

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TENNESSEE
AT CHATTANOOGA

In re:)	
)	NO. 1:16-bk-14027 NWW
John Lewis Blewett,)	
)	CHAPTER 11
Debtor .)	
)	

DEBTOR'S DISCLOSURE STATEMENT

The Debtor submits this Disclosure Statement to his Small Business Plan of Reorganization dated the 9th day of November, 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 and operates a nightclub on Lee Hwy, Chattanooga, Tennessee. The Debtor had to file this Chapter 11 case when the Debtor's secured lender, Regions Bank, ("Regions") would not renew a note in the amount of approximately \$200,000.00 that is secured by Debtor's nightclub, due to Debtor's delinquent property taxes. During the case, the Debtor has negotiated a plan with Regions that provides for Debtor to have sixty (60) months from the Effective Date, to refinance his nightclub operation and remove Regions as his secured lender.

III.

ASSETS OF THE DEBTOR
(Rounded to the nearest dollar)

Liquid Assets

A.	Cash in bank (Sept 22, 2016)	\$2464.00
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TOTAL LIQUID ASSETS	\$ 2464.00
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Other Assets (Schedules A and B)

A.	Real Property (Petition Schedule A) (minus homestead exemption of \$5,000)	\$325,900.00
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B.	Personal (Petition Schedule B) Auto, Household Goods, etc-(minus \$10,000 personal property exemption) and \$500 clothing allowance	\$33,146.00
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TOTAL OTHER ASSETS	\$359,046.00
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TOTAL ASSETS	\$361,510.00
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IV.

LIABILITIES OF THE DEBTORS
(Rounded to the nearest dollar)

A.	Administrative Expense Claims including post-petition income taxes, Debtor's attorney fees, accountant's fees, U.S. Trustee fees and disbursing agent fees (estimate)	\$10,000.00
B.	Petition Schedule D & Proofs of Claim	\$324,596.00
C.	Petition Schedule E -Priority Claim (Tenn. Dept of Revenue & City of Chattanooga)	\$316,090.00
D.	Petition Schedule F & Proofs of Claim	\$87,140.00
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TOTAL LIABILITIES		\$727,826.00

V.

SUMMARY OF PLAN

The Debtor's Plan for paying its creditors is as follows:

Class 1 – Tax Claims. (Class 1) consists of all Allowed Priority and Secured Tax Claims of the Tennessee Department of Revenue against the Debtor, excluding such Claims that were paid prior to the Effective Date. The Claim in this Class is \$313,097.35, 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, by monthly payments in the amount of \$500.00 until the tax claim is paid in full. 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 3.6. 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 payment of any tax to the Tennessee Department of Revenue within 30 days of the due date of such deposit or payment, or fail to file any required 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 Tennessee Department of Revenue may declare that the Debtor is in default of the plan. Failure to declare a default does not constitute a waiver by the Tennessee Department of Revenue of the right to declare that the Debtor is in default.

(B) If the Tennessee Department of Revenue 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 Debtor.

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

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

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

3.1(a) The Priority Tax Claim of the City of Chattanooga in the amount of two thousand nine hundred and ninety-two dollars and seventy-nine cents (\$2292.79) shall be paid according to the provisions of §1129(a)(9)(C) of the Code within sixty (60) months of the Petition Date, with statutory interest.

Class 2 – Regions Bank. Regions Bank (Class 2) shall be paid its Allowed Claim, of \$191,357.00, more or less, secured by a first mortgage on Debtor's nightclub located at 6005 Lee Hwy, Chattanooga, Tennessee 37421. Regions Allowed Claim shall be paid at the rate fifteen hundred (\$1500.00) per month with interest at the pre-petition contract rate for sixty (60) months from the Effective Date at which time there shall be a balloon payment due of all remaining principal and interest. Debtor shall continue to keep the premises insured against causality loss and shall escrow monthly with Regions Bank the real estate taxes accruing against the property. This creditor is impaired.

Class 3- Ford Motor Credit. Ford Motor Credit (Class 3) shall be paid its Allowed Claim in the amount of \$13,956, more or less, secured by a first lien on Debtor's 2012 Ford Escape in monthly payments beginning on the Effective Date in the amount of the contract payment between the Debtor and Ford Motor Credit, until the claim is paid in full. This creditor is not impaired.

Class 4- Ford Motor Credit. Ford Motor Credit (Class 4) shall be paid its Allowed Secured Claim in the amount \$11,376.00 secured by a lien on Debtor's 2013 Ford Taurus in the amount of the monthly contract payment between Debtor and Ford

Motor Credit beginning on the Effective Date until the secured claim is paid in full. This creditor is not impaired.

Class 5- Ocwen Loan Servicing. Ocwen (Class 5) shall be paid its Allowed Secured Claims in aggregate amount of \$107,907.00 secured by a First and Second mortgage on Debtor's residence located 1830 Pineneedle Trail, Chattanooga, Tennessee in amount of the monthly contract payments until Owcen's Secured Claims are paid in full. This creditor is not impaired.

Class 6- Unsecured Claims. Unsecured Claims (Class 6) shall be paid 25% of each Creditor's Allowed Claim, pro rata monthly, as funds are available after payment of the monthly payments of the aforementioned Classes. These creditors are impaired.

Class 7-Debtor. Debtor (Class 7) shall receive no payments under the Plan.

THE FOREGOING IS A 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. A COPY OF THE PLAN IS ATTACHED HERETO AS EXHIBIT "A".

VI.

LIQUIDATION ANALYSIS

Based upon the Debtor's estimate of the value of his real and personal property, the liquidation of the Debtor's assets would result in a recovery less than the amount that the Plan proposes to Creditors, and would likely result in no distribution to unsecured creditors.

VII.

PROJECTIONS

Debtor has significant monthly variations in his gross receipts and net income. Based on the monthly reports filed by the Debtor in his first Chapter 11 case and through September, 2016 in this case, the Debtor's average net income has been sufficient to pay

his expenses and Plan payments. Provided there is no reduction in income, this should allow sufficient income for the Debtor to fund the proposed Plan of Reorganization. Should the income from the nightclub be insufficient in a given month, Debtor will use his government pension to make up any shortfall.

VIII.

OWNERSHIP, GENERAL OPERATIONS, AND INCOME STATEMENT

The Debtor will continue to be self-employed and operates his nightclub. Attached hereto as Exhibit "B" is the most recent Monthly Operating Report filed by the Debtor showing his monthly and petition-to-date income and expenses.

IX.

MISCELLANEOUS

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

X.

CLAIMS

Claims which are disputed, contingent or unliquidated must be filed by the time of the bar deadline. All parties in interest have the right to object to any claim filed as to amount, classification or otherwise. Objections may be filed up to thirty (30) days after the Effective Date.

A. Classification of Claims and Interests:

1. The claims will be classified as follows:

- a. Administrative expense claimants including the fees of the United States Trustee's office, attorney's fees, post-petition taxes, if any, and other post-petition claims as filed and approved by the Court.
 - b. **Class 1:** Allowed Priority and Secured Tax claims of the Tennessee Department of Revenue and City of Chattanooga. This class is impaired.
 - c. **Class 2:** Secured Claim of Regions Bank secured by a first mortgage on Debtor's nightclub in Hamilton County, TN. This class is impaired.
 - d. **Class 3:** Secured Claim of Ford Motor Credit secured by a lien on Debtor's 2012 Ford Escape. This class is not impaired.
 - h. **Class 4:** Secured Claim of Ford Motor Credit secured by lien on Debtor's 2013 Ford Taurus. This class is not impaired.
 - i. **Class 5:** Secured Claims of Ocwen Loan Servicing secured by a First and Second mortgage on Debtor's residence. This class is not impaired.
 - j. **Class 6:** Unsecured creditors and all unsecured claims of secured creditors. This class is impaired.
 - k. **Class 7:** Debtor and Insider Claims. This class is impaired.
2. Unless otherwise provided all classes are impaired.

B. Treatment of Claims

Class 1 – Tax Claims. (Class 1) consists of all Allowed Priority and Secured Tax Claims of the Tennessee Department of Revenue against the Debtor, excluding such Claims that were paid prior to the Effective Date. The Claim in this Class is \$313,097.35, 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, by monthly payments in the amount of \$500.00 until the tax claim is paid in full. 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 3.6. Each Contested Tax Claim shall become an Allowed Priority or Secured Tax Claim only upon entry of, and only to the extent such claim is allowed by a Final Order.

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(B) If the Tennessee Department of Revenue 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 Debtor.

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

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

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

3.1(a) The Priority Tax Claim of the City of Chattanooga in the amount of two thousand nine hundred and ninety-two dollars and seventy-nine cents (\$2292.79) shall be paid according to the provisions of §1129(a)(9)(C) of the Code within sixty (60) months of the Petition Date, with statutory interest.

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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 nightclub business and the restructuring of his debts. Confirmation of the Plan will enable the Debtor to focus on his nightclub operation 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 nightclub viability, 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, and likely would result in no payment to unsecured creditors.

SCARBOROUGH & FULTON

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