

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

IN RE:	:	
	:	CASE NO. 18-51440-sms
STONE CONNECTION, INC.	:	
	:	CHAPTER 11
Debtor	:	
_____	:	

DISCLOSURE STATEMENT WITH REGARD TO
CHAPTER 11 PLAN SUBMITTED BY
STONE CONNECTION, INC.,
DEBTOR AND DEBTOR IN POSSESSION

May 29, 2018
Filed by:

STONE CONNECTION, INC.
Debtor and Debtor in Possession

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Disclaimer

All Creditors and Shareholders are advised and encouraged to read this Disclosure Statement and the Plan in their entirety. The Plan, summaries, and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan, the exhibits, and the Disclosure Statement as a whole.

This Disclosure Statement has been prepared in accordance with § 1125 of the Bankruptcy Code and Rule 3016(c) of the Federal Rules of Bankruptcy Procedure and not in accordance with federal or state securities laws. This Disclosure Statement has neither been approved nor disapproved by the Securities and Exchange Commission (“SEC”), nor has the SEC passed on the accuracy or adequacy of the statements contained herein. This Disclosure Statement was prepared to provide holders of Claims and Interests in the Debtor with “adequate information” (as defined in the Bankruptcy Code) so that they can make an informed judgment about the Plan.

As to contested matters, adversary proceedings, and other actions or threatened actions, this Disclosure Statement shall not constitute nor be construed as an admission of any fact or liability, stipulation, or waiver, but rather as a statement made in settlement negotiations.

The information contained in this Disclosure Statement is included herein for the purpose of providing information of the Plan and may not be relied upon for any purpose other than to make a judgment with respect to the Plan.

This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding involving the Debtor and any party, nor shall it be construed to be conclusive advice on the tax, securities, or other legal effects of the Plan as to Holders of Claims against, or Interests in, the Debtor; provided, however, that in the event the Debtor defaults under the Plan, the Disclosure Statement may be admissible in a proceeding relating to such default for the purpose of establishing the existence of such default.

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I. Introduction and General Information

This “Disclosure Statement with Regard to Chapter 11 Plan Submitted by Stone Connection, Inc., Debtor and Debtor in Possession” (the “Disclosure Statement”) is submitted by Stone Connection, Inc. (the “Debtor”), to provide information to parties in interest about the “Chapter 11 Plan Submitted by Stone Connection, Inc., Debtor and Debtor in Possession” (the “Plan”) filed by the Debtor. This introductory section is qualified in its entirety by the detailed explanations which follow and the provisions of the Plan.

This Disclosure Statement sets forth certain information regarding the Debtor’s pre-petition history and significant events that have occurred during the Debtor’s Chapter 11 Case. This Disclosure Statement also describes the Plan, alternatives to the Plan, and effects of confirmation of the Plan. In addition, this Disclosure Statement discusses the confirmation process.

This Disclosure Statement contains summaries of certain provisions of the Plan, statutory provisions, documents related to the Plan, events in the Debtor’s Chapter 11 Case, and financial information. Although the Debtor believes that the Plan and related document summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions. The Debtor’s management provided the factual information contained in this Disclosure Statement unless otherwise specifically noted. The Debtor is unable to warrant or represent that the information contained herein, including the financial information, is without any inaccuracy or omission. The Debtor has not subjected the financial data set forth herein to an independent audit.

Nothing contained herein shall (1) constitute an admission of any fact or liability by any party, (2) be admissible in any non-bankruptcy proceeding involving the Debtor or any other party; provided, however, that in the event the Debtor defaults under the Plan, the Disclosure Statement may be admissible in a proceeding relating to such default for the purpose of establishing the existence of such default, or (3) be deemed conclusive advice on the tax or other legal effects of the Debtor’s Plan as to Holders of Claims or Interests. You should consult your personal counsel or tax advisor on any questions or concerns regarding tax or other legal consequences of the Plan.

Except for historical information, all the statements, expectations, and assumptions, including expectations and assumptions contained in this Disclosure Statement, are forward looking statements. Although the Debtor has used its best efforts to be accurate in making these forward looking statements, it is possible that the assumptions made by the Debtor may not materialize.

Parties voting on the Plan should read both the Plan and this Disclosure Statement.

A. Definitions

Unless otherwise defined, capitalized terms used in this Disclosure Statement have the meanings ascribed to them in the Plan.

B. The Disclosure Statement

The primary purpose of this Disclosure Statement is to provide parties with adequate information so that they can have a reasonable understanding of the Plan and the respective rights of the Debtor and each Creditor and Shareholder.

The Bankruptcy Court has conditionally approved this Disclosure Statement, subject to final approval at the Confirmation Hearing. The Bankruptcy Court's conditional approval of this Disclosure Statement constitutes neither a guaranty of the accuracy or completeness of the information contained herein, nor an endorsement of the Plan by the Bankruptcy Court.

When and if confirmed by the Bankruptcy Court, the Plan will bind the Debtor and all Holders of Claims against and Interests in the Debtor, whether or not they are entitled to vote. Thus, you are encouraged to read this Disclosure Statement carefully. This Disclosure Statement contains important information about the Plan, the method and manner of payments under the Plan, and developments concerning the Chapter 11 Case.

II. Voting on the Plan and the Confirmation Process

A. Voting

Only a Holder of an Allowed Claim classified in an impaired Class is entitled to vote on the Plan. Under § 1124 of the Bankruptcy Code, a Class is impaired under the Plan unless the Plan (1) leaves unaltered the creditor's legal, equitable, and contractual rights, or (2) cures any defaults under the creditor's contract, reinstates its maturity, compensates the creditor for damages, and does not otherwise alter the creditor's rights.

In order to have an Allowed Claim you must (1) have timely filed a proof of claim, or (2) been listed in the Schedules as having a Claim that is not contingent, unliquidated or disputed. You are not required to file proof of your Claim if your Claim is listed by the Debtor in the Schedules and is not shown as being contingent, unliquidated or disputed. If your Claim was scheduled as contingent, unliquidated or disputed and you have not filed a proof of claim, you do

not have an Allowed Claim, cannot vote, and will not participate in any payments under the Plan until your Claim becomes an Allowed Claim.

Only Holders of Allowed Claims in an impaired Class may vote on the Plan. Creditors whose Claims are unclassified or unimpaired may not vote. Under the Plan, Administrative Expense Claims, Professional Fee Claims, and Post-Confirmation Administrative Expense Claims are unclassified and not entitled to vote on the Plan. Under the Plan, Classes 1A, 1B, 1C, 2A, and 2C are impaired and eligible to vote on the Plan. Class 3 is unimpaired and ineligible to vote on the Plan.

B. Voting Instructions

A ballot with voting instructions is being distributed with this Disclosure Statement. Please read the instructions carefully to ensure that your vote will count.

The Disclosure Statement, the form of Ballot, and the related materials delivered together herewith (collectively, the "Solicitation Package"), are being furnished to Holders of Claims in Classes 1A, 1B, 1C, 2A, and 2B for the purpose of soliciting votes on the Plan. If you did not receive a Ballot in your Solicitation Package, and believe that you should have received a Ballot, please contact, Lamberth, Cifelli, Ellis & Nason, P.A., 1117 Perimeter Center West, Suite W212, Atlanta, Georgia, 30338, (404) 495-4468 (Attn: G. Frank Nason, IV).

IN ORDER FOR YOUR BALLOT TO COUNT, IT MUST BE RECEIVED WITHIN THE TIME INDICATED ON THE BALLOT AND THE BALLOT MUST CLEARLY INDICATE YOUR CLAIM, THE CLASS OF YOUR CLAIM, AND THE AMOUNT OF YOUR CLAIM.

BY ENCLOSING A BALLOT, THE DEBTOR IS NOT ADMITTING THAT YOU ARE ENTITLED TO VOTE ON THE PLAN, IS NOT ADMITTING THAT YOUR CLAIM IS ALLOWED AS SET FORTH ON THE BALLOT, AND IS NOT WAIVING ANY RIGHTS TO OBJECT TO YOUR VOTE OR YOUR CLAIM.

C. Requirements of Confirmation

The Bankruptcy Court can confirm the Plan only if all the requirements of § 1129 of the Bankruptcy Code are met. Those requirements include the following:

1. The Plan classifies Claims and Interests in a permissible manner;
2. The contents of the Plan comply with the technical requirements of the Bankruptcy Code;
3. The Plan has been proposed in good faith and not by any means forbidden by law;
4. The disclosures concerning the Plan are adequate and include information concerning all payments made or promised in connection with the Plan, as well as

the identity, affiliations, and compensation to be paid to all officers, directors, and other insiders; and

5. The principal purpose of the Plan is not the avoidance of tax or the avoidance of the securities laws of the United States.

D. Confirmation Hearing

The Bankruptcy Court will schedule a hearing on confirmation of the Plan ("Confirmation Hearing") as will be set forth in the Order Approving Disclosure Statement and Notice of Confirmation Hearing. The Confirmation Hearing may be adjourned from time to time without further notice except for announcement at the Confirmation Hearing or notice to those parties present at the Confirmation Hearing.

E. Objections to Confirmation

As will be set forth in the Order Approving Disclosure Statement and Notice of Confirmation Hearing, any objections to confirmation of the Plan must be in writing, set forth the objector's standing to assert any such objection, and must be filed with the Bankruptcy Court and served on counsel for the Debtor. The Order Approving Disclosure Statement and Notice of Confirmation Hearing contains all relevant procedures relating to the submission of objections to confirmation and should be reviewed in its entirety by any party who has an objection to confirmation.

F. Acceptance or Rejection of the Plan and Cram Down

The Class containing your Claim will have accepted the Plan by the favorable vote of a majority in number and two-thirds in amount of Allowed Claims actually voting. In the event that any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may still confirm the Plan if an Impaired Class accepts it and if, as to each Impaired Class that has not accepted the Plan, the Plan "does not discriminate unfairly" and is "fair and equitable." If you hold an Allowed Secured Claim, the Plan is fair and equitable if: (a) you retain your lien and receive deferred cash payments totaling the allowed amount of your Claim as of the Effective Date of the Plan, (b) the collateral is sold and your Lien attaches to the proceeds of the sale, or (c) you are otherwise provided with the "indubitable equivalent" of your Allowed Secured Claim. If you hold a Claim that is not an Allowed Secured Claim, and is not entitled to priority under § 507 of the Bankruptcy Code, the Plan is fair and equitable if you receive property of a value equal to the allowed amount of your Claim or if no junior Class receives or retains anything under the Plan.

III. Historical Background

A. Description of the Debtor and Background.

The Debtor, which opened in 1999, is one of the largest distributors of natural stone slabs and tiles for interior design and construction in the southeast. The Debtor offers a range of products drawing on a global network of quarries, processors, and distributors. The Debtor is

headquartered in Norcross, with offices, a warehouse, and a distribution center at 3045 Business Park Drive, Norcross, Georgia 30071 (the “Warehouse”). The Debtor expanded operations to Charlotte, Dallas, Fort Walton, Savannah, and Orlando. Sales volume peaked in 2006 at \$43 million. By the second half of 2007 the market was beginning to contract and sales dropped slightly from 2006. The Debtor closed the Orlando, Savannah, and Dallas locations and prepared to close the Charlotte location by the end of 2009.

The Debtor’s primary secured creditor was Wachovia Bank, N. A. (“Wachovia”). Wachovia held a lien and security interest in substantially all of the Debtor’s property to secure a debt of approximately \$11 million pursuant to a \$9,000,000 revolver, a \$1,000,000 Capex Note, a \$2,000,000 Term Note, and a swap agreement. The Debtor paid down the Revolver and Capex Note by acquiring product from Kalula AG (“Kalula”), an affiliate of the Debtor that acted as the distribution arm for the Debtor and several related entities. The Debtor effectively paid Wachovia down from approximately \$11 million to under \$2 million by running up its payable to Kalula to over \$10 million. During 2012 the Debtor was recapitalized by \$8 million through the conversion of a portion of the balance payable to Kalula.

Following the payment of the Capex Note and Revolver, the Debtor operated under forbearance agreements with Wachovia. The last agreement was set to expire September 30, 2009. The Debtor and Wachovia were unable to agree to an extension, so the Debtor filed Chapter 11 on September 28, 2009 (the “Initial Bankruptcy”), to preserve its assets and reject the leases of the locations closing in Charlotte, Dallas, and Orlando. During the Initial Bankruptcy, the Debtor rejected the leases for the Charlotte, Dallas, and Orlando operations. On August 3, 2010, the Court entered an order confirming the “Chapter 11 Plan Submitted by Stone Connection, Inc., Debtor and Debtor in Possession,” which, among other things, restructured the Wachovia debt and set the maturity date for the Wachovia loans for December 31, 2012. On January 24, 2011, the Court approved the Debtor’s Final Report and entered a Final Decree closing the case.

The Debtor was unable to secure new financing to take out Wachovia from traditional lenders, who were still leery of financing anything dependent on the residential housing and building market. On January 11, 2013, the Debtor entered into a Loan and Security Agreement (the “Original Loan”) with a hard money lender, VFP Intermediate Holdings, LLC (“VFP”), consisting of an asset based Revolving Line of Credit and a Term Loan. As collateral, Lender was provided, among other things, (i) a Deed to Secure Debt, Security Agreement, and Assignment of Leases covering the Warehouse, and (ii) a security interest in inventory and receivables. VFP transferred its interest under the Original Loan to ACM VFP Legacy Assets, LLC (“Veritas”) by assignment dated December 19, 2014. On February 2, 2015, Debtor and Lender entered into the “First Amendment to Loan and Security Interest” (the “First Amendment”), which provided for asset based lending pursuant to a Revolver Note in the maximum amount of \$2,500,000 and a Term Note in the principal amount of \$500,000. The Maturity Date under the First Amendment was January 10, 2018.

The Debtor’s sales dropped drastically from 2016 to 2017. In 2016, sales were \$5,311,765, which dropped to \$2,333,312 in 2017. A number of factors were involved. Many customers began buying directly from processing plants and overseas suppliers. A portion of the

sales staff left. The inventory mix grew stale with low profit margins. Veritas maintained a lock box account and exercised control over the revenues such that the Debtor could not obtain more attractive inventory and could not keep up with its payables. With the First Amendment maturity date approaching, on January 4, 2018, the Debtor and Veritas entered into the “Second Amendment to Loan and Security Agreement” (the “Second Agreement”). As part of the transaction, the Debtor’s parent company, Finstone AG (“Finstone”) paid Veritas \$410,000 and is subrogated to the rights of Veritas to the extent of the \$410,000 payment (the “Subrogation Claim”). The Second Amendment combined the remaining balance owed under the Revolver Note and Term Note into a \$450,000 Term Note, payable monthly with a Maturity Date of January 1, 2019. Additionally, in connection with the Second Modification, the Debtor executed a Deed in Lieu of Foreclosure to be held by Veritas and subject to recordation upon an Event of Default (i) after 30 days’ notice as to certain defaults (i.e. non-payment), and (iii) immediately as to certain defaults (i.e. insolvency, bankruptcy, and receivership).

The Debtor faced a potential judgment in litigation with a vendor. If the judgment was entered, Veritas could have declared a default for insolvency and immediately filed the Deed in Lieu of Foreclosure. The Debtor commenced this case on January 30, 2018 (the “Petition Date”) in order to avoid a default with Veritas.

B. The Debtors’ Assets and Liabilities

The Debtor’s assets are as follows:

- (i) The Warehouse, with a value on the high end of approximately \$3,200,000 and a liquidation value of approximately \$2,640,000;
- (ii) Accounts Receivable as of April 30, 2018, totaling approximately \$206,242.58, of which \$167,767.53 are over ninety (90) days;
- (iii) Office equipment, computers, servers, and furnishings with an estimated value of \$20,000;
- (iv) Forklifts, Trucks, and Trailers with an estimated value of \$100,000; and
- (v) Inventory with a book value of \$1,727,431, but due to its age and desirability a value of approximately \$200,000.

The Debtor’s liabilities are as follows:

- (i) Veritas, which was owed approximately \$450,000 on the Petition Date (defined below);
- (ii) The Subrogation Claim in the amount of \$410,000;
- (iii) The Internal Revenue Service, which has filed a proof of claim in the approximate amount of \$40,000;

- (iv) Sales Tax Claims in the approximate amount of \$20,000;
- (v) General Unsecured Claims scheduled in the approximate amount of \$5,734,939¹. Of this total, approximately \$3,000,000 is owed to affiliated companies M+Q North America, Inc. (“M+Q”), M+Q Granite AG, M+Q Spain, M+Q Italy, Minaco do Brasil, Virginia Black Granite, Inc. (“Virginia Black”), Finstone, and Finstone Information Technologies AG, and M+Q (India) Pvt. Ltd. (the “Group Creditors”).

IV. The Bankruptcy Case

Payroll Issues: On the Petition Date, the Debtor filed its “Emergency Motion for Order Authorizing Payment of Prepetition Employee Compensation and Benefits in the Ordinary Course of Business” (the “Payroll Motion”), seeking authority to pay or otherwise honor various employee-related prepetition obligations of the Debtor, including payroll due February 9, 2018, and contributions for medical and dental insurance. On February 2, 2018, the Court entered an Order approving the Payroll Motion.

Cash Collateral Issues: On the Petition Date, the Debtor filed its “Emergency Motion of Debtor for (1) Order Authorizing Use of Cash Collateral on an Emergency Basis to Avoid Immediate and Irreparable Harm, and for (2) Final Order Authorizing Cash Collateral Use” (the “Cash Collateral Motion”) to use certain cash that is subject to security interests and liens in favor of Veritas. The Court held an interim hearing (the “Interim Hearing”) on February 2, 2018. Following the Interim Hearing, the Court entered its “Interim Order Authorizing Limited Use of Cash Collateral by Debtor in Possession and Providing Adequate Protection (the “Interim Order”) pursuant to which the Court authorized the use of Cash Collateral pending a final hearing scheduled for February 28, 2018.

Following the Final Hearing, on March 2, 2018, the Court entered its “Final Order (1) Authorizing Limited Use of Cash Collateral by Debtor in Possession and Providing Adequate Protection” (the “Final Order”). The Final Order authorized the use of Cash Collateral (as defined in the Final Order”) through (i) sale or refinance of the Warehouse, (ii) Confirmation of a Plan, or (iii) the occurrence of an Event of Default. The Debtor was authorized under the Final Order to pay Veritas its principal and interest payment due under the Second Amendment.

DIP Financing. The Debtor did not have the cash flow available to service the Veritas debt as provided in the Loan Documents. Accordingly, the Debtor and its parent, Finstone (referred to as the “DIP Lender” in its capacity as postpetition lender to the Debtor), entered into a DIP facility whereby Finstone would make DIP Credit Extensions to the Debtor of approximately \$37,500 per month to cover the principal payments to Veritas, secured by a junior lien on estate property. The DIP Credit Extensions would allow Debtor to replace a portion of the Veritas debt on a monthly basis with a debt that accrues interest at a rate that is eleven

¹ The Debtor anticipates objections that could reduce this amount by up to \$300,000 to \$400,000.

percent (11%) less than the Veritas default rate. On March 2, 2018, the Court entered an Order approving the DIP Credit Extensions.

Fort Walton Lease Rejection. The Debtor vacated the Fort Walton Location and filed on the Petition Date a motion to reject the lease. On March 2, 2018, the Court entered an Order approving the rejection of the Fort Walton lease effective as of the Petition Date.

Employment of Broker. The Debtor has employed KW Commercial, the commercial arm of Keller Williams Realty Atlanta Partners, as broker for the sale of the Warehouse.

V. Description of the Plan

A. Treatment of Claims and Interests

(1) Administrative Claims. Allowed Administrative Claims are not classified in this Plan and are treated as follows:

- (a) Payment of Allowed Administrative Claims. Holders of Allowed Administrative Claims other than Professional Fee Claims will be paid in full in cash as soon as practicable after the later of the Effective Date or the date such Claim becomes an Allowed Administrative Claim, unless otherwise agreed to by the Holder thereof. Other than quarterly United States Trustee's fees, which will be paid as they come due, and Professional Fee Claims, which may be filed at any time prior to entry of a Final Decree, any request for payment of an Administrative Claim arising on or before the Confirmation Date must be filed no later than the first Business Day that is twenty one (21) days after the Confirmation Date or such Administrative Claim will be forever barred. The Reorganized Debtor has the right to object to the allowance of any Administrative Claim.
- (b) Payment of Professional Fee Claims. Professional Fee Claims with regard to the period prior to entry of the Confirmation Order shall be paid in the amount awarded pursuant to orders of the Bankruptcy Court and shall be paid in full in Cash as soon as practicable after the later of the Effective Date or the date such Claim becomes an Allowed Administrative Claim, unless otherwise agreed to by the Holder thereof. The anticipated Professional Fee Claims are the claims of Lamberth, Cifelli, Ellis & Nason, P.A. ("LCEN"), counsel for the Debtor, which are estimated to be between \$75,000.

(2) Treatment of Other Certain Unclassified Claims. Other unclassified Claims are treated as follows:

- (a) Post-Confirmation Administrative Claims. Post-Confirmation Administrative Claims, other than Post-Confirmation Professional Fee Claims, will be paid as the same come due, without the necessity of Bankruptcy Court approval. Upon motion of any party in interest, the Bankruptcy Court may review any payment of such Post-Confirmation

Administrative Claims and, if appropriate, order the return or refund of any such payment. Until entry of a Final Decree, all Post-Confirmation Professional Fee Claims for period prior to the entry of a Final Decree will be subject to review by the Notice Parties. A party seeking payment of a Post-Confirmation Professional Fee Claim shall serve (by electronic mail or first class mail) its invoice on the Notice Parties. Unless one or more of the Notice Parties files an objection with the Bankruptcy Court within fourteen (14) days of the service of the invoice, the Reorganized Debtor will be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, one hundred percent (100%) of the fees and one hundred percent (100%) of the expenses incurred. If an objection is filed, then the Reorganized Debtor will still be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, one hundred percent (100%) of the fees and one hundred percent (100%) of the expenses incurred that are not the subject to an objection. The Bankruptcy Court will retain jurisdiction over any objections to such fees and expenses that are filed and shall be authorized to determine whether to allow any disputed Post-Confirmation Professional Fee Claims following a hearing on no less than fourteen (14) days' notice to the parties to the dispute. Following entry of a Final Decree, Post-Confirmation Professional Fee Claims may be paid as they come due.

- (b) Fees of U.S. Trustee. Any pre-confirmation fees due to the United States Trustee will be paid by the Confirmation Date. Post-Confirmation fees due the United States Trustee will be paid on the date that such fees are due.
- (c) Treatment of Executory Contracts and Unexpired Leases. Confirmation of the Plan will operate as an assumption of (i) the Copier Lease with Duplicate Products, Inc. d/b/a DPI Leasing ("DPI"), (ii) the Postage Meter Lease with Pitney Bowes Global Financial Services ("Pitney"), and (iii) the Copier Lease with Xerox Financial Services ("Xerox"). The Debtor does not believe that there are any defaults under the agreements with DPI, Pitney, and Xerox (collectively, the "Lessors"). If the Lessors asserts uncured defaults, then such Lessors must identify such defaults and file with the Bankruptcy Court a notice of the defaults no later than the date set for filing objections to the Plan or such defaults will be deemed waived and such Lessors will be deemed to have consented to the assumption of their agreements as set forth herein. In the event a Lessor files a notice of an uncured default to which the Debtor agrees or the Bankruptcy Court allows following a hearing, the Debtor will cure such default in accordance with Section 365 of the Bankruptcy Code on or before the later of the Effective Date or the date the Court determines such default.
- (d) Treatment of Priority Tax Claims. Holders of Priority Tax Claims will be paid in equal installments with interest calculated as provided in Section 511 of the Bankruptcy Code beginning on the later of (a) August 30, 2018, or (b) the 30th day of the month in which the Confirmation Order is entered; provided, however, that if the Confirmation Order is entered after the 30th day of the month, then payments will commence on the 30th day of the subsequent month. The installments will be calculated so that the final payment will be due January 30, 2023, and so that on such

date each Priority Tax Claim is paid in full. No later than thirty (30) days after a Sale Event (defined as the closing of a sale of the Warehouse), the Holders of Priority Tax Claims will be paid the entire balance of the Priority Tax Claims in full. In the event the Debtor defaults on payments as required under the Plan, the Holder of a Priority Tax Claim may send a default letter to the Debtor with a copy to the Debtor's attorney. The default must be cured within ten (10) days of the date of the letter. In the event the default is not cured within ten (10) days of the date of the letter, the Holder of a Priority Tax Claim will have the right to pursue enforcement actions. The Debtor is required to timely file returns for and timely pay all postpetition personal, business, and employment taxes. Failure to timely file returns or timely pay taxes as they come due shall constitute a default of the Plan.

(3) Treatment of Classified Claims and Interests.

General Provisions Regarding Secured Claims. Following Confirmation, Veritas, the DIP Lender, and Finstone (based on its Subrogation Claim) will retain their Liens in and on all property of the Debtor to which such Liens attached as of the Petition Date in the same priority and validity as existed as of the Petition Date or as authorized by Court order.

Class 1A (Veritas). Class 1A consists of the Allowed Secured Claim of Veritas. The Debtor's obligations with respect to Veritas under its loan documents and all legal, equitable, and contractual rights of Veritas under its loan documents will remain unaltered and in full force and effect, will not be modified by confirmation of the Plan, and will survive any discharge entered in the Case. On the earlier of (i) the last date a payment is due under the Veritas loan documents, or (ii) the occurrence of a Sale Event (defined below), the Debtor will pay the entire unpaid balance due Veritas, including any charges and fees allowable under Section 506(b) of the Bankruptcy Code.

Class 1B (DIP Lender). Class 1B consists of the Allowed Secured Claim of the DIP Lender. The DIP Lender's Claim will accrue interest at the rate of four percent (4%) per annum. The Debtor will pay monthly interest to the DIP Lender on the fifth (5th) day of each month from and after Confirmation, with the entire balance of principal and interest being due and payable upon the occurrence of a Sale Event.

Class 1C (Finstone). Class 1C consists of the Allowed Subrogation Claim of Finstone. Finstone will retain its Claim and will receive payment of its Subrogation Claim, without interest, upon a Sale Event.

Class 2A (Convenience Claims). Class 2A consists of the Convenience Claims, defined as any unsecured claim less than or equal to \$5,000. The Holders of Convenience Claims will receive Distributions totaling thirty five percent (35%) of each Holder's Allowed Class 2A Claim (the "Class 2A Dividend"), payable on the date that is sixty (60) days after the Effective Date.

Class 2B (General Unsecured Claims). Class 2B consists of the Allowed General Unsecured Claims. The Holders of General Unsecured Claim will receive Distributions totaling

thirty five percent (35%) of each Holder's Allowed Class 2B Claim (the "Class 2B Dividend"), payable in fourteen (14) equal quarterly installments beginning on that date that is sixty (60) days after the Effective Date and continuing every three (3) months thereafter until each Holder receives their Class 2B Dividend. Each quarterly installment will be equal to two percent (2.0%) of each Holder's Allowed Class 2B Claim. Upon the occurrence of a Sale Event, the Holders of Class 2B Claims will receive from the Distribution Fund the lesser of twenty percent (20%) of the Class 2B Dividend or the unpaid balance of the Class 2B Dividend (the "Class 2B Distribution"). In the event there are installments due hereunder after the Class 2A Distribution, such installments will continue until the Class 2B Dividend is paid in full. The Class 2B Dividend will be secured by a security interest in the Debtor's inventory. For Distribution purposes, the Group Creditors will not receive Distributions hereunder until all Non-Group Creditors receive their Class 2B Dividend.

Upon Confirmation, the Debtor will execute in favor of the Holders of Class 2B Claims a security interest in the Debtor's inventory, junior only to the Liens of Veritas and the DIP Lender. The Debtor will designate a third party to act as agent for the Class 2A and 2B Creditors (the "Agent"). The Class 2A and 2B Creditors may designate their own Agent, and in such event the Agent will have all of the rights provided hereunder. Upon making a Distribution to the Class 2A and 2B Creditors, the Debtor will provide Notice to the Agent of the Distribution. In the event of default on an installment to the Class 2A and 2B Creditors, the Agent may send notice of the default to the default and if the default is not cured within twenty (20) days of the Notice, the Agent will have the right to enforce the security interest in accordance with the security interest documents and applicable law.

Class 3 (Shareholder). The Debtor's Shareholder, Finstone, will retain its Interests in the Debtor as such Interests existed as of the Petition Date.

Impairment. Classes 1A, 1B, 1C, 2A, and 2B are impaired and eligible to vote on the Plan. Class 3 is unimpaired and ineligible to vote on the Plan.

B. Means for Funding the Plan

Funding of the Plan. Upon the Confirmation Order becoming a Final Order (the "Final Order Date"), the Debtor will assume the block trading operation of M+Q and will acquire M+Q's block inventory valued at \$1,589,426, payable in thirty six (36) equal monthly installment beginning on the day that is twelve (12) months after the Final Order Date and continuing on the same day of each month thereafter until paid in full, without interest. The assumption of the M+Q operations is designed to diversify inventory, increase revenues, and streamline the administrative expense associated with operating the Debtor and M+Q as separate entities. Funds for payments as provided hereunder will be from (i) operations of the business as restructured following the assumption of the M+Q block trading operation, (ii) DIP Credit Extensions, and (iii) proceeds from a Sale Event.

Finstone is a global and vertically integrated dimensional stone group. From its roots as a quarrier of dimensional granite in South Africa, Finstone has emerged as one of a few

dimensional stone groups with offices and investments spanning the globe and the full spectrum of the industry: quarrying, processing, wholesale and retail distribution of rough dimensional stone blocks and semi-finished stone slabs, finished product, and stone processing consumables.

Finstone's interests in the US extend beyond Quarries (Virginia Black Granite, Inc.) and includes rough dimensional stone block trader M+Q North America Inc. ("M+Q") and the Debtor's trade of semi-finished stone slabs. M+Q has been actively trading imported rough dimensional stone blocks in North America and Canada since the late 1990's. Unlike the Debtor, which imports and trades thin (less than 5cm) rough dimensional stone slabs mainly for residential surface applications like kitchen tops and bathroom vanities, the imported rough dimensional stone blocks will be proceeded by the M+Q client and cut into thick (grater than 5cm) rough dimensional stone slabs for monumental (tombstone) applications.

Although the selling of thin and thick slabs is rooted in the same base product there are important differences between the products the Debtor and M+Q sell, which is mainly centered around unknown imperfections hidden within an uncut block and the material's ability to take and maintain a polish when exposed to natural elements in monumental applications. These factors culminate in block trading being more resource intensive from both a sales and after-sale perspective.

The main reason for combining the block and slab trading activities of M+Q and the Debtor is improved efficiencies and economies of scale from shared resources including premises, IRP systems, and staffing (both sales and administration). An added benefit is the addition of a second revenue stream for the Debtor that will result in a more robust operation which is less affected by the fluctuations in the residential development and renovation markets.

Attached as Exhibit "A" are the assumptions relating to the block trading operations and a six year projection of the block trading operation. Attached as Exhibit "B" are the assumptions and projections for the combined operations after the Debtor assumes the block trading operation and inventory.

DIP Credit Extensions. Following Confirmation, the DIP Lender is authorized to make DIP Credit Extensions in the same manner as provided under the DIP Order to pay the amounts due Veritas hereunder and will have such protections as provided under the DIP Order for all such DIP Credit Extensions. Additionally, the Debtor is authorized to borrow from the DIP Lender any additional amounts as may be required to make the payments due under the Plan under such terms and conditions as agreed to by the Debtor and the DIP Lender.

Sale Event. The Debtor will market and sell the Warehouse for the best price available. Upon a Sale Event, the Debtor will pay or segregate sufficient funds to pay (i) all reasonable and ordinary costs of sale, including broker commissions, (ii) all outstanding property taxes not otherwise prorated between the Debtor and the purchaser at closing, (iii) the Class 1A Claim of Veritas, (iv) the Class 1B Claim of the DIP Lender, (v) the Class 1C Subrogation Claim, (vi) any unpaid Professional Fee Claims, including Post-Confirmation Professional Fee Claims, (vii) the balance owed the Holders of Priority Tax Claims, (viii) the Class 2A Distribution, and (ix) the Class 2B Distribution.

Slow Moving Inventory. The Debtor may remove, sell (at or below cost), or otherwise dispose of the Slow Moving Inventory in order to avoid continuing carrying costs and potential relocation costs, as determined in the Debtor's sound business judgment.

Establishment of Distribution Fund. The Debtor will establish with the Debtor's counsel a trust account to be known and designated as the Distribution Fund and will deposit in said account sufficient proceeds from the Sale Event to make the payments provided upon a Sale Event as described above.

In no event will the Debtor be required to make any Distribution from the Distribution Fund that is less than \$25.00. If a Distribution to a Creditor is less than \$25.00, the Debtor may withhold that Distribution until such time as the total Distributions to which such Creditor is entitled equal or exceed \$25.00.

The Plan provides in Article 4.07 for the treatment of Unclaimed Property relating to (a) checks (and the funds represented thereby) which have been returned as undeliverable without a proper forwarding address, (b) funds for checks which have not been presented and paid within ninety (90) days of their issuance, and (c) checks (and the funds represented thereby) which were not mailed or delivered because of the absence of a proper address to mail or deliver such property. The Plan sets forth a Claiming Period of six (6) months for the claiming of Unclaimed Property after which time the Holder of the Unclaimed Property ceases to be entitled to such property and any subsequent Distributions.

C. General Plan Provisions

(1) Claims Bar Date. With respect to prepetition Claims for which a Proof of Claim is required to be filed, the Claims Bar Date was April 30, 2018.

(2) Objections to Claims. Any Creditor may file an objection to a Claim within 30 days of the Effective Date (the "Objecting Deadline"). After the Objecting Deadline, only the Debtor may file objections to Claims (whether filed, scheduled, or otherwise considered). The Debtor may file objections within ninety (90) days of the Effective Date. All objections will be resolved by the Bankruptcy Court unless settled as provided herein. Any objection to a Claim may be settled after the settling parties provide Designated Notice of the proposed settlement and there are no timely objections, and such Claim will become an Allowed Claim without (i) further notice to any parties, and (ii) without the approval of the Bankruptcy Court. In the event of an objection, the Bankruptcy Court will resolve the objection after notice and hearing.

(3) Avoidance Actions and Causes of Action. The Debtor does not believe there are any Avoidance Actions or Causes of Action and, accordingly, will not pursue any.

(4) Revesting of Assets. All of the property of the estate will vest with the Reorganized Debtor on the Effective Date free and clear of Liens, except as specifically provided in the Plan.

(5) Joint and Several Liability. Confirmation of the Plan will not affect the joint and several liability of any codefendant, co-obligor, guarantor, or other entity that may be liable with the Reorganized Debtor, and such liability will continue unabated to the extent of applicable non-bankruptcy law. Nothing herein will be deemed to affect any right of subrogation to which any guarantor may be entitled under applicable non-bankruptcy law.

(6) Temporary Injunction. The Confirmation Order will operate as an injunction against any acts against the Reorganized Debtor and the Property to initiate, prosecute, enforce, liquidate, collect or otherwise assert any Claim against the Reorganized Debtor and the Property except as provided in this Plan. Any act in violation of this provision will be null and void.

(7) Management of the Reorganized Debtor. Following Confirmation, management will remain with Eugene Steyn (Secretary and Chief Executive Officer) and Louis Blom (Chief Financial Officer). Blom's salary is paid by Finstone. Steyn's salary for management of the Reorganized Debtor will be \$90,000 per year, of which one-third is paid by Virginia Black.

(8) Effect of Confirmation. This Plan will be binding on all parties in interest upon entry of the Confirmation Order. Pursuant to Section 1141(d)(1) of the Bankruptcy Code, the Debtor will receive a discharge upon entry of the Confirmation Order confirming the Plan.

VI. Tax Consequences

Tax consequences resulting from confirmation of the Plan can vary greatly among the various Classes of Creditors and Interests, or within each Class. Significant tax consequences may occur as a result of confirmation of the Plan under the Internal Revenue Code and pursuant to state, local, and foreign tax statutes. Because of the various tax issues involved, the differences in the nature of the Claims of various Creditors, the taxpayer status and methods of accounting and prior actions taken by Creditors with respect to their Claims, as well as the possibility that events subsequent to the date hereof could change the tax consequences, this discussion is intended to be general in nature only. No specific tax consequences to any Creditor or Holder of an Interest are represented, implied, or warranted. Each Holder of a Claim or Interest should seek professional tax advice, including the evaluation of recently enacted or pending legislation, because recent changes in taxation may be complex and lack authoritative interpretation.

THE PROPONENTS ASSUME NO RESPONSIBILITY FOR THE TAX EFFECT THAT CONSUMMATION OF THE PLAN WILL HAVE ON ANY GIVEN HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

The receipt by a Creditor or Interest Holder of Cash or property in full or partial payment of its Claim or Interest may be a taxable event. To the extent that a portion of the Cash or the fair market value of any property received is attributable to accrued and unpaid interest on a Claim being paid, a Creditor may recognize interest income. A Creditor or Interest Holder may also

recognize gain or loss equal to the difference between the sum of the amount of cash received and the adjusted basis in the Claim or Interest for which the Holder receives amounts under the Plan. Such gain or loss may be treated as ordinary or capital depending upon whether the Claim or Interest is a capital asset.

VII. “Best Interests” Test

In order to confirm the Plan the Bankruptcy Court must determine that the Plan is in the best interest of all Creditors that do not accept the Plan. The “Best Interest Test” requires that the Plan provide each member of each impaired Class a recovery that has a present value at least equal to the present value of the distribution that each Creditor would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

If the Debtor were liquidated under Chapter 7, a trustee would be appointed to liquidate the assets of the Debtor and distribute the proceeds in accordance with the legal priorities established under Bankruptcy Code. All expenses of the Chapter 7 case, including fees of the trustee, the attorneys’ fees for the trustee’s counsel, accountants, and other professionals appointed in the Chapter 7 case, are paid in full before any payments may be made on account of Administrative Claims in the Chapter 11 case, which in turn must be paid in full before any payments would be made to pre-petition Creditors.

Attached as Exhibit “C” is an analysis of liquidation under Chapter 7. The expected dividend to General Unsecured Creditors would be twenty five and two tenths percent (25.2 %) ², while the Plan proposes a dividend of thirty five percent (35%). In a Chapter 7, distributions are usually made when the trustee files its final report, which may take years. Under the Plan, Creditors will receive more than they would in Chapter 7, and will receive payments shortly after Confirmation. Accordingly, the Plan is in the best interest of all Creditors.

VIII. PURPOSE OF DISCLOSURE STATEMENT

This Disclosure Statement has been prepared and presented for the purpose of permitting you to make an informed judgment regarding the Plan. Please read the Plan in full and consult with your counsel if you have questions. If the Plan is confirmed, its terms and conditions will be binding on all parties in interest. The Debtor believes that the Plan is in the best interest of the Creditors and the Shareholders.

² If some claim objections are successful, the dividend could be approximately twenty seven percent (27%).

IX. CONCLUSION

The Debtor believes the Plan is in the best interests of Creditors and is feasible. Accordingly, the Debtor requests that the Court confirm the Plan.

Dated this 29th day of May, 2018

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EXHIBIT "A" FOLLOWS

Stone Connection Inc.

Chapter 11 Plan - Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1 Inflation on cost base	0%	3%	3%	3%	3%	3%
2 Escalation on Material Purchase value, Transport Cost and Sales Values	0%	0%	5%	0%	0%	5%
3 Increase in Block Volume	0%	15%	15%	20%	5%	5%
4 Inventory Turn	2.05	2.28	2.68	3.12	3.25	3.56
5 Block inventory and Cash acquired from M+Q North America of \$1,589,426 to incorporate Block trading to diversify and add to the revenue stream.	N/A	N/A	N/A	N/A	N/A	N/A
6 Settlement of the Block inventory and Cash acquired to facilitate Block Trading in 36 monthly instalments with the first instalment being 12 months after purchase.	0	12	12	12	N/A	N/A

	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5	Plan Year 6
Turnover	2,637,589	2,943,227	3,459,447	4,025,336	4,195,103	4,592,026
Cost of Sales	(2,239,875)	(2,518,257)	(2,980,315)	(3,495,738)	(3,650,365)	(4,003,359)
Purchases	(3,529,341)	(2,518,257)	(2,980,315)	(3,495,738)	(3,650,365)	(4,003,359)
Stock Increase / (Decrease) in Inventories	1,289,465	0	0	0	0	0
Obsolescence provision	0	0	0	0	0	0
Gross Profit / (Loss)	397,713	424,970	479,132	529,598	544,738	588,667
Selling Expenses	(89,992)	(99,580)	(116,138)	(133,891)	(139,215)	(152,049)
Haulage	0	0	0	0	0	0
Marketing	0	0	0	0	0	0
Payroll cost	0	0	0	0	0	0
Railage	(79,560)	(87,891)	(102,344)	(117,768)	(122,394)	(133,616)
Storage & Handling - Consignment	(10,432)	(11,689)	(13,794)	(16,123)	(16,821)	(18,433)
Administrative Expenses	(159,503)	(161,369)	(165,119)	(168,965)	(172,955)	(177,065)
Admin Fee	0	0	0	0	0	0
Bank Charges	(3,131)	(3,228)	(3,324)	(3,420)	(3,528)	(3,636)
Courier Charges	(360)	(372)	(384)	(396)	(408)	(420)
Insurance's	(12,000)	(12,180)	(12,546)	(12,924)	(13,314)	(13,716)
Legal Fees	0	0	0	0	0	0
Licenses	0	0	0	0	0	0
Motor vehicle cost	(2,748)	(2,832)	(2,916)	(3,000)	(3,096)	(3,192)
Office Cleaning	0	0	0	0	0	0
Office Equipment rental	0	0	0	0	0	0
Office Rental	(24,000)	(24,720)	(25,464)	(26,232)	(27,024)	(27,840)
Post. Tel & Fax	0	0	0	0	0	0
Printing & Stationary	(360)	(372)	(384)	(396)	(408)	(420)
Professional fees	(14,400)	(14,832)	(15,276)	(15,732)	(16,200)	(16,692)
Rates & taxes	(1,598)	0	0	0	0	0
Sundry Expense	0	0	0	0	0	0
Travelling - International	(7,344)	(7,560)	(7,788)	(8,016)	(8,256)	(8,508)
Travelling- Local	(3,840)	(3,960)	(4,080)	(4,200)	(4,332)	(4,464)
Water & lights	(1,440)	(1,488)	(1,536)	(1,584)	(1,632)	(1,680)
Payroll cost	(51,617)	(53,160)	(54,756)	(56,400)	(58,092)	(59,832)
Intergroup Admin Fee	(24,749)	(24,749)	(24,749)	(24,749)	(24,749)	(24,749)
Depreciation	(11,916)	(11,916)	(11,916)	(11,916)	(11,916)	(11,916)
Profit / (Loss) After Selling & Admin Expenses	148,218	164,021	197,874	226,741	232,567	259,552
Interest	(2,292)	0	0	0	0	0
Exceptional Items	18,600	18,600	18,600	18,600	18,600	18,600
Bad Debts	0	0	0	0	0	0
Profit on sale of Warehouse	0	0	0	0	0	0
Profit on sale of Excess Equip & Vehicles	0	0	0	0	0	0
Sundry Income	18,600	18,600	18,600	18,600	18,600	18,600
Profit / (Loss) Before Tax	164,526	182,621	216,474	245,341	251,167	278,152
Tax	0	0	0	0	0	0
Profit / (Loss) After Tax	164,526	182,621	216,474	245,341	251,167	278,152

BLOCKS

	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5	Plan Year 6
Fixed Assets	112,021	100,104	88,188	76,272	64,356	52,439
Current Assets	1,709,465	1,452,951	1,171,335	1,248,656	1,186,760	1,492,711
Bank & Cash	236,481	(191,791)	(522,083)	(492,163)	(568,280)	(301,286)
Inventory	1,289,465	1,289,465	1,289,465	1,289,465	1,289,465	1,289,465
Trade debtors External	183,519	355,276	403,953	451,354	465,575	504,532
Trade debtors Group Co's	0	0	0	0	0	0
Other Debtors	0	0	0	0	0	0
Total Assets	1,821,486	1,553,055	1,259,523	1,324,928	1,251,116	1,545,150
Shareholders Funds	164,526	347,147	563,621	808,963	1,060,130	1,338,282
Current Liabilities	1,656,960	1,205,908	695,902	515,965	190,986	206,868
Short term borrowings	0	0	0	0	0	0
AP - External - Pre Petition	0	0	0	0	0	0
AP - External - Post Petition	32,000	64,000	67,200	67,200	67,200	70,560
AP - Group - Pre Petition	0	0	0	0	0	0
AP - Group - Subrogation Claim	0	0	0	0	0	0
AP - Group - Block Operation						
Acquisition	1,589,426	1,059,618	529,809	0	0	0
AP - Group - Post Petition	30,382	76,815	92,754	442,029	116,870	128,849
Provisions & Accruals	0	0	0	0	0	0
Sales Tax	5,152	5,475	6,139	6,736	6,916	7,459
Total Liabilities	1,821,486	1,553,055	1,259,523	1,324,928	1,251,116	1,545,150

EXHIBIT "B" FOLLOWS

Stone Connection Inc.

Chapter 11 Plan - Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1 Inflation on cost base	0%	3%	3%	3%	3%	3%
2 Escalation on Material Purchase value, Transport Cost and Sales Values						
Slabs	0%	0%	5%	2%	2%	3%
Blocks	0%	0%	5%	0%	0%	5%
3 Increase in Block Volume	0%	15%	15%	20%	5%	5%
4 Non-Group Pre-Petition Creditors settlement:						
- Plan Dividend (% of debt)	35.0%	N/A	N/A	N/A	N/A	N/A
- Sale Event Payment (% of Dividend)	20.0%	N/A	N/A	N/A	N/A	N/A
- Residual Payment (% of Dividend)	17.1%	22.9%	22.9%	17.1%	0.0%	0.0%
- Quarterly Payments	3	4	4	3	0	0
5 Group Pre-petition Creditors settlement:						
- Plan Dividend (% of debt)	35.0%	N/A	N/A	N/A	N/A	N/A
- Sale Event Payment (% of Dividend)	0.0%	N/A	N/A	N/A	N/A	N/A
- Residual Payment (% of Dividend)	0.0%	0.0%	0.0%	7.1%	28.6%	28.6%
- Quarterly Payments - Subordinated						
Commencement of Payments	0	0	0	1	4	4
6 Commercial model realigned to high-end materials i.e. lower volumes higher margins. Benefits smaller physical infrastructure requirement.						
7 Restock with target material:						
- Value	\$1,800,000	N/A	N/A	N/A	N/A	N/A
8 Inventory Turn						
Slabs	1.32	2.23	2.55	2.61	2.66	2.74
Blocks	2.05	2.28	2.68	3.12	3.25	3.56
9 Funding of new model:						
- Building disposal proceeds:	\$3,300,000	N/A	N/A	N/A	N/A	N/A
- Building disposal profit:	\$2,092,943	N/A	N/A	N/A	N/A	N/A
- Equipment disposal proceeds:	\$200,000	N/A	N/A	N/A	N/A	N/A
- Equipment disposal profit:	\$173,765	N/A	N/A	N/A	N/A	N/A
10 Interest paid on loans to cease in month 4 following implementation of plan.						
11 No additional exceptional fees						
12 Acquisition by Stone Connection of existing Block Trading operations for carrying value of materials to return the company to a critical mass.						
13 Block inventory and Cash acquired from M+Q North America of \$1,589,426 to incorporate Block trading to diversify and add to the revenue stream.						
14 Settlement of the Block inventory and Cash acquired to facilitate Block Trading in 36 monthly instalments with the first instalment being 12 months after purchase.	0	12	12	12	N/A	N/A
15 Liquidation of Slab material on hand:						
Minimum % of Cost:	30%	N/A	N/A	N/A	N/A	N/A
Additional Provisions raised:	\$319,242	N/A	N/A	N/A	N/A	N/A
16 Additional Bad Debt provisions:	\$104,914	N/A	N/A	N/A	N/A	N/A
17 Minimum Bank Balance vs Non-Group Pre-Petition Creditors						
Bank Balance	\$69,885	\$92,903	\$28,634	\$9,149	\$11,023	\$37,617
Non-Group Pre-Petition Creditors	\$597,217	\$380,047	\$162,877	\$0	\$0	\$0
18 The bank balance at the end of any period is required to be carried to fund future months due to the cyclical nature of the business. This is evidenced by the lowest bank balance being held in year 4.						

	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5	Plan Year 6
Turnover	4,917,672	6,543,556	7,285,539	7,927,847	8,176,134	8,692,505
Cost of Sales	(4,201,553)	(4,858,464)	(5,467,279)	(6,032,373)	(6,238,004)	(6,668,674)
Purchases	(6,442,852)	(4,745,598)	(5,348,853)	(6,032,373)	(6,238,004)	(6,668,674)
Stock Increase / (Decrease) in Inventories	2,560,541	(112,866)	(118,426)	0	0	0
Obsolescence provision	(319,242)	0	0	0	0	0
Gross Profit / (Loss)	716,119	1,685,092	1,818,260	1,895,474	1,938,130	2,023,831
Selling Expenses	(486,222)	(540,604)	(574,750)	(604,841)	(622,869)	(650,212)
Haulage	(84,553)	(133,512)	(141,884)	(144,718)	(147,630)	(152,059)
Marketing	(104,000)	(74,160)	(76,380)	(78,672)	(81,036)	(83,472)
Payroll cost	(207,677)	(233,352)	(240,348)	(247,560)	(254,988)	(262,632)
Railage	(79,560)	(87,891)	(102,344)	(117,768)	(122,394)	(133,616)
Storage & Handling - Consignment	(10,432)	(11,689)	(13,794)	(16,123)	(16,821)	(18,433)
Administrative Expenses	(847,681)	(745,665)	(762,507)	(779,835)	(797,727)	(816,147)
Admin Fee	(3,900)	0	0	0	0	0
Bank Charges	(27,275)	(28,092)	(28,932)	(29,796)	(30,696)	(31,620)
Courier Charges	(360)	(372)	(384)	(396)	(408)	(420)
Insurance's	(82,423)	(76,128)	(78,414)	(80,766)	(83,190)	(85,686)
Legal Fees	(70,000)	0	0	0	0	0
Licenses	(12,000)	(12,360)	(12,732)	(13,116)	(13,512)	(13,920)
Motor vehicle cost	(2,748)	(2,832)	(2,916)	(3,000)	(3,096)	(3,192)
Office Cleaning	(2,800)	(2,880)	(2,964)	(3,048)	(3,144)	(3,240)
Office Equipment rental	(9,264)	(9,540)	(9,828)	(10,128)	(10,428)	(10,740)
Office Rental	(61,500)	(114,720)	(115,464)	(116,232)	(117,024)	(117,840)
Post. Tel & Fax	(12,000)	(12,360)	(12,732)	(13,116)	(13,512)	(13,920)
Printing & Stationary	(7,560)	(7,788)	(8,028)	(8,268)	(8,520)	(8,772)
Professional fees	(14,400)	(14,832)	(15,276)	(15,732)	(16,200)	(16,692)
Rates & taxes	(31,598)	0	0	0	0	0
Sundry Expense	(12,000)	(12,360)	(12,732)	(13,116)	(13,512)	(13,920)
Travelling - International	(7,344)	(7,560)	(7,788)	(8,016)	(8,256)	(8,508)
Travelling- Local	(27,984)	(28,824)	(29,688)	(30,576)	(31,500)	(32,448)
Water & lights	(21,656)	(22,308)	(22,980)	(23,676)	(24,384)	(25,116)
Payroll cost	(217,944)	(298,044)	(306,984)	(316,188)	(325,680)	(335,448)
Intergroup Admin Fee	(152,749)	(42,749)	(42,749)	(42,749)	(42,749)	(42,749)
Depreciation	(70,176)	(51,916)	(51,916)	(51,916)	(51,916)	(51,916)
Profit / (Loss) After Selling & Admin Expenses	(617,784)	398,823	481,002	510,798	517,534	557,471
Interest	(29,485)	0	0	0	0	0
Exceptional Items	2,180,395	18,600	18,600	18,600	18,600	18,600
Bad Debts	(104,914)	0	0	0	0	0
Profit on sale of Warehouse	2,092,943	0	0	0	0	0
Profit on sale of Excess Equip & Vehicles	173,765	0	0	0	0	0
Sundry Income	18,600	18,600	18,600	18,600	18,600	18,600
Profit / (Loss) Before Tax	1,533,126	417,423	499,602	529,398	536,134	576,071
Tax	0	0	0	0	0	0
Profit / (Loss) After Tax	1,533,126	417,423	499,602	529,398	536,134	576,071

	Plan Year 1	Plan Year 2	Plan Year 3	Plan Year 4	Plan Year 5	Plan Year 6
Fixed Assets	278,688	226,771	174,855	122,939	71,023	219,106
Current Assets	4,044,014	4,063,821	3,907,894	4,099,034	4,067,958	4,222,330
Bank & Cash	305,284	158,914	40,516	170,753	111,584	205,897
Inventory	3,018,775	2,905,909	2,787,483	2,787,483	2,787,483	2,787,483
Trade debtors External	719,955	998,998	1,079,895	1,140,798	1,168,891	1,228,950
Trade debtors Group Co's	0	0	0	0	0	0
Other Debtors	0	0	0	0	0	0
Total Assets	4,322,702	4,290,592	4,082,749	4,221,973	4,138,980	4,441,437
Shareholders Funds	806,422	1,223,845	1,723,447	2,252,845	2,788,978	3,365,049
Current Liabilities	3,516,281	3,066,748	2,359,302	1,969,128	1,350,002	1,076,387
Short term borrowings	0	0	0	0	0	0
AP - External - Pre Petition	597,217	380,047	162,877	0	0	0
AP - External - Post Petition	191,859	439,937	461,956	489,972	498,473	514,779
AP - Group - Pre Petition	1,060,638	1,060,638	1,060,638	984,879	681,839	378,799
AP - Group - Subrogation Claim	0	0	0	0	0	0
AP - Group - Block Operation						
Acquisition	1,589,426	1,059,618	529,809	0	0	0
AP - Group - Post Petition	30,382	76,815	92,754	442,029	116,870	128,849
Provisions & Accruals	25,999	25,999	25,999	25,999	25,999	25,999
Sales Tax	20,760	23,694	25,269	26,249	26,821	27,961
Total Liabilities	4,322,702	4,290,592	4,082,749	4,221,973	4,138,980	4,441,437

EXHIBIT "C" FOLLOWS

Chapter 7 Evaluation of Stone Connection Inc. Distribution to Non-Secured Creditors

Assets for inclusion in Auction

Warehouse - 3045 Businesspark Drive	2,640,000
Other Assets (Forklifts, Trucks, Trailers)	100,000
Inventory	250,000

Total Proceeds

2,990,000

Liabilities

Secured Creditors	500,000
Subrogated Creditor on Behalf of Secured Creditors	410,000
Priority Creditors - IRS - Payroll	41,097
Priority Creditors - Sales Tax	19,244
Priority Creditors - Property Tax	53,425
Priority Creditors - Real Estate Agents	105,600
Chapter 11 Administrative fees	100,000
Chapter 7 Trustee Fees	112,950
Chapter 7 Trustee Attorney Fees	100,000
Payroll	23,300
Post-Petition Creditors as at 31 March 2018	81,298

Total Liabilities

1,546,915

Available Funds for Distribution to Non-Secured Creditors

1,443,085

Remaining Pre-Petition Creditors at 31 March 2018 ¹

5,734,939

Percentage of Creditors Covered by Available Funds

25.2%

¹ The Prepetition Creditors reflected include approximately \$400,000 disputed creditors.