

**United States Bankruptcy Court
Eastern District of Tennessee**

In re Royce D McBride

Debtor(s)

Case No. 1:15-bk-14081 NWW
Chapter 11

AMENDMENT COVER SHEET

Amendment(s) to the following petition, list(s), schedule(s) or statement(s) are transmitted herewith:

**Disclosure Statement Doc 69
and Plan of Reorganization Doc 69-2**

NOTICE OF AMENDMENT(S) TO AFFECTED PARTIES

Pursuant to Federal Rule of Bankruptcy Procedure 1009(a), I certify that notice of the filing of the amendment(s) listed above has been given this date to any and all entities affected by the amendment as follows:

Attached Creditor Matrix

Date: August 25, 2016

/s/ David J. Fulton

David J. Fulton 6102

Attorney for Debtor(s)

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UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TENNESSEE
AT CHATTANOOGA

In re:)
) NO. 1:15-bk-14081 NWW
ROYCE D. MCBRIDE,)
) CHAPTER 11
Debtor .)
)

DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT

The Debtor submits this Disclosure Statement to his Plan of Reorganization dated the 25th 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 dentist in Cleveland, Tennessee. The Debtor's professional employment generates substantial monthly income, but the fact that the Debtor's wife has numerous and reoccurring serious health issues has negatively imported both the Debtor's earnings and on the Debtor's focus of attention his tax obligations. In the course of this Chapter 11 case the Debtor's wife's condition has stabilized somewhat allowing the Debtor to focus his attention on his dental practice and on taking care of his financial obligations, including but not limited to tax obligations.

Debtor intends to continue his employment as a dentist in Cleveland, Tennessee and does not anticipate that he will receive any reduction in income from his practice. Debtor believes that with the ability to focus more on his practice he will enhance his revenue and enhance his ability to focus on paying his current obligations and his past tax obligations.

III.

ASSETS OF THE DEBTOR
(Rounded to the nearest dollar
as of October 2, 2015)

Liquid Assets

| | | |
|--|---------------------------------------|------------------|
| A. | Cash in bank (Petition Schedule B) | \$7373.00 |
| <hr/> | | |
| TOTAL LIQUID ASSETS (As of October 2, 2015) | | \$7373.00 |

Other Assets (Schedules A and B)

| | | |
|---------------------------|---|------------------|
| A. | Real Property (Petition Schedule A)(minus homestead exemption of \$25,000) | \$410,000 |
| B. | Personal (Petition Schedule B) Auto, Household Goods, ETC-minus \$10,000 personal property exemptions | \$10,150 |
| <hr/> | | |
| TOTAL OTHER ASSETS | | \$420,150 |
| TOTAL ASSETS | | \$427,523 |

IV.

LIABILITIES OF THE DEBTORS
(Rounded to the nearest dollar)
As of October 2, 2015

| | | |
|--------------------------|--|--------------------|
| 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) | \$30,000 |
| B. | Priority Claim (IRS) | \$576,015 |
| C. | Petition Schedule D & Proofs of Claim | \$371,518 |
| | IRS Secured Claim | \$49,000 |
| | Petition Schedule F and IRS unsecured claim | \$1,557,447 |
| <hr/> | | |
| TOTAL LIABILITIES | | \$2,583,980 |

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 \$625,015.00, 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 \$12,000.00 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: Regions Bank. Regions Bank (Class 2) shall be paid its Allowed Claim, of \$109,761.00, more or less, secured by a first and second mortgage on Debtor's residence located at 564 Kyle Lane, NW, Cleveland, TN in monthly payments beginning on the Effective Date in the amount of the monthly contract payments until Regions Bank's claim is paid in full. This Creditor is not impaired.

Class 3: Regions Bank. Regions Bank (Class 3) shall be paid its Allowed Claim in the amount of \$261,819.68.00, more or less, secured by a first mortgage on real property located at 9306 Emerald Coast Parkway West, Beach Side 2, Miramar Beach, FL 32550 in

monthly payments beginning on the Effective Date in the amount of the contract payment between the Debtor and Regions Bank until the claim is paid in full. This Creditor is not impaired.

Class 4: Internal Revenue Service. Internal Revenue Service (Class 4) shall be paid its Allowed Secured Claim in the amount \$49,000.00, more or less, secured by a second lien on real property located at 936 Emerald Coast Parkway West, Beach Side 2, Miramar Beach, FL 32550 and third lien on the Debtor's residence located at 564 Kyle Lane, NW, Cleveland, TN in monthly payments beginning on the Effective Date in the amount of \$1000.00, until the Internal Revenue Service's priority claim is paid in full. This secured claim shall bear interest at the rate of 3% APR. This Class is impaired.

Class 5: Unsecured Claims up to the amount of \$5000.00. Unsecured Claims up to the amount of \$5000.00, or claims reduced to \$5000.00 (Class 5) shall be paid 15% of each Creditor's Allowed Claim within thirty (30) days of the Effective Date as provided by 11 U.S.C. § 1122(b). This Class is impaired.

Class 6: Unsecured Claims exceeding \$5000.00. Unsecured Claims exceeding \$5000.00(Class 6) shall be paid 5% of each Creditor's Allowed Claim, pro rata, as funds are available after payment of Classes 1 through 5. This Class is impaired.

Class 7: Debtor. Debtor (Class 7) 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 substantially less than the amount that the Plan proposes to Creditors.

VII.

PROJECTIONS

Debtor as a sole practitioner dentist has significant monthly variations in his gross receipts and net income. Based on the monthly reports filed by the Debtor, through May,

2016, the Debtor's average net income has exceeded \$20,000.00 per month, if the IRS Adequate Protection payments are removed. Provided there is no reduction in practice 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 dentist 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. The Plan payments will be sent monthly to a disbursing agent who will make the Plan payments.

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 Regions Bank secured by a first and second mortgages on Debtor's residence in Bradley County, TN. This class is not impaired.
 - d. **Class 3:** Secured Claim of Regions Bank secured by a mortgage on real estate in Miramar Beach, FL. This class is not impaired.
 - h. **Class 4:** Secured Claim of Internal Revenue secured by second priority lien on the Bradley County and Miramar Beach properties. This Class is impaired.
 - i. **Class 5:** Unsecured Claims up to the amount of \$5000.00. This Class is impaired.
 - j. **Class 6:** Unsecured Claims exceeding \$5000.00. This Class is impaired.
 - k. **Class 7:** Debtor and Insider Claims.
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 \$616,015.00, 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 \$12,000.00 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.

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Class 6: Unsecured Claims exceeding \$5000.00. Unsecured Claims exceeding \$5000.00(Class 6) shall be paid 5% of each Creditor's Allowed Claim, pro rata, as funds are available after payment of Classes 1 through 5. This Class is impaired.

Class 7: Debtor. Debtor (Class 7) 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 IRS lien exceeds the value of all of the Debtor's real and personal assets.

SCARBOROUGH & FULTON

/s/David J. Fulton

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