

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TENNESSEE
WINCHESTER DIVISION**

In Re:)
) Case No. 4:16-bk-11830-SDR
SWANN EQUIPMENT COMPANY, LLC) Chapter 11
)
Debtor-In-Possession.)
)

DISCLOSURE STATEMENT

The Debtor-in-Possession, Swann Equipment Company, LLC ("Swann" or "Debtor"), as a small business debtor as defined in 11 U.S.C. § 101(51D), submits its Disclosure Statement pursuant to 11 U.S.C. § 1125.

1) Introduction

Swann is the proponent of a Plan of Reorganization (the "Plan"). This Disclosure Statement is filed in order to disclose that information deemed by the proponent to be material, important and necessary for creditors of Swann to arrive at a reasonably-informed decision in exercising their right to vote for acceptance or rejection of the Plan presently on file with the Bankruptcy Court. Unless noted otherwise, Swann relies upon its regularly-kept business records to provide the financial information contained in this Disclosure Statement.

As a small business debtor, Swann files this Disclosure Statement pursuant to 11 U.S.C. § 1125(f), and seeks conditional approval of this Disclosure Statement and that the final hearing on this Disclosure Statement will be combined with the final hearing on confirmation of the Plan. Once the Disclosure Statement is conditionally approved, copies will be mailed along with the Debtor's Plan and any Order conditionally approving the Disclosure Statement to all creditors, to those parties requesting a copy, Mahindra USA, Inc ("Mahindra") and S & W Equipment, LLC. An opportunity to object to its contents will be given. The information contained herein has been obtained from the books and records kept by Swann.

The Plan is on file with the United States Bankruptcy Court for the Eastern District of Tennessee, Winchester Division, and should be considered by creditors. If the Disclosure Statement is conditionally 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 conditionally approving the 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 deemed accepted, creditors in classes impaired under the Plan that hold at least 2/3 in amount and more than 1/2 in number of allowed claims within certain classes must vote for acceptance of the Plan, unless such classes are being paid in full, or the rights of creditors in those classes are not being impaired under the Plan.

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO THE VALUES OF PROPERTY) ARE AUTHORIZED BY THE DEBTOR, OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE YOUR ACCEPTANCE OR REJECTION WHICH ARE OTHER THAN AS CONTAINED IN THIS STATEMENT, AND NOT APPROVED IN ADVANCE BY THE COURT, 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.

2) History of Swann

Swann Equipment Company, LLC is the Debtor-in-Possession in this case. Swann was organized in June, 2012, and Ronnie Swann is the 100% interest holder of Swann. Swann owns and operates a retail agricultural, and lawn and garden equipment business in Winchester, Tennessee, where it sells, rents and leases certain agricultural-related equipment. Swann also services various types of equipment. Swann's business is cyclical and highly dependent upon the weather. For example, July and August are generally very slow months for Swann due to the weather, but its business picks up in the Fall, as farmers begin to prepare for harvest.

The Swann family has been involved in this business since the 1950s. Farmers, businesses and homeowners depend upon Swann to provide them with quality equipment and exceptional customer service. Swann ran into financial difficulties in mid-2015, when it was required to voluntarily surrender a large volume of Mahindra equipment to GE Capital. Without the Mahindra equipment, Swann was unable to timely pay its obligations, despite its best efforts. Then, after Swann's largest creditor, Citizen's Community Bank, padlocked the business on May 2, 2016, it was forced to file this Chapter 11 to reorganize the business and its debts.

Since the filing of this case, Swann has begun the reorganization process, and its outlook is positive. First, Swann has retained a Certified Public Accountant ("CPA") to assist with bookkeeping duties and prepare proper financial statements. Second, Swann's accounts receivable will be better controlled by not permitting equipment to leave the Debtor's showroom floor without payment, and pursuing delinquent debts through legal means. Third, Swann will place more emphasis on its service department, which is the most profitable aspect of its business, and hire additional technicians to increase revenues. Fourth, Swann will continue to do warranty work on used Mahindra equipment.

In addition, Swann is unable to do new business with Mahindra at this time, as Mahindra's policy is not to do business with an entity from which it had repossessed equipment within the last two years. To address this policy, a new entity, S & W Equipment, LLC ("S&W"), was formed by Ronnie Swann's son, Derrick, on or about June 21, 2016. Ronnie Swann and Swann have no ownership interest in S&W. The employees of S&W include Derrick Swann, his wife, Rebekah, and Jessica Parsons, all of whom were former employees of Swann. Of note, this reduction in employees of Swann will result in a monthly savings of \$4,500 in salaries alone, which were formerly paid by Swann.

S&W has now been approved as a dealer for Mahindra. Mahindra has agreed to let S&W sell its equipment from Swann's floor. Mahindra will maintain liens on any Mahindra equipment

located on Swann's floor. When a piece of Mahindra equipment is sold, S&W will remit the appropriate amount to Mahindra, including costs of freight, setup and accessories, and will pay itself for expenses, including salaries.

From the revenues generated by the sale of Mahindra equipment, S&W will remit \$2,000 per month for rent of a portion of Swann's premises. As an additional benefit, S&W will be able to obtain Mahindra parts at cost, as compared to the full retail price that Swann was previously paying, and Swann will then buy those Mahindra parts from S&W at cost plus 5%, for use in its service and warranty departments. Moreover, having Mahindra equipment sold at Swann's premises will generate additional warranty and service revenue for Swann.

Finally, Swann is planning a spring auction in 2017 that will likely result in a large pay down of Citizens Community Bank's debt. Swann strongly believes that, by restructuring its business and workforce, hiring professional accountants, and receiving the financial benefit of having Mahindra equipment sold off its property, it can consummate a successful Plan of Reorganization.

3) Assets of the Debtor

REAL PROPERTY:

None

PERSONAL PROPERTY:

PROPERTY	FAIR MARKET VALUE
Cash (As of October 14, 2016)	\$1,648.00
Accounts Receivable	\$61,680.74
Inventory – WIP	\$8,496.32
Inventory – New Equipment	\$50,362.16
Inventory – Used Equipment	\$180,708.11
Inventory – Parts	\$266,723.59
Equipment – Rental	\$52,559.00
Equipment – Office	\$7,700.00
Shop Equipment and Tools	\$73,100.00
Automobiles and Trucks	\$13,500.00
TOTAL ASSETS	\$716,477.92

4) Liabilities of the Debtor

CREDITOR	COLLATERAL	APPROXIMATE AMOUNT OF CLAIM
Citizens Community Bank	Used equipment	\$203,588.78
	Used equipment and tools	\$27,790.23
	Inventory of used equipment, tools, parts and supplies	\$173,674.44
	SUBTOTAL	\$405,053.45
Red Iron Acceptance	Exmark products	
	SUBTOTAL	\$2,845.32
Administrative Expense Claims (anticipated)		
	SUBTOTAL	\$38,000.00
Priority		
TN Department of Revenue	Business Taxes	\$28,334.28
Internal Revenue Service	Business Taxes	\$4.59
	SUBTOTAL	\$28,338.87
Unsecured Claims		
	SUBTOTAL	\$415,432.12¹
TOTAL LIABILITIES		\$889,669.76

5) Summary of the Plan of Reorganization

Beginning thirty (30) days following the Effective Date of the Plan, which is defined in the Plan as the later of the first day of the next month following Confirmation, or the date on which the Order of Confirmation is no longer subject to appeal, Swann shall pay to the Disbursing Agent the amount of \$2,500.00 per month, for distribution to creditors holding priority claims (Class B) and unsecured claims (Class E), as provided below.

¹ This does not include the disputed claim of GE Capital/Wells Fargo in the amount of \$136,000.00. The debt was resolved through an arbitration involving GE Capital/Wells Fargo and Ronnie Swann, individually. In addition, this does not include the debt of T&K Equipment in the amount of \$7,496.00. This debt involved consigned equipment located on Debtor's floor that has since been picked-up by T&K Equipment.

Claims for administrative fees and expenses (Class A) shall be paid within ninety (90) days of the Effective Date of the Plan, outside the Plan, including funds from the sale of any unencumbered assets.

The secured claims of Citizens Community Bank (Class C) will retain their secured status, and Citizens Community Bank shall receive monthly payments of \$5,000, direct from Swann, plus any profit that Swann receives from the sale of Citizens Community Bank's collateral.

The secured claim of Red Iron Acceptance, LLC (Class D) will retain its secured status with regard to the specific items of ExMark equipment located at Swann's business (with serial numbers 315624417, 316603563 and 315657068). Red Iron Acceptance, LLC will be paid in full from the first available proceeds from the sale of Red Iron's collateral. After payment in full, Red Iron will take the necessary steps to release its lien against Swann.

Unsecured creditors in Class E will be paid monthly, following payment to the creditors in Class B, for a total of sixty (60) months, at \$2,500 per month, following the Effective Date, or until all allowed unsecured claims are paid in full, whichever first occurs.

The unsecured debt of GE Capital/Wells Fargo, which is listed in Swann's schedules as a disputed claim in the amount of \$136,000, will not receive any payments through Swann's Plan as the debt has been resolved through an arbitration involving GE Capital/Wells Fargo and Ronnie Swann, individually. In addition, the unsecured debt of T&K Equipment, which is listed in Swann's schedules in the amount of \$7,496.00, will not receive any payments through Swann's Plan as this debt involved consigned equipment located on Debtor's floor that has since been picked-up by T&K Equipment.

Classes A, B, C and E are impaired under the Plan.

In addition, Swann will enter into a new lease agreement with its current landlord, John R. Robinson. The new lease will be on substantially the same terms as the previous lease

agreement between Swann and Mr. Robinson,² with the new monthly rent payment likely increasing to \$4,000.00. Swann, however, will only be responsible for monthly payments of \$2,000.00, as the additional \$2,000.00 will be paid by S & W Equipment, LLC.

CREDITORS SHOULD REVIEW THE PLAN FOR THE SPECIFIC
CLASSIFICATION AND TREATMENT OF PARTICULAR CLAIMS.

Swann has made no analysis of fraudulent or preferential transfers within the relevant statutory periods. No preferential or fraudulent transfers will be pursued by Swann under the Plan.

A Liquidation Analysis³ is set out as **Exhibit A** hereto. Based on the attached analysis, unsecured creditors would likely receive no funds on their claims if this case was converted to Chapter 7. Under Swann's proposed Plan, however, it is anticipated that unsecured creditors will receive thirty-five percent (35%) of their allowed claims.

Thus, the prospects for recovery that may be realized by all creditors on account of their claims are greater under the terms embodied in the Plan than they would be in a Chapter 7 liquidation of the Debtor. Consequently, the Debtor does not believe that holders of any claims and interests would receive more in a Chapter 7 liquidation of the Debtor than they would receive under the Plan.

THE FOREGOING IS A BRIEF SUMMARY OF THE PLAN AND SHOULD NOT BE RELIED ON FOR VOTING PURPOSES. AGAIN, CREDITORS ARE URGED TO READ THE PLAN IN ITS ENTIRETY, WHICH IS BEING MAILED CONTEMPORANEOUSLY HERETO. CREDITORS ARE FURTHER URGED TO CONSULT WITH COUNSEL OR WITH EACH OTHER, IN ORDER TO FULLY UNDERSTAND THE PLAN AND ANY EXHIBITS ATTACHED TO IT. THE PLAN IS SOMEWHAT COMPLEX AND MUST BE READ IN ITS ENTIRETY TO GAIN AN UNDERSTANDING OF IT.

² The prior Commercial Lease Agreement is attached as Exhibit A to Document Number 51.

³ This liquidation analysis is not a guarantee as to the amounts and sources of recovery that could be realized in a hypothetical liquidation of the Debtor. Rather, the liquidation analysis is only an estimate.

6)

Ownership of Assets

Swann shall retain all assets it owned at the time of the filing of the Petition, or in which it maintains an interest, other than those assets to be surrendered, sold or otherwise disposed of pursuant to the Plan, or in furtherance of Swann's business operations.

7)

Miscellaneous

The Plan provides the means for execution of the Plan, and includes certain general provisions, including, but not limited to, the retention of jurisdiction by the Bankruptcy Court for certain purposes.

Respectfully submitted,

SWANN EQUIPMENT COMPANY, LLC

BY: /s/ Ronnie Swann

Ronnie Swann, Interest Holder of Swann
Equipment Company, LLC

CHAMBLISS, BAHNER & STOPHEL, P.C.

By: /s/Harold L. North, Jr.

Harold L. North, Jr., BPR No. 007022
Jeffrey W. Maddux, BPR No. 027394

Liberty Tower, Suite 1700

605 Chestnut St.

Chattanooga, TN 37450

Telephone: 423-756-3000

Facsimile: 423-508-1244

Email: hnorth@chamblisslaw.com

Counsel for Debtor