment and Voting.** The Holder of Allowed Secured Claims in Class 15 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claims.

(3) **Treatment.** Such taxes will be paid by the Creditor that acquires title to such real property. Upon payment, such creditor will be entitled to file an unsecured claim under Class 21 or 22, whichever is applicable. Upon the Effective Date of Plan, the Tax Collector will be entitled to pursue any remedy available to the Tax Collector under applicable state law.

(p) **Class 16 – Secured Claims of the Escambia County Tax Collector**

(1) **Impairment and Voting.** The Holder of Allowed Secured Claims in Class 16 is Impaired under the Plan. Such Holder is entitled to vote to accept or reject the Plan if it holds an Allowed Secured Claims.

(2) **Description and Treatment of Claims.** These claims will be sub classified as follows, with each subclass to be treated as a separate and independent class:

Class 16(A) – The Allowed Secured Claim for Ad Valorem Real Property taxes for the years 2008 and 2009 for the real property referred to in the Schedules as “9500 South Loop Rd., Pensacola, Florida”, referenced under account numbered 10-1858-000 of the Escambia County Tax Collector, secured by the property that is subject to such assessment, which claim is evidenced in part by a tax certificate numbered 6919 issued in the year 2009. Such claim shall be paid together with interest that will yield an effective rate of Five per cent (5%) on the principal balance of such tax certificate, payable in equal, consecutive monthly installments over a term of four (4) years with payments commencing on the first day of the first full month after the Effective Date of the plan.

Class 16(B) – The Allowed Secured Claim for Ad Valorem Real Property taxes for any other property owned by the Debtor in Escambia County, Florida, which real property is being surrendered pursuant to this Plan. Such taxes will be paid by the Creditor that acquires title to such real property. Upon payment, such creditor will be entitled to file an unsecured claim under Class 21 or 22, whichever is applicable. Upon the Effective Date of Plan, the Tax Collector will be entitled to pursue any remedy available to the Tax Collector under applicable state law for Claims in this subclass.

(q) **Class 17 – Claim(s) of Flora-Bama Management for Shareholder Loans**

(1) **Description of Claim(s).** Flora-Bama Management, Inc. has or may claim to have Claims arising out of or relating to shareholder loans. This Class shall consist of Allowed Claims held by Flora-Bama Management for such shareholder loans. Flora-Bama Management filed a proof of claim, Claim numbered 23, asserting a Claim in the amount of \$120,923.30, which Claim is filed as a Secured Claim for the same amount secured by stock in First National Bank of Baldwin County. The Schedules list the value of the 25,000 shares of stock in First National Bank of Baldwin County, Alabama as unknown. Since First National Bank of Baldwin County has entered into a Consent Order with the Comptroller of the Currency, Debtor doesn't believe that the stock has a significant present market value. Accordingly, the Unsecured Claim of Flora-Bama Management will be \$120,900.00. This Claim is being separately classified because Debtor is an officer, director and majority shareholder. There are numerous minority shareholders, consisting solely of employees of Flora-Bama Management. Failure to promptly pay this Claim could result in significant adverse consequences which may adversely impact Debtor's Net Disposable Income. Debtor is also a party to a stock purchase agreement giving these employees the right to require repurchase of their stock. In addition, Flora-Bama Management may have or have had a right to set off past or future dividends so their Claim may be a Secured Claim. To avoid these issues, Debtor proposes to treat this Creditor in a Separate Class as set forth below.

(2) **Impairment and Voting.** The Holder of Allowed Claims in Class 17 is Unpaired under the Plan. Such Holder is not entitled to vote to accept or reject the Plan if it holds an Allowed Claim.

(3) **Treatment.** Flora-Bama Management will receive from Debtor the dividends received by Debtor from Flora-Bama Management, which shall be applied toward Allowed Claims in this Class. Sufficient dividend checks will have been issued prior to confirmation to pay these loans in full.

(r) **Class 18 – Unsecured Claims Arising from Rejection of Executory Contracts**

(1) **Description of Claims within this Class.** The Holders of Allowed Claims in this Class consist of persons who have executory contracts with Debtor that are not being assumed by Debtor. Debtor is not aware of any persons holding Allowed Claims in this Class.

(2) **Impairment and Voting.** The Holder(s) of Allowed Unsecured Claims in Class 18 are Impaired under the Plan. Such Holders are entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) **Treatment.** Holders of Allowed Claims in this Class will be treated as a Creditor in Class 21 or 22, whichever is applicable, and shall be paid Pro Rata with other Allowed Claims within such Class.

(s) **Class 19 – Unsecured Debts Based Upon Guarantees.**

(1) **Description of Claims within this Class.** The Holders of Claims in this Class consist of guarantees where Debtor has guaranteed the debt owed to the Holder by a third person. This primarily occurred in instances where Debtor guaranteed a loan for an Affiliate.

(2) **Impairment and Voting.** The Holder(s) of Allowed Unsecured Claims in Class 19 are Impaired under the Plan. Such Holders are entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) **Treatment.** Holders of Allowed Claims in this Class will be treated as a Creditor in Class 21 or 22, whichever is applicable, and shall be paid Pro Rata with other Allowed Claims within such Class.

(t) **Class 20 – Unsecured Claims of Co-Makers and Co-guarantors Based Upon Rights of Contribution.**

(1) **Description of Claims within this Class.** The Holders of Claims in this Class consist of co-makers and co-guarantors who are jointly and severally liable with Debtor on loans, primarily loans to an Affiliate of Debtor and who are (or will) be required to pay more than their share of the loan. This primarily occurred in instances where Debtor and Creditor guaranteed a loan for an Affiliate and the Creditor is required to pay the loan or any deficiency.

(2) **Impairment and Voting.** The Holder(s) of Allowed Unsecured Claims in Class 20 are Impaired under the Plan. Such Holders are entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) **Treatment.** Holders of Allowed Claims in this Class will be treated as a Creditor in Class 21 or 22, whichever is applicable, and shall be paid Pro Rata with other Allowed Claims within such Class.

(u) **Class 21 – Other Unsecured Claims less than \$10,000**

(1) **Description of Claims within this Class.** This Class consists of persons that have or may claim to have a general, non-priority unsecured claim other than an Unsecured Claim in one of the preceding Classes and whose Claim is less than \$10,000. Holders of Claims in Class 22 who desire to reduce their Claim to \$9,999 are entitled to do so by specifying such amount on their ballot and noting their election to be treated as a Creditor in Class 21 when they submit their ballot in connection with confirmation of this Plan.

(2) **Impairment and Voting.** The Holders of Allowed Unsecured Claims in Class 21 are Impaired under the Plan. Such Holders are entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) **Treatment.** Holders of Allowed Claims in this Class shall be paid on an annual basis for each year during the term of this Plan until paid in full from (and to the extent of) the balance remaining of Debtor's net disposable income after payment of (i) payments due on all Allowed Claims described in Article II, (ii) payments due to Creditors with Allowed Secured Claims in Classes 4, 6, 7, 13, and 16; (iii) payments due to Creditors with Allowed Claims in Class 17, and (iv) a reasonable reserve for estimated future payments to these Creditors. Such Holders will be paid Pro Rata among all Holders with Allowed Claims in this Class.

(v) **Class 22 – All Other Unsecured Claims Equal to or Greater Than \$10,000**

(1) **Description of Claims within this Class.** This Class consists of persons that have or may claim to have a general, non-priority Unsecured Claim other than an Unsecured Claim in one of the preceding Classes.

(2) **Impairment and Voting.** The Holders of Allowed Unsecured Claims in Class 22 are Impaired under the Plan. Such Holders are entitled to vote to accept or reject the Plan if they hold an Allowed Unsecured Claim.

(3) **Treatment.** Holders of Allowed Claims in this Class shall be paid on an annual basis for each year during the term of this Plan from (and to the extent of) the balance remaining of Debtor's net disposable income after payment of all (i) all Allowed Claims described in Article II, (ii) payments due to Creditors with Allowed Secured Claims in Classes 4, 6, 7, 13, and 16; (iii) payments due to Creditors with Allowed Claims in Class 17 and 21, and (iv) a reasonable reserve for future payments to Creditors in (i) through (iv) as well as reasonable and necessary living expenses. Such Holders will be paid Pro Rata among all Holders with Allowed Claims in this Class as well as Pro Rata with the Holders of Allowed Claims in Classes 18, 19 and 20.

E. Article V of the Plan.

Article V of the Plan lists the executory contracts and designates those that will be assumed and those that will be rejected. This Article also provides for new leases by Flora-Bama Management on the Silver Moon property and the 1.5 acre parcel next to the Flora-Bama.

F. Article VI of the Plan

Article VI of the Plan describes the means for implementation and execution of the Plan and for distribution to Creditors.

G. Article VII of the Plan.

Article VII of the Plan defines the voting process and provides for a cram down in the event a Class rejects the Plan.

H. Article VIII of the Plan.

Article VIII of the Plan describes the effect of confirmation of the Plan.

I. Article IX of the Plan.

Article IX of the Plan identifies the conditions precedent to the Effective Date of the Plan.

J. Article X of the Plan.

Article X of the Plan provides for retention of jurisdiction.

K. Article XI of the Plan.

Article XI of the Plan contains miscellaneous provisions.

**ARTICLE VII
FINANCIAL INFORMATION, PROJECTIONS, FEASIBILITY AND RISKS**

The Debtor has analyzed its ability to meet its obligations under the Plan, and believes that it will be able to make all payments required under the Plan. The Debtor also believes that a liquidation of the Debtor's assets outside of the Plan is not be in the best interest of any of the Creditors of the Bankruptcy Estate and that this Plan provides the greatest possible benefit to creditors and other parties in interest. This Article is intended to give creditors and other parties in interest financial information on the future Projected Disposal Income that will be realized during the Term of the Plan as well as the effect of liquidation of the Debtor in a hypothetical chapter 7.

(1) Description and Value of Assets at Commencement of this Case.

As required by the Bankruptcy Code, Debtor filed Schedules and Statements of Financial Affairs shortly after the commencement of this Case. Schedules A and B of such Schedules are intended to provide information to creditors and other parties in interest about the assets of Debtor when the petition was filed. A copy of Schedules A and B, as amended, are attached as Exhibits "H" and "I", respectively.

The market value of real estate as listed in Schedule A of the Schedules is based upon the assessed value per the Property Appraiser of the county in which the property is located. Since the Escambia County Property Appraiser appraised part of the Silver Moon property together with the 1.5 acres on the Gulf next to the Flora-Bama, the allocation of values between the two was determined based upon a call to the Escambia County Property Appraiser's office.

(2) Post-petition Disposable Income To Date

Debtor's income and expenses since the Petition Date have been relatively insignificant. In January Debtor was credited with a dividend from Flora-Bama Management in the amount of \$95,307, which was retained by Flora-Bama Management because of the shareholder loans of Debtor. In March, Debtor was also credited with a dividend of \$34,260 from Flora-Bama Management, which too was retained by Flora-Bama Management because of shareholder loans. If such dividends are applied against the shareholder loans, Debtor believes that all shareholder loans will have been paid and no further dividends from Flora-Bama Management will be retained by Flora-Bama Management.

(3) Future Operations.

As noted in Article VI of this Disclosure Statement, Flora-Bama Lounge engaged Terry Andre, formerly of the firm of O'Sullivan, Creel, to prepare projections including an estimate of distributions that will be available to shareholders of Flora-Bama Lounge and Flora-Bama Management during a period approximating the Term of the Plan. Attached as Exhibit "E" is that projection. Included in the expenses for Flora-Bama Management are the lease payments that will be the source of paying the Secured Claims secured by Liens on the 150' Gulf Front parcel next to the Flora-Bama and the Silver Moon property.

The projection estimates that a total of approximately \$6,000,000 (not counting lease payments) will be received by Debtor from distributions by Flora-Bama Lounge and Flora-Bama Management during the Term of the Plan, which will be Property of the Estate and which will pay Debtor's for living expenses (approximately \$75,000 - \$90,000 per year), Priority Claims and Administrative Expense Claims (including pre and post-petition taxes). After these are paid, the balance of approximately \$3,000,000 will be distributed to Unsecured Creditors pursuant to the Plan as described in the following paragraph.

(4) Analysis of Proposed Distributions Under the Plan.

Debtor has estimated the Projected Disposable Income available to creditors and prepared a Sources and Uses of Funds Statement for the Term of the Plan. These projections are attached as Exhibit "L". The estimation of the post-petition taxes which will result from the revenue to be received during the Term of the Plan has not, as of this date, been completed.

ARTICLE VIII

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the Debtor's alternatives include (i) liquidation of the Debtor under chapter 7 of the Bankruptcy Code, and (ii) the preparation and presentation of an alternative plan or plans of reorganization or (iii) dismissal of the bankruptcy case. The Debtor reserves the right to pursue any of these courses of action should the Plan not be confirmed.

If no chapter 11 plan can be confirmed, the Debtor's Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtor. The Debtor believes that liquidation under chapter 7 would result in Unsecured Creditors receiving significantly less than they will receive under this Plan.

Attached as Exhibit "M" is a valuation of Flora-Bama Lounge based upon the assumption that the lease and licensing agreement held by Flora-Bama Management are terminated. It was prepared by Marvin Beasley of the firm of O'Sullivan, Creel as of December 31, 2008. This valuation was done in connection with the sale of 10 shares of stock owned by Debtor to Patrick McClellan.

Since the lease and license of the facilities by Flora-Bama Lounge to Flora-Bama Management is easily terminated, Debtor believes that the method of valuing the stock used by Mr. Beasley is appropriate and that the valuation of Flora-Bama Management is the value of the assets of Flora-Bama Management listed on Mr. Beasley's appraisal less liabilities of Flora-Bama Management which will consist of payables, bank loans and repurchase agreements with minority shareholders. As a result of the liabilities, Flora-Bama Management has no significant value independent of Flora-Bama Lounge.

The only significant change in the income and expenses from that date relates to the increased expense that Flora-Bama will have to incur to retain the use of the Silver Moon parcel and the 1.5 acre Gulf parcel next to the Flora-Bama and the decrease in revenues as a result of the oil spill. Since the leases are important to the operation of the Flora-Bama, a purchaser will have to consider not only the purchase of the Flora-Bama properties, but the lease or purchase of these two additional properties as well. As a result, a purchaser may have to pay or refinance approximately \$8,000,000.00 before paying approximately \$6,000,000.00 for the value attributed to the Flora-Bama.

Debtor has prepared an analysis of the amount that will be available to Unsecured Creditors in a hypothetical liquidation under Chapter 7 of the Bankruptcy Code. Such liquidation analysis is attached as Exhibit "N." It assumes that all of the assets of Flora-Bama Lounge and Flora-Bama Management are sold to a hypothetical purchaser for the gross sales price of approximately \$6,000,000. Based upon such assumption, the unsecured creditors will receive only a nominal distribution after paying the creditors of Flora-Bama Lounge and Flora-Bama Management, the administrative claims that will be incurred and the priority tax claim of the IRS. In addition the analysis doesn't consider the dissenting shareholder rights that Pat McClellan and other shareholders have when all or substantially all of the assets of the corporation are sold.

ARTICLE IX

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO THE PLAN

Pursuant to Section 1146(c) of the Bankruptcy Code, any transfers from the Debtor to any person or Entity pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment, and the Confirmation Order shall direct the appropriate state or local government officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

The following discussion is a general summary of certain federal income tax aspects of the Plan, and should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a Claim or Equity Interest. This discussion is based upon existing provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), existing and proposed regulations thereunder, and current pertinent administrative rulings and court decisions. No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would require significant modification of the statements expressed in this section.

Certain tax aspects of the Plan are uncertain due to the lack of applicable regulations and other tax precedent. THE DEBTOR IS NOT REQUESTING A RULING FROM THE INTERNAL REVENUE SERVICE ("IRS") WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN, AND THE DEBTOR HAS OBTAINED NO OPINION OF COUNSEL WITH RESPECT THERETO. ACCORDINGLY, NO REPRESENTATIONS OR ASSURANCES ARE BEING MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES AS DESCRIBED HEREIN. THE TAX CONSIDERATIONS APPLICABLE TO CERTAIN HOLDERS (SUCH AS PENSION OR PROFIT-SHARING TRUSTS OR FOREIGN INVESTORS) MAY BE DIFFERENT THAN THE GENERAL DISCUSSION CONTAINED HEREIN. THERE MAY ALSO BE STATE, LOCAL, OR FOREIGN TAX CONSIDERATIONS APPLICABLE TO EACH HOLDER OF A CLAIM OR INTEREST, WHICH ARE NOT ADDRESSED HEREIN. EACH HOLDER OF A CLAIM OR INTEREST AFFECTED BY THE PLAN SHOULD CONSULT HIS OR HER OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF THE PLAN WITH RESPECT TO THAT HOLDER'S CLAIM OR INTEREST.

Flora-Bama Lounge and Flora-Bama Management are subchapter "S" corporations so any profits they earn will pass through to the shareholders, including Debtor, who will be required to pay taxes on his share of such profits. Since Flora-Bama Lounge will be undertaking certain capital improvements to comply with applicable building codes as well as to restore the ability to use the facilities that were damaged by hurricanes, it is anticipated that there may be profits without receiving the full amount of the profits as dividends.

In addition, Debtor has a relatively low basis in some properties so Debtor anticipates incurring a significant tax liability resulting from the gain on the surrender of properties as contemplated in the Plan as well as foreclosure of properties owned by Affiliates. There will be some losses associated with some of the properties which will offset a portion of any gain.

ARTICLE X SPECIAL RISK FACTORS

The following are some special risk factors that may the Projected Disposable Income available to pay Creditors pursuant to the Plan:

(1) Weather. At the present time a majority of the facilities of the Flora-Bama are outdoors. Accordingly, the revenue may be affected by weather. This past winter was unusually cold. As a result, revenues were down somewhat from prior years that had a milder winter. In

addition, being on the Gulf of Mexico, the operations of Flora-Bama will be materially affected in the result of severe weather such as a hurricane.

(2) Taxes. The present tax rate for dividends paid to Debtor is 15%. Also, the capital gain rate for transfers in excess of basis in properties of Debtor is for the most part 15%. A material change in these tax rates during the Term of the Plan will materially affect the Projected Disposable Income available to pay Creditors.

(3) Economic Climate. The Flora-Bama has not suffered a significant downturn as a result of the recession. However, a prolonged or more severe economic downturn may impact the business.

(4) Loss of Use by Flora-Bama of Silver Moon Property and 1.5 Acres on Gulf Next to Flora-Bama. The Silver Moon Property and the 1.5 Acres on the Gulf Next to the Flora-Bama are used for parking. The ability to retain these properties and lease them to Flora-Bama Management will have a bearing on the revenue, which in turn will impact the dividends available to Debtor.

(5) The Outcome of MGFB's Chapter 11. As noted above, Southeast Capital has a mortgage on property owned by the Flora-Bama Lounge. That loan came due in July of this year. Efforts to refinance this loan were hindered by the fact that Debtor is the majority shareholder of Flora-Bama Lounge and he is in this Chapter 11 case. Accordingly, MGFB filed a petition seeking relief under chapter 11 of the Bankruptcy Code. Such a bankruptcy case will have an impact on the timing of distributions made to shareholders, although it is not anticipated that it will have any significant impact on the total received by Debtor during the Term of the Plan. It is imperative, however, that a plan be confirmed in MGFB's chapter 11 and that the terms of that plan are within the projections.

(6) Escalation in Building Costs for Improvements to Flora-Bama. In order to comply with building codes as well as to restore and improve facilities damaged by hurricanes, Flora-Bama is undertaking capital improvements. It is anticipated that these improvements will cost approximately \$2,000,000. If there is a material escalation in the costs of these improvements, this will impact the dividends available to be paid to shareholders, which will in turn impact Debtor's Projected Disposable Income.

(7) The Impact of the Gulf Oil Spill on Future Tourism. Flora-Bama Management has seen a decline in revenues of approximately 30% in June and 35% in July. The projections are based upon a similar reduction for the remainder of the year with future increases. *See Assumption included as part of Exhibit "D."* Debtor believes that the assumptions that have been made in projecting revenue and expenses are conservative, but to the extent that the impact is greater than anticipated, the reduction in revenue will adversely affect the availability of funds to distribute to shareholders.

ARTICLE XI

CONCLUSION AND RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders

of Claims. In addition, other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. The Debtor urges holders of impaired Claims to vote in favor of the Plan.

Respectfully submitted,

/s/ Joseph Robert Gilchrist

And,

John E. Venn, Jr., P.A.

/s/ John E. Venn, Jr.

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