

UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF TENNESSEE  
AT CHATTANOOGA

In re: )  
 ) NO. 1:15-bk-14553 SDR  
John Eric Lawson, )  
 ) CHAPTER 11  
Debtor . )

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**DEBTOR'S DISCLOSURE STATEMENT**

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The Debtor submits this Disclosure Statement to his Plan of Reorganization dated the 11th day of August, 2016, pursuant to 11 U.S.C. § 1125.

**I.**

**INTRODUCTION**

The Debtor is the proponent of a Plan of Reorganization ("Plan"). This Disclosure Statement is filed in order to disclose that information deemed by the Plan proponent to be material, important and necessary for creditors of the Debtor to arrive at a reasonably informed decision in exercising their right to accept or reject the Plan presently on file with the Bankruptcy Court.

The Disclosure Statement is being sent to all creditors and those parties requesting in writing a copy thereof. Information contained herein has been obtained from the books and records of the Debtor or from appraisals (where indicated) or accountings obtained by the Debtor.

The Plan is on file in the United States Bankruptcy Court for the Eastern District of Tennessee at Chattanooga and may be considered by creditors if this Disclosure Statement is approved by the Bankruptcy Court. If the Disclosure Statement is approved, creditors may then vote on the Plan by filling out and mailing ballot forms to the Bankruptcy Court.

Ballot forms will be mailed with the Order approving this Disclosure Statement, if obtained, and such Order will set a date for a hearing on confirmation of the Plan. As a creditor, your vote is important. In order for the Plan to be accepted, creditors in classes impaired under the Plan that vote to accept or reject the Plan and that hold at least two-thirds in amount and more than one-half in number of the allowed claims within certain classes must vote for the Plan. Certain classes are not entitled to vote since such classes are being paid in full or the rights of creditors in those classes are not being impaired by the Plan. If there is a class of impaired claims, at least one class of claims must accept the Plan excluding acceptances by any insiders. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan, if the Court finds, *inter alia*, that the Plan accords fair and equitable treatment to all classes that have rejected it. To have your vote count, you must complete and return the ballot within the time provided therefore.

NO REPRESENTATIONS CONCERNING THE DEBTOR ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE, WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT, SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION, AND SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR WHO, IN TURN, SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THE PLAN, IN THE OPINION OF THE DEBTOR OFFERS MORE TO CREDITORS THAN THE PRESENT FORCED LIQUIDATION VALUE OF THE PROPERTY OF THE DEBTOR.

THE INFORMATION CONTAINED IN THIS DOCUMENT OR IN THE ATTACHED EXHIBITS HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE RECORDS ARE DEEMED SUFFICIENT FOR A BUSINESS OF THE SIZE AND COMPLEXITY OF THE DEBTOR. ACCOUNTANTS HAVE NOT VERIFIED SUCH INFORMATION AS THE COST OF COMPLETE VERIFICATION WOULD BE PROHIBITIVE. THE INFORMATION CONTAINED HEREIN IS BELIEVED TO BE TRUE AND CORRECT. ALTHOUGH INACCURACIES MAY BE PRESENT, AN EFFORT HAS BEEN MADE TO BE ACCURATE. THERE ARE ESTIMATES AND APPROXIMATIONS HEREIN WHICH ARE INHERENTLY SPECULATIVE, UNCERTAIN AND UNKNOWN OR CONTAIN MATTERS ABOUT WHICH OPINIONS MAY DIFFER. NO REPRESENTATIONS CONCERNING THE DEBTOR OR ITS BUSINESS OR ASSETS AND ANY VALUATION THEREOF ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DOCUMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THIS PLAN WHICH ARE OTHER THAN AS CONTAINED IN THIS DOCUMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. SUCH ADDITIONAL REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE DEBTOR, WHO, IN TURN, SHALL PROMPTLY DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

**II.**

**HISTORY OF DEBTOR**

Debtor is self-employed as a poultry farmer in Cleveland, Tennessee. The Debtor had to file this Chapter 11 case as the Debtor's secured lender, Wells Fargo, would not renew a note in the amount of approximately \$820,000.00 that is secured by Debtor's poultry operation. During the case, the Debtor has negotiated a plan with Wells Fargo that provides for Debtor to have through February 27, 2019, to refinance his poultry operation and remove Wells Fargo as his secured lender.

**III.**

**ASSETS OF THE DEBTOR**  
**(Rounded to the nearest dollar)**

**Liquid Assets**

A. Cash in bank \$4967.00  
(June 1, 2016)

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**TOTAL LIQUID ASSETS** \$ 4967.00

**Other Assets (Schedules A and B)**

A. Real Property \$1,439,000.00  
(Petition Schedule A)  
(minus homestead exemption of \$5,000)

B. Personal \$55,980.00  
(Petition Schedule B) Auto,  
Household Goods, etc-minus \$10,000 personal property exemptions  
and 401K

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**TOTAL OTHER ASSETS** \$1,494,980.00

**TOTAL ASSETS** **\$1,499,947.00**

IV.

**LIABILITIES OF THE DEBTORS**  
**(Rounded to the nearest dollar)**

A.	Administrative Expense Claims including post-petition income taxes, Debtor's attorney fees, accountant's fees, U.S. Trustee fees and disbursing agent fees (estimate)	\$15,000
B.	Priority Claim (IRS)	\$9311.00
C.	Petition Schedule D & Proofs of Claim	\$891,990.00
D.	Petition Schedule F & Proofs of Claim	\$72,364.00
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<b>TOTAL LIABILITIES</b>		<b>\$916.301.00</b>

V.

**SUMMARY OF PLAN**

The Debtor's Plan is as follows:

**Class 1 – Tax Claims.** (Class 1) consists of all Allowed Priority and Secured Tax Claims of the IRS against the Debtor, excluding such Claims that were paid prior to the Effective Date and any real estate taxes, if any. The Claims in this Class are \$9311.33, more or less. This Class is impaired. Each Allowed Priority or Secured Tax Claim shall be paid the Allowed Amount of such Claim in cash, in accordance with the provisions of Section 1129(a)(9)(C) of the Code within 60 months from the Petition Date by monthly payments in the amount of \$300.00 made by the disbursing agent until the tax claims are paid in full, with interest. If any Allowed Priority or Secured Tax Claim is not paid in cash in full on the latest of (i) the Effective Date; (ii) the date a Contested Tax Claim is allowed in whole or in part by Final Order; or (iii) the date such payment is due under applicable law, then the unpaid portion of such Allowed Tax Priority or Secured Claim shall accrue interest from the Effective Date until the date of payment at the rate of 3% APR; provided, however, that no Allowed Tax Claim shall include any Claims for pre-petition or post-petition penalties, all of which penalties, pre-confirmation and post-confirmation, shall be (i) deemed unsecured claims and (ii) paid as provided for in Section 3.7. Each Contested Tax Claim shall become an Allowed Priority or Secured Tax Claim only upon entry of, and only to the extent such claim is allowed by a Final Order.

(A) If the Debtor fails to make any payment required by the confirmed plan of reorganization, make any deposits of any currently accruing employment tax liability, make any payment of any tax to the Internal Revenue Service within 10 days of the due date of such deposit or payment, or fail to file any required federal tax return by the due

date of such return and pay any outstanding tax liability shown on the return at the time the return is filed, then the United States may declare that the debtors are in default of the plan. Failure to declare a default does not constitute a waiver by the United States of the right to declare that the debtor is in default.

(B) If the United States declares the Debtor to be in default of the Debtor's obligations under the plan, then the entire imposed liability, together with any unpaid current liabilities, shall become due and payable immediately upon written demand to the debtors.

(C) If full payment is not made within 10 days of such demand then the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code.

(D) In the event the Debtor files for protection under Title II, the secured and unsecured priority tax claims of the Internal Revenue Service shall retain their status as tax claims in the subsequent bankruptcy case.

(E) The discharge of any debt owed to the Internal Revenue Service under this plan shall not be effective until the federal taxes provided for under this plan have been paid in full.

**Class 2 – Wells Fargo Leasing, Inc.** Wells Fargo (Class 2) shall be paid its Allowed Claim, of \$819,189.00, more or less, secured by a first mortgage on Debtor's poultry farm located at 1205 Chilcutt Road, NE, Cleveland, TN 37323 pursuant to the Assignment of poultry proceeds between the creditor and Koch Foods, Inc., which assignment shall remain in place through the duration of this plan. Pursuant to the assignment, Koch Foods, Inc. and any subsequent poultry buyer, is authorized to pay the sum of \$20,799.50 to Wells Fargo on the Debtor's behalf, six times per twelve month period. Said payments are to be applied to the indebtedness owed by the Debtor to Wells Fargo in accordance with the terms of the note, deed of trust and other loan documents. If the Debtor sells flocks in excess of six per calendar year; the distribution of the proceeds from those excess flocks shall be retained by the Debtor.

Wells Fargo hereby consents to Debtor's use of the remaining poultry proceeds paid from Koch Foods, Inc. or any subsequent poultry buyer directly to the Debtor, which proceeds are Wells Fargo's cash collateral.

Interest shall continue to accrue at the note rate of 7.34%.

Debtor shall have to and through February 27, 2019, to pay off the indebtedness owed to Wells Fargo. If the Debtor needs additional time to close on a loan to pay off Wells Fargo and the Debtor has been approved for the loan, then Wells Fargo will agree to extend the payoff term up to 120 days in order to permit the Debtor to close on the loan.

The Debtor incorporates the additional terms of the Agreed Order {Doc 56} unto this Chapter 11 Plan and agrees to execute an amended forbearance agreement

incorporating the terms of the Agreed Order at the time of confirmation of his Chapter 11 Plan.

**Class 3- Bowater Employees Credit Union.** Bowater (Class 3) shall be paid its Allowed Claim in the amount of \$7094.00, more or less, secured by a first mortgage on real property located at 1205 Chilcutt Road, NE, Cleveland, TN 37323 in monthly payments beginning on the Effective Date in the amount of the contract payment between the Debtor and Bowater, \$707.92, until the claim is paid in full. This Creditor is not impaired.

**Class 4- Santander Consumer USA, Inc. dba Chrysler Capital.** Santander (Class 4) shall be paid its Allowed Secured Claim in the amount \$31,304.00 secured by a lien on Debtor's 2014 Dodge Ram 2500 in monthly payments beginning on the Effective Date in the amount of \$700.00 until Santander's secured claim is paid in full. This secured claim shall bear interest at the rate of 7.2% APR. This Creditor is impaired.

**Class 5- Sunrise Acceptance.** Sunrise (Class 5) has been paid its Allowed Claim, by the return of its collateral, a 2004 Kia Sedona, per Agreed Order {Doc 50}. This Creditor is not impaired.

**Class 6- Cherokee Finance.** Cherokee Finance (Class 6) shall be paid its Allowed Secured Claim in the amount of \$8539 secured by lien on Debtor's 2555 John Deer Tractor, monthly payments beginning on the Effective Date in the amount of the contract payment until Cherokee Finances' Secured Claim is paid in full. This Creditor is not impaired.

**Class 7-Unsecured Claims.** Unsecured Claims (Class 7) shall be paid 100% of each Creditor's Allowed Claim, pro rata monthly, with interest at 2% as funds are available after payment of the aforementioned Classes. These Creditors are not impaired.

**Class 8-Debtor.** Debtor (Class 8) shall receive no payments under the Plan.

**THE FOREGOING IS A BRIEF SUMMARY OF THE PLAN AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. CREDITORS ARE URGED TO READ THE PLAN IN FULL, WHICH IS BEING SEPARATELY SUBMITTED TO YOU. CREDITORS ARE URGED TO CONSULT WITH COUNSEL, OR WITH EACH OTHER, IN ORDER TO FULLY UNDERSTAND THE PLAN AND ANY EXHIBITS ATTACHED TO IT.**

## VI.

### **LIQUIDATION ANALYSIS**

Based upon the Debtor's estimate of the value of his real and personal property, the liquidation of the Debtor's assets would result in a recovery less than the amount that the

Plan proposes to Creditors.

**VII.**

**PROJECTIONS**

Debtor has significant monthly variations in his gross receipts and net income due to frequency of the poultry payments. Based on the monthly reports filed by the Debtor, through June, 2016, the Debtor's average net income has been sufficient to pay his expenses and Plan payments. Provided there is no reduction in income, this should allow sufficient income for the Debtor to fund the proposed Plan of Reorganization.

**VIII.**

**OWNERSHIP, GENERAL OPERATIONS, AND INCOME STATEMENT**

The Debtor will continue to be self-employed as a poultry farmer in Cleveland, Tennessee. Attached hereto is the most recent Monthly Operating Report filed by the Debtor showing his monthly and petition-to-date income and expenses.

**IX.**

**MISCELLANEOUS**

The Plan states the means for execution of the Plan, provides for the retention, enforcement, settlement or adjustment of claims belonging to the Debtor or the estate and certain general provisions, including, but not limited to, retention of jurisdiction by the Bankruptcy Court for certain purposes.

**X.**

**CLAIMS**

Claims which are disputed, contingent or unliquidated must be filed by the time of the bar deadline. All parties in interest have the right to object to any claim filed as to



amount, classification or otherwise. Objections may be filed up to thirty (30) days after the Effective Date.

**A. Classification of Claims and Interests:**

1. The claims will be classified as follows:
  - a. Administrative expense claimants including the fees of the United States Trustee's office, attorney's fees, post-petition taxes, if any, and other post-petition claims as filed and approved by the Court.
  - b. **Class 1:** Allowed Priority and Secured Tax claims of the IRS and Bradley County, TN. This class is impaired.
  - c. **Class 2:** Secured Claim of Wells Fargo Leasing, Inc. secured by a first mortgages on Debtor's residence in Bradley County, TN. This class is impaired.
  - d. **Class 3:** Secured Claim of Bowater Employees Credit Union secured by a mortgage on real estate in Bradley County, Tennessee. This class is not impaired.
  - h. **Class 4:** Secured Claim of Santander Consumer USA, Inc. dba Chrysler Capital secured by lien on the 2014 Dodge Ram 2500. This Class is impaired.
  - i. **Class 5:** Claim of Sunrise Acceptance. This Creditor is not impaired.
  - j. **Class 6:** Claim of Cherokee Finance. This Creditor is not impaired.
  - k. **Class 7:** Unsecured creditors and all unsecured claims of secured creditors. This class is not impaired.
  - m. **Class 8:** Debtor and Insider Claims. This class is impaired.
2. Unless otherwise provided all classes are impaired.

**B. Treatment of Claims**

**Class 1 – Tax Claims.** (Class 1) consists of all Allowed Priority and Secured Tax Claims of the IRS against the Debtor, excluding such Claims that were paid prior to the Effective Date and any real estate taxes, if any. The Claims in this Class are \$9311.33, more or less. This Class is impaired. Each Allowed Priority or Secured Tax Claim shall be paid the Allowed Amount of such Claim in cash, in accordance with the provisions of

Section 1129(a)(9)(C) of the Code within 60 months from the Petition Date by monthly payments in the amount of \$300.00 made by the disbursing agent until the tax claims are paid in full, with interest. If any Allowed Priority or Secured Tax Claim is not paid in cash in full on the latest of (i) the Effective Date; (ii) the date a Contested Tax Claim is allowed in whole or in part by Final Order; or (iii) the date such payment is due under applicable law, then the unpaid portion of such Allowed Tax Priority or Secured Claim shall accrue interest from the Effective Date until the date of payment at the rate of 3% APR; provided, however, that no Allowed Tax Claim shall include any Claims for pre-petition or post-petition penalties, all of which penalties, pre-confirmation and post-confirmation, shall be (i) deemed unsecured claims and (ii) paid as provided for in Section 3.7. Each Contested Tax Claim shall become an Allowed Priority or Secured Tax Claim only upon entry of, and only to the extent such claim is allowed by a Final Order.

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Fargo in accordance with the terms of the note, deed of trust and other loan documents. If the Debtor sells flocks in excess of six per calendar year; the distribution of the proceeds from those excess flocks shall be retained by the Debtor.

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**Class 8-Debtor.** Debtor (Class 8) shall receive no payments under the Plan.

**XI.**

**RISKS**

The Plan is the Debtor's comprehensive proposal for the continuation of the Debtor's professional employment and the restructuring of his debts. Confirmation of the Plan will enable the Debtor to focus on his employment as a dentist maximizing the return to Creditors. The risks of the Debtor's Plan include, but are not limited to, uncertainty as to the value of the Debtor's assets, uncertainty of tax consequences to creditors, uncertainty as to Debtor's continued employment, insufficient acceptances, and uncertainty as to the Debtor's ability to generate sufficient income to fund the Plan after confirmation.

**XII.**

**ALTERNATIVES TO THE PLAN**

The Debtor believes that the Plan affords Creditors the potential for the greatest realization from the Debtor's assets and therefore is in the best interest of the creditors. The Debtor does not believe that a liquidation of Debtor's assets in the context of a Chapter 7 case or a dismissal of the Chapter 11 case would afford the holders of Claims a return as great as will be achieved under the Plan since the Plan proposed to pay unsecured creditors in full with interest.

SCARBOROUGH & FULTON

By: /s/David J. Fulton

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