UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TENNESSEE
AT CHATTANOOGA

In re:	)	
	)	Joint Administration Case
Cherokee Pharmacy & Medical Supply Inc., *et. al.*	)	No. 1:17-bk-11920-NWW
	)	
Debtors.	)	Chapter 11
	)	

PLAN PROPONENTS' DISCLOSURE STATEMENT

IMPORTANT: THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PROPOSED CHAPTER 11 PLAN. READ THIS DOCUMENT WITH CARE.

Table of Contents

Note: The above EXHIBITS *(A-F)* are an integral part of the Chapter 11 process and disclosure.

Each of the Exhibits are iterated as if fully written and included as Articles in the body of the Disclosure Statement.

ARTICLE I
PRELIMINARY STATEMENT

1.1 The following preliminary statement is qualified in its entirety by the more detailed information appearing elsewhere in this Disclosure Statement with respect to the Chapter 11 Plan of Reorganization ("Plan") proposed by the Plan Proponents. All capitalized terms contained in this preliminary statement, as well as elsewhere in this Disclosure Statement, shall, unless otherwise defined herein, have the meanings ascribed to such terms at **ARTICLE XIX DEFINITIONS** of this Disclosure Statement. *The Plan is attached hereto at Exhibit F, page 106.*

1.2 The Exhibits *(A-F)* attached to the Disclosure Statement *(see Table of Contents at Page 4)* are an integral part of the Chapter 11 process and disclosure. Each of the Exhibits are iterated as if fully written and included as Articles and in the body of the Disclosure Statement.

1.3 **THE PLAN PROPONENTS BELIEVE, THAT UNDER THE CURRENT CIRCUMSTANCES, THE PLAN PROVIDES THE BEST POSSIBLE AND MOST EQUITABLE RECOVERY TO ALL CREDITORS HOLDING ALLOWED CLAIMS AGAINST THE DEBTOR, AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF THE CREDITORS, AND THE PLAN PROPONENTS RECOMMEND THAT ALL CREDITORS ENTITLED TO VOTE ACCEPT THE PLAN.**

1.4 The Bankruptcy Court will hold a hearing on confirmation of the Plan, at which time it will consider objections to confirmation, if any, commencing at a time and place to be set forth in an order accompanying this Disclosure Statement ("the Confirmation Hearing"). The Confirmation Hearing may be adjourned from time to time without notice other than the announcement of an adjourned date at the hearing. Objections to Confirmation of the Plan, if any, must be in writing and served and filed as described in the aforesaid order accompanying this Disclosure Statement. The order scheduling the Confirmation Hearing should also be reviewed to better understand the

confirmation procedures described herein.

1.5 A separate Ballot to be used for voting to accept or reject the Plan is enclosed in the solicitation materials with this Disclosure Statement and the accompanying Plan. After carefully reviewing the Disclosure Statement and the Plan, please indicate your vote on the enclosed Ballot and return it to the address set forth below so as to be actually received on or before 5:00 p.m. on the date set in the order accompanying this Disclosure Statement. For your convenience, a pre-addressed envelope is provided. The Ballot must be RECEIVED by the deadline at this address:

Office of the Clerk
United States Bankruptcy Court
Historic U.S. Courthouse
31 East 11th Street
Chattanooga, TN 37402-2722
Phone: (423) 752-5163

1.6 **IF YOU HAVE ANY QUESTIONS WITH RESPECT TO FILLING OUT YOUR BALLOT, YOU MAY CONTACT:** Douglas R. Johnson, Chapter 11 Trustee, Johnson & Mulroony, PC, 428 McCallie Ave, Chattanooga, TN 37402, at phone number (423) 266-2300, email: djohnson@johnsonmulroony.com.

THE FOREGOING IS A PRELIMINARY STATEMENT.
THIS DISCLOSURE STATEMENT AND THE PLAN OF REORGANIZATION SHOULD BE READ IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

ARTICLE II
INTRODUCTION

2.1 **The Chapter 11 Case.** This is a not a large Chapter 11 case; but it is a complicated case. It is complicated because two families; in particular, two men who led these families, were friends for more than twenty years. Both men have Doctor of Pharmacy degrees, and one of these men, Dr. Forshee, agreed to sell his pharmacies to Dr. Marquess. Dr. Marquess had bought ten pharmacies

prior to these two without a hitch or delay. Unfortuately, Dr. Marquess moved forward convinced that purchasing the two Cherokee pharmacies would be the same – an honest, fair, and easy deal; especially purchasing from a friend. Like all business transactions, the subjects that unfold in this disclosure are about money, timing, and value; and at the beginning, these elements were agreed to be favorable to both parties. What was withheld; however, was the extent of unreported debt held against the corporations, the consequences of a lawsuit and jury trial judgement obtained against the Debtor (and Dr. Forshee, individually) by a large wholesaler, and the implications of the civil, and perhaps criminal, findings by the DEA against the two pharmacies that the Forshees were selling to the Marquess'.

Dr. Forshee did not tell his friend, Dr. Marquess, the whole story. What is unconcealed in this disclosure, is the whole story that the Sellers knew, and how the Sellers cleverly guided Dr. Marquess and his wife Pamela (the Buyers) through only selected parts of the story. If the Marquess' knew the whole story, or had they gone deeper with their due diligence, rather than trusting the Forshees, the Marquess' would have passed on this transaction at the price of $2,200,000. This is a case, and a story, about emotions, deceptions, regulatory violations, and fears, and only 14 days after signing the Share Purchase Agreement between the Forshees and the Marquess', Dr. Forshee's best friend, long-time business partner, and Senior Pharmacist at the Cleveland location, Grady Michael Carder, committed suicide.

Four months later, on April 28, 2017, in the United States Bankruptcy Court for the Eastern District of Tennessee at Chattanooga, the Debtor, Cherokee Pharmacy & Medical Supply, Inc, filed its voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. This case (1:17-bk-11920 NWW) is Jointly Administered with case 1:17-bk-11919 NWW *In re:* Cherokee Pharmacy & Medical Supply of Dalton, Inc. For ease of reference throughout this Disclosure Statement, the Debtor shall also be referred to as "Cherokee Cleveland", and Cherokee Pharmacy & Medical Supply of Dalton, Inc. shall be also referred to as "Cherokee Dalton". Since

the Petition Date until November 7, 2017, the Debtor and Cherokee Dalton operated their respective businesses as Debtors-in-Possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code. On November 7, 2017, Douglas R. Johnson, Trustee was appointed Chapter 11 Trustee [DE 145], retiring the Jointly Administered with cases of the Debtor and Cherokee Dalton as Debtors-in-Possession. Also, on November 7, 2017, Robert J. Wilkinson was appointed Chapter 11 Trustee for the David Terry Forshee case number 1:17-bk-11918-NWW [DE 146]. On November 16, 2017, an Order was entered [DE 165] that the case of David Terry Forshee is no longer jointly administered with this case or with case number 1:17-bk-11920 case, and all papers relating only to that case shall be filed only in case number 1:17-bk-11918-NWW.

2.2 **The Chapter 11 Trustee.** It is important to make the distinction between a Chapter 11 trustee and a Chapter 7 trustee. A Chapter 11 trustee, when appointed in a case, essentially becomes the CEO of the debtor, exercising such day-to-day control as he or she deems appropriate. The Chapter 11 trustee displaces the debtor's management, whose leadership brought the debtor into the financial circumstances resulting in bankruptcy. A Chapter 7 trustee in contrast, has the purpose and duty to close the debtor's operations, and liquidate the debtor.

Notwithstanding the presumption that a debtor will remain in possession and control of its business and assets, a bankruptcy court, *sua sponte (on its own)*, or on the request of an interested third party or parties, can appoint a Chapter 11 Trustee to assume control of the debtor-in-possession's operations, and exclude any further control by its board of directors and management. The appointment of a Chapter 11 Trustee is a relatively unusual event. It is governed by U.S.C. § 1112 of the Bankruptcy Code, which provides, in relevant part, that at any time after the petition date, but before confirmation of a plan, the Bankruptcy Court, on request of a party in interest, shall order the appointment of a trustee for cause. From U.S.C. §1112, two principle parts are recited. First, the statute includes an additional basis for mandating the appointment of a Chapter

11 Trustee. The statute provides that "if grounds exist to convert or dismiss the case under U.S.C. §1112, but the court determines that the appointment of a trustee or examiner is in the best interests of the creditors and the estate", then the bankruptcy court shall appoint a trustee or examiner. Second, the statute mandates that the U.S. Trustee move for the appointment of a Chapter 11 Trustee "if there are reasonable grounds to suspect that current members of the governing body of the debtor, the debtor's chief executive or financial officer, or members of the governing body who selected the debtor's chief executive or chief financial officer, participated in actual fraud, dishonesty, or criminal conduct in the management of the debtor or the debtor's public financial reporting."

In the absence of specific facts or circumstances, whether cause exists to appoint a Chapter 11 trustee is largely a matter of degree. In most bankruptcy cases there will be some display of mismanagement, some disregard or oversight of statutory provisions, and some legitimate concerns raised by creditors that creditor interest would be better served by replacing current management. The question becomes whether these concerns rise to the level justifying extraordinary relief.

On October 31, 2017, an Agreed Order to Approve Appointment of Chapter 11 Trustee was filed [Doc 135], where the matter came before the Court on the motion of J. M. Smith Drug Corporation d/b/a Smith Drug Company ("Smith Drug Company") for dismissal of the Jointly Administered Chapter 11 cases of Debtors Cherokee Cleveland, Cherokee Dalton, and a third case, David Terry Forshee (the three collectively as the "Debtors"), pursuant to 11 U.S.C. §1112 (the "Motion"). A hearing was scheduled for November 1, 2017. Prior to the hearing, Smith Drug Company, the Debtors, the United States Trustee (the "U.S. Trustee"), and the Drug Enforcement Agency (the "DEA"), mutually agreed to resolve this matter through the Debtors consenting to the appointment of a Chapter 11 trustee or trustees. Having reviewed the Motion and

based upon the agreement of Smith Drug Company, the Debtors, the U.S. Trustee. and the DEA, the Court hereby ORDERED as follows:

(a) Cause exists to appoint a Chapter 11 trustee or trustees in the Debtors' cases, and therefore, the appointment of a trustee or trustees is mandatory pursuant to Bankruptcy Code Section 1104(a). Further, the Court finds that the appointment of a trustee is appropriate because it is in the best interest of the creditors and the Debtors' estates.

(b) The U.S. Trustee is hereby directed to appoint a Chapter 11 trustee or trustees in these jointly administered cases pursuant to Bankruptcy Code Section 1104. The U.S. Trustee's power to appoint a Chapter 11 Trustee shall be effective immediately upon entry of this Order.

(c) The authorization of the U.S. Trustee to appoint a Chapter 11 trustee or trustees shall be without prejudice to the rights of the Debtors' creditors to elect a Chapter 11 Trustee or trustees under Bankruptcy Code Section 1104(b).

(d) The Chapter 11 trustee or trustees shall be expressly vested with all powers, duties, and responsibilities granted to such a trustee or trustees under all applicable sections of the Bankruptcy Code.

(e) Immediately upon appointment or election, the Chapter 11 trustee or trustees shall take over operational control of the Debtors' pharmacies and the Debtors are hereby directed to assist the Chapter 11 trustee or trustees with this transition.

2.3 **Purpose of the Disclosure Statement.** The purpose of a disclosure statement is to provide adequate information to enable creditors to make an informed judgment as to vote in favor of the Plan or vote to reject the Plan. For creditors and interest holders to make an informed judgment regarding a proposed Chapter 11 plan, the Bankruptcy Code requires that a disclosure statement be filed, approved and disseminated to stakeholders prior to the stakeholders voting to accept or reject the

plan. The disclosure statement is necessary (1) to provide parties with context for the Chapter 11 plan, (2) to help stakeholders understand their projected recoveries under the plan, and (3) to assist the stakeholders in evaluating whether the plan is appropriate under the circumstances. This Disclosure Statement contains a comprehensive overview of the case, and the circumstances and choices causing the Debtor to file the case on April 28, 2017. The Plan Proponents offer their Plan and Disclosure Statement on a "best efforts" basis. To summarize, the Plan Proponents have limited access to current financial information to otherwise determine values of the Debtor's current operations. Further, the Plan Proponents are using values determined and agreed to in January 2017. The current values, based on the Monthly Operating Reports filed, indicated a rapid deterioration of business and asset values; including intangibles. To conclude, the Plan Proponents' focus on the proposed recoveries and dividends payable to the general unsecured creditors (vendors) is founded upon the continuation of the Cherokee Cleveland pharmacies in the community. By salvaging the business operations "as they are", the community, patients, and vendors have an enduring benefit through reorganization, rather than stripping the assets, or allowing the Debtor to fall to liquidation. The Plan Proponents are providing sufficient, substantial, and adequate information to recommend voting to accept the Plan – as the most favorable alternative to an asset sale or liquidation.

The Plan of Reorganization is attached as *Exhibit F, page 106,* to this Disclosure Statement and creditors are urged to review the Plan in its entirety before voting. The Plan is also filed separating for convenience of reference. If there are any inconsistencies between the Plan and this Disclosure Statement, the provisions of the Plan will control. All terms defined in the Plan have the same meaning in this Disclosure Statement. The statements made in this Disclosure Statement are made as of the date set forth below, unless another time is specified. The delivery of this Disclosure Statement does not mean or imply that there has not been any change in the representations set forth in this Disclosure Statement after the date of its execution.

2.4 **11 U.S. Code § 1121 – Who May File a Plan.** The Debtor may file a Plan with a petition commencing a voluntary case, or at any time in a voluntary case or an involuntary case. Except as otherwise provided in Section 1121, in an individual case, only the Debtor may file a Plan until after 120 days after the date of filing the Chapter 11 petition. In a small business case, only the Debtor may file a Plan until after 180 days after the date of filing its petition. These dates, "until after 120 days in an individual case", and "until after 180 days in a small business case" are referred to as "exclusivity"; meaning the period of time the Debtor has to file its Plan, unless extended, before another party in interest can file their Plan. This is often referred to as filing a "competing Plan". In the three subject cases to which the Plan Proponents' address in this Disclosure Statement, two of the cases are small business cases, Cherokee Dalton (1:17-bk-11919 NWW), and Cherokee Cleveland (1:17-bk-11920 NWW), and one is an individual case (David Terry Forshee, 1:17-bk-11918 NWW). Each of these cases were filed on April 28, 2017. The exclusivity period ended in the individual case on August 28, 2017, and in the two small business cases on October 25, 2017. No Plan was filed by any of the three Debtors' before the exclusivity period ended in any of the above referenced three cases.

Section 1121 further provides that any party in interest; including the debtor, the trustee, a creditors' committee, an equity security holders' committee, a creditor, an equity security holder, or any indenture trustee, may file a plan if and only if: (a) a trustee has been appointed under this chapter; (b) the debtor has not filed a plan before 120 days after the date (individual case), or before 180 days after the date (small business case), of the order for relief under this chapter; or (c) the debtor has not filed a plan that has been accepted, before 180 days after the date of the order for relief under this chapter, by each class of claims or interests that is impaired under the plan.

While Section 1121 provides other provisions guiding the particulars of timely

filing a Plan, the excerpts provided above are sufficient to conclude that in all three Chapter 11 cases, the exclusivity period has passed, and the exclusivity period was not extended as provided by the applicable subsections of Section 1121, as no notice or hearing occurred so extending, and the Court, for cause, did not order otherwise.

2.5 **Plan Proponents.** With the above Section 2.4 offered, the Plan Proponents are "parties in interest" in the three cases referenced in this Disclosure Statement, and put forth their Disclosure Statement and Plan for consideration by the creditors and all concerned. The term "party-in-interest" is not defined in the Bankruptcy Code, but many courts have taken up the question, offering reliable boundaries for courts to consider. The Bankruptcy Code does confer standing upon creditors of the debtor to file Chapter 11 Plans of Reorganization outside of the exclusivity period. The term creditor is broadly defined in the Bankruptcy Code that any party with a claim against a debtor is considered a creditor. A claim includes rights to payment and equitable remedies that have not been filed or reduced to judgment, and a party remains a "creditor" of a debtor, even if the debtor or other creditors vigorously dispute any liability to that creditor. The party-in-interest standing extends beyond the debtor and its creditors and extends to any party whose interest could conceivably be affected by the confirmation of a Chapter 11 plan. Many courts have noted that the intent of Congress was to encourage greater participation in Chapter 11 cases. To conclude the point, effectively, a party-in-interest standing is not a limit; rather it is an invitation to participate, and since exclusivity has terminated, any party-in-interest may file a Plan of Reorganization in a Chapter 11 bankruptcy case.

Creditors are advised that voting on the Plan Proponents' Plan assists the Plan Proponent with recovering more on their claim; while at the same time, providing more recovery for all the creditors in this Chapter 11 case than would be realized if the case or cases are converted to Chapter 7 liquidation.

2.6 **Impaired Creditors.** The legal, contractual and equitable rights of certain Creditors and holders of Equity Interests of the Debtor may be altered, modified or changed by the proposed treatment under the Plan and are, therefore, considered "impaired." Creditors with Claims that are impaired are entitled to vote to accept or reject the Plan, and may vote on the Plan by completing the Ballot, which is enclosed. Creditors should mail their Ballots to the address set forth on the Ballot.

2.7 **Voting. THE VOTE OF EACH HOLDER OF A CLAIM IS IMPORTANT. TO BE COUNTED, YOUR BALLOT MUST BE CONFIRMED AS RECEIVED BY THE OFFICE OF THE CLERK, UNITED STATES BANKRUPTCY COURT, BY THE DATE AND TIME AND AT THE ADDRESS STATED ON THE ORDER ACCOMPANYING THIS DISCLSOURE STATEMENT.**

2.8 **Section 1126(c).** The Bankruptcy Code requires, as a condition to confirmation of a Chapter 11 plan, that each class of claims or interests that is impaired under such plan shall have accepted the plan. Under Section 1126(c) of the Bankruptcy Code, a class of claims has accepted a plan if the plan has been accepted by voting creditors that hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the allowed claims.

2.9 **Adjournment.** The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Objections to Confirmation of the Plan, if any, must be in writing and filed and served as described herein below.

2.10 **Disclaimers. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT CONCERNING THE FINANCIAL CONDITION OF THE DEBTOR OR THE EVENTS LEADING UP TO THE BANKRUPTCY ARE BASED UPON THE DEBTOR'S BOOKS AND RECORDS AND UPON OTHER FINANCIAL AND OTHER INFORMATION KNOWN BY THE DEBTOR, THE PLAN PROPONENTS, AND THE**

PROFESSIONALS EMPLOYED BY THE DEBTOR AND/OR THE PLAN PROPONENTS IN THIS CHAPTER 11 CASE. NONE OF THIS INFORMATION HAS BEEN SUBJECTED TO AN AUDIT BY INDEPENDENT CERTIFIED ACCOUNTANTS OR AUDITORS. THE PLAN PROPONENTS HAVE ATTEMPTED TO INCORPORATE ACCURATE INFORMATION IN THIS DISCLOSURE STATEMENT AND THE PLAN, AND TO THE BEST OF THE PLAN PROPONENTS' KNOWLEDGE, THE INFORMATION IS TRUE AND ACCURATE.

2.11 **Forward Looking Statements. CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, IS FORWARD LOOKING, AND CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY PROVE TO BE WRONG; INCLUDING FINANCIAL PROJECTIONS WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS EXPERIENCED.**

2.12 **Solicitation. THE SOLICITATION OF ACCEPTANCES OF THE PLAN, BY AND THROUGH THIS DISCLOSURE STATEMENT, IS NOT AND WILL NOT BE GOVERNED BY, OR BE SUBJECT TO ANY OTHERWISE APPLICABLE LAW, RULE OR REGULATION GOVERNING THE SOLICITATION OR ACCEPTANCE OF THE PLAN, AS PROVIDED FOR IN SECTION 1125(e) OF THE BANKRUPTCY CODE.**

2.13 **Brief Overview of Chapter 11.** Chapter 11 is the principal reorganization Chapter of the Bankruptcy Code. Under Chapter 11, a debtor is authorized to reorganize its financial affairs for its own benefit and that of its creditors, or to affect an orderly liquidation of its assets and the distribution of the cash proceeds therefrom to creditors.

2.14 **Commencement.** The commencement of a Chapter 11 case creates an estate comprised of all the legal and equitable interests that a debtor has in property as of the date that the bankruptcy petition is filed. The Bankruptcy Code provides that a debtor may continue to manage its

financial affairs and remain in possession of its property as a "Debtor-in-Possession." From the commencement of the case on April 28, 207 to November 7, 2017, the Debtor remained in possession of its property and operated as Debtor-in-Possession. On October 31, 2017, by way of an agreed order, between various parties [Doc 135], a Chapter 11 Trustee was authorized to be appointed, and was appointed on November 7, 2017 under 11 U.S. Code **§** 1121 (e) (1) [DE 145].

2.15 **Filing of the Case.** The filing of a Chapter 11 petition also triggers the "automatic stay" provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides for a stay of (very similar to an injunction against) any attempt to collect a pre-petition debt, claim or obligation from a debtor or to otherwise interfere with its property or business. Unless the Bankruptcy Court orders otherwise, the automatic stay remains in full force and effect until a plan is confirmed or the case is dismissed.

2.16 **Formulation of a Plan.** The formulation of a plan is the primary purpose of a Chapter 11 case. A plan sets forth the means by which a debtor, or plan proponent, will satisfy creditors that hold claims against a Debtor. Although it is generally referred to as a plan of reorganization, it may also provide for the orderly liquidation or transfer of the Debtor's assets, and in such instances, may also be referred to as a plan of liquidation.

2.17 **Approving the Plan.** After a plan is filed, the holders of claims against or interests in a debtor are requested to vote to accept or reject the plan. Before solicitation of acceptances of a proposed plan can occur, the Bankruptcy Code requires that a disclosure statement be approved by the Bankruptcy Court as containing adequate information about a debtor, its assets, and its liabilities that will enable a hypothetical, reasonable investor to make an informed decision about the plan.

2.18 **Acceptance of the Plan.** Chapter 11 does not require that each holder of a claim or an equity interest in a debtor vote in favor of a plan for the Bankruptcy Court to confirm the plan. The Bankruptcy Code defines acceptance of a plan of reorganization by a given class of creditors

holding claims against a debtor as acceptance by at least two-thirds in amount and more than one-half of the number of the holders of allowed claims in that class actually voting. Holders of claims or interests who fail to vote will not be counted as having either accepted or rejected the plan.

2.19 **Not Impaired.** Classes of claims or equity interests that are not "impaired" under a plan are conclusively presumed to have accepted the plan, and therefore, are not entitled to vote. Acceptances of the Plan in this Chapter 11 Case are being solicited only from those entities holding a Claim in an impaired class.

2.20 **Equity Holders Impaired.** The Plan Proponents engaged a third-party to review and analyze the financial condition of the Debtor through October 31, 2017. The results of this work; which included a review and analysis of Debtor's filed Monthly Operating Reports (May through September), indicate that the Debtor has approximate negative equity and insufficient EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) to support the Debtor's represented value as at December 31, 2016. In addition, the intangible values of the Cherokee brand and goodwill are substantially eroded due to numerous situations and current circumstances. With these conclusions in view, no surplus value above the settlements to creditors is available to the holders of the Equity Interests of Debtor under the Plan. The Absolute Priority Rule prohibits payments to the holders of Equity Interests of Debtor unless all classes of creditors above the equity holders are paid in full. The holders of Equity Interests are impaired, and solicitation is directed at them.

2.21 **11 U.S. Code § 1129.** Even if all of the classes of claims accept a plan, the Bankruptcy Court may determine that a plan should not be confirmed if the plan does not meet all of the requirements of Section 1129 of the Bankruptcy Code. Among other things, Section 1129 requires that a plan be in the "best interest" of creditors and that it be "feasible" before being confirmed. The "best interest" test generally requires that the value of the consideration to be distributed to the holders of claims under the plan may not be less that what they would receive if the assets of the debtor were

liquidated pursuant to Chapter 7 of the Bankruptcy Code. To satisfy the "feasibility" requirement of Section 1129, the court must also find that there is a reasonable probability that the debtor will be able to perform the obligations set forth in the plan.

In this case, the Plan Proponents have the means to fund the Plan as offered, and are able to perform the obligations set forth in the Plan, and believe that these actions and performances are in the "best interest" of the creditors, and that substantial and sufficient "feasibility" requirements are satisfied by the Plan.

2.22 **Confirmation of the Plan.** The Bankruptcy Court may confirm a plan even though fewer than all of the classes of impaired claims accept it. For a plan to be confirmed despite rejection of one or more classes of impaired claims, the proponent of the plan must show, among other requirements, that the plan does not discriminate unfairly and that it is fair and equitable with respect to each impaired class of claims that has not accepted the plan.

A plan is considered to be "fair and equitable" if it provides, with respect to unsecured creditors, that absent new value, the holder of any claim that is junior to the claims of the non-accepting class(es) will not receive or retain, on account of such junior claim or equity interest, any property, unless all senior classes are paid in full. The Bankruptcy Court must also determine, pursuant to Section 1129(b) of the Bankruptcy Code, that the economic terms of the plan do not unfairly discriminate against an objecting class. The Plan Proponents believe the economic terms of the Plan are favorable to each of the impaired classes, and do not unfairly discriminate with respect to any of the impaired or unimpaired classes.

ARTICLE III
CONFIRMATION PROCEDURES

3.1 **In General.** "Confirmation" is the technical term for the Bankruptcy Court's approval of a plan of reorganization. The timing, standards, and factors considered by the

Bankruptcy Court in deciding whether to confirm a plan are discussed below. The culmination of a Chapter 11 case is the Confirmation, or court approval, of a Chapter 11 Plan. After voting has concluded, and assuming the plan proponent believes that the plan has been accepted by the requisite class or classes of stakeholders, the court will hold a hearing to consider whether the plan meets the statutory requirements and standards for confirmation and should be confirmed.

3.2 **Objections to Confirmation.** Any objections to the Plan must be made in writing, must be filed with the Clerk of the Bankruptcy Court, and served on the counsel and parties listed below, on or before the date set forth in the notice scheduling the confirmation hearing provided with the approved Disclosure Statement. Bankruptcy Rule 3007 governs the form of objections.

Copies of the objection must be served upon the following parties:

Chapter 11 Trustee	**U.S. Trustee**	**Attorneys for Plan Proponents**
Douglas R. Johnson, Chapter 11 Trustee Johnson & Mulroony, PC 428 McCallie Ave Chattanooga, TN 37402 (423) 266-2300 djohnson@johnsonmulroony.com	Office of the United States Trustee Eastern District of Tennessee David Holsinger, USTP 31 E. 11th Street 4thFloor Chattanooga, TN 37402 Phone: (423) 752-5153 Fax: (423) 752-5161 David.Holesinger@usdoj.gov	Ronald Lewis, Esq. Lewis & Thomas, L.L.P. Attorneys for Plan Proponents 165 E. Palmetto Park Road 2nd Floor Boca Raton, Florida 33432 (561) 368-7474 main (561) 368-0293 fax ron@lewisthomaslaw.com

3.3 **Confirmation Hearing.** The Bankruptcy Court schedules a Confirmation Hearing**.** The date and time of the Confirmation Hearing is stated in the Court's Order (i) Setting Hearing to Consider Approval of Disclosure Statement; (ii) Setting Deadline for Filing Objections to Disclosure Statement; and (iii) Directing Plan Proponents to Serve Notice, enclosed with this Disclosure Statement. At the Confirmation Hearing, it is expected that the Bankruptcy Court will enter an order confirming the Plan if the requirements of Section 1129(a) of the Bankruptcy Code have been met, including the receipt of sufficient acceptances of the Plan by the Debtor's Creditors or, in the

alternative, if the requirements of Section 1129(b) of the Bankruptcy Code have been met.

3.4 **Effective Date.** The Effective Date of the Plan is the fifteenth (15th) day after entry of the Confirmation Order. In the event of an appeal, absent the entry of a stay, the Effective Date shall be the fifteenth (15th) day after entry of the Confirmation Order. In the event the Confirmation Order is stayed pending appeal, the Effective Date shall be the fifteenth (15th) day after the entry of an Order either lifting the stay or affirming the Confirmation Order. The Plan provides that the Effective Date will not occur unless various significant conditions are satisfied, or waived in writing by the respective Chapter 11 Trustee and Plan Proponents. In this case, the Debtor-in-Possession was is retired by the Chapter 11 Trustee, and the Chapter 11 Trustee, rather than the, does not have any obligation to waive any of the conditions to the Effective Date. The conditions to the Effective Date are as follows:

(a) The Bankruptcy Court must approve the information contained in the Disclosure Statement as adequate;

(b) The Bankruptcy Court must enter the Confirmation Order and the Confirmation Order becomes a Final Order and not be vacated, reversed, stayed, modified, amended, enjoined, or restrained by order of any court of competent jurisdiction;

(c) All documents and agreements required to be executed or delivered under the Plan on or prior to the Effective Date, including, without limitation, the Plan Documents, must have been executed and delivered by the appropriate parties;

(d) The Bankruptcy Court must enter a Final Order (contemplated to be part of the Confirmation Order) giving effect to or authorizing and directing the Chapter 11 Trustee to take all actions necessary or appropriate to enter into, implement, and consummate the contracts, instruments, releases, indentures, and other agreements or documents created, amended, supplemented, modified, or adopted in connection with the Plan;

(e) All authorizations, consents, and regulatory approvals required, if any, in connection with the Plan's effectiveness must have been obtained;

(f) No court has entered an order that remains in effect and that restrains the Chapter 11 Trustee from consummating the Plan;

(g) At the hearing on confirmation of the Plan, the Court will hear any timely filed objection to confirmation of the Plan.

ARTICLE IV
HISTORY AND BACKGROUND

In 1978, David Terry Forshee graduated from the University of Georgia with a Bachelor of Science in Pharmacy. Shortly after this, Forshee would become a licensed Pharmacist under the state Boards of Pharmacy for Tennessee and Georgia, licenses that are maintained to this day. Forshee quickly got to work, opening Cherokee Pharmacy & Medical Supply, Inc. in Cleveland, Tennessee in 1978. Forshee's success and entrepreneurial spirit led him to expand his business into Dalton, Georgia with another Cherokee Pharmacy in 1980. His career has included the successful operation of two additional Cherokee Pharmacies between 1982 and 2000, as well as, other profitable endeavors. Forshee's purpose for venturing into the pharmacy and medical supply business was the result of a desire to serve his customers with better pharmaceutical products. Forshee forwent the traditional path of newly licensed pharmacists, seeking independence, knowing that he could provide a greater value proposition for his clientele and himself. Primarily, Forshee sought to provide customers with an expanded understanding of the pharmaceutical product they were receiving, coupled with greater flexibility in the delivery of the product and the convenience offered by the numerous other products available on site. As a result of Forshee's approach to the pharmacy business, he has been able to create a successful model, which he has succeeded in replicating several times over.

In 2010, Forshee met with a sales representative from J.M. Smith Corporation d/b/a Smith Drug Company to discuss the idea of replacing Forshee's previous pharmaceutical wholesaler. Forshee eventually entered into a credit agreement whereby Smith Drug Company would provide Forshee's pharmaceutical products to the Cleveland location. Between October 2010 and December 2011, Smith Drug Company shipped $323,563.87 worth of pharmaceutical products to Cherokee Pharmacy and Medical Supply, Inc. Some months after these shipments, when Smith Drug Company attempted to collect from Cherokee Pharmacy, the Pharmacy had insufficient funds to settle the account, but did, in good faith, attempt to make payments on the debt over time but was unable to do so.

On January 6, 2012, Cherokee Pharmacy paid Smith Drug Company $73,563.87, and by February 2012, Smith Drug Company and Cherokee Pharmacy reached an agreement whereby Cherokee would pay back the remaining $250,000.00 with an interest rate of 6% from its continuing operations.

Although an agreement between the two parties was reached, the repayment of the line of credit would become impossible due to specific alleged actions of Smith Drug Company. Prior to Cherokee Pharmacy's failure to make payments on the parties' agreement, Smith Drug Company made the decision to limit Cherokee Pharmacy's access to controlled substances. Smith Drug Company furthered the limitation with a subsequent refusal to supply Cherokee Pharmacy with controlled substances in July 2013. These actions by Smith Drug Company ultimately led to a decline in business for Cherokee Pharmacy, frustrating its ability to make payments under the terms of the parties' agreement.

On August 22, 2013, Smith Drug Company filed a complaint against Cherokee Pharmacy and Forshee, among other entities, seeking recovery under the repayment agreement discussed above. This litigation resulted in a Judgment granted in favor of Smith Drug Company

in the amount of $485,435.28 (Cleveland, TN) and $151,247.58 (Dalton, GA). The Judgment, including an award of attorney's fees which exceeded the original principal of the parties' agreement, left the two remaining Cherokee Pharmacies, as well as Forshee, in a position where sustaining operations required relief and Chapter 11 protection.

David Terry Forshee served the local communities of Cleveland, TN and Dalton, GA for close to forty years with excellent service, adding a coffee shop, and gift choices beyond what is expected from the ordinary pharmaceutical experience.

Although successful and precise in his practice for the majority of his career, Dr. Forshee, and his managing Pharmacist Grady Michael Carder, became victims of an alleged internal scheme to smuggle C-2 (controlled substances) out of Cherokee Cleveland pharmacy by an employee who ingeniously altered the internal C-2 control and audit systems. In June of 2016, at the Cherokee Cleveland store, and then in September 2016 at the Cherokee Dalton store, the DEA conducted an administrative inspection and audit. Although Civil Action penalties are not levied yet, the DEA's mandated documentation and administrative violations include a potential for 37 separate violations, with potential civil penalties of $536,574.00 at the Cleveland TN store, and a potential for 627 separate violations, with potential civil penalties of $9,000,000.00 at the Dalton, GA store.

The DEA's Civil Action penalties extend to the David Terry Forshee case, with potential civil penalties of $536,574.00 from the Cleveland TN store; plus, the potential civil penalties of $9,000,000.00 from the Dalton GA store, to equal $9,536,574.00 as Mr. Forshee was/is the registered pharmacist under the DEA licenses at each store.

Cherokee's commercial strength, gained over nearly four decades of profitable operations in the Cleveland and Dalton markets were symptomatically affected by these adverse circumstances. Consequently, the Forshee's considered selling the Cherokee pharmacies as an

appropriate exit from the industry in favor of pursuing a promising expansion of their newer business, Take Charge Nutrition, LLC.

On January 15, 2016, Purchasers Jonathon G. Marquess and Pamela S. Marquess [now Plan Proponents] entered into a Stock Purchase Agreement with stockholders David Terry Forshee and Angela Denise Forshee agreeing to pay $1,600,000; plus, purchase the existing inventory in the stores for $600,000, paid to the Sellers by the Buyers on January 17, 2017, for a total purchase price of $2,200,000. The $600,000 was and allocated as (1) $405,653.04, Cherokee Cleveland, and (2) $193,346.96, Cherokee Dalton. The transaction offered the Purchasers and the Sellers mutual opportunities and solutions, against the background of the Marquess' owning and operating ten (10) other successful pharmacies in multiple geographic locations, and the Forshees' wishing to pursue other business endeavors.

Leading up to the execution of the Stock Purchase Agreement, a hurried diligence process was undertaken by Jonathan Marquess, with Terry Forshee providing the information and financial data. This process operated on top of the trust gained during more than twenty years of professional friendship; where the two men operated as colleagues in the community pharmacy sector. The character of this relationship blurred the importance of strict due diligence. Dr. Marquess listened, looked, and trusted the accelerated process that covered up vital details that subsequently, and suddenly, came to light on April 28, 2017. Without any advanced notice by the Forshees to Marquess, Forshee sought Chapter 11 protection on that day by placing the two corporations and himself individually into Bankruptcy.

Along the timeline prior to executing the Stock Purchase Agreement, the Forshees, as individuals, and as the 50/50 shareholders of the two Cherokee corporations, knew the issues facing the businesses; including, the true financial condition and insolvency of the two entities. They knew the nature, the location, and the amount of debt that was undisclosed to Dr. Marquess.

They knew the true circumstances, and the severity, of the broken relationship with the judgment creditor, J.M. Smith Corp, d/b/a/ Smith Drug Co. They knew J.M. Smith had perfected judgment filings against certain Forshee real properties, including the property upon which the Cherokee Cleveland Store is located and operated; further jeopardizing the stability of that location.

They knew that selling the Cleveland location was at the center of determining the agreed purchase price of $2,200,000, payable by the Marquess', because of the size of that store and the nearly forty years of successful Cherokee operations at that location. The withholding or "glossing over" of critical financial facts predicting the rapid devaluation of the entities; coupled with minimizing the extent and seriousness of the 2016 DEA findings, rises to the elements of "fraud". Further, when the Forshees took the $600,000 from the Marquess' for the inventory purchases, they knew the terms, covenants, and indemnities of the Stock Purchase Agreement were empty, and that they were largely undeliverable. They knew, or should have known, that taking the $600,000 as the Marquess' "down payment" on the purchase transaction was in jeopardy of being lost in the extreme near-term.

The Forshees knew the implications of the DEA findings, and the DEA's suspicions pointing to alleged criminal activity in relation to C-2 accounting. They knew about the potential severity of the numerous documentation and control breaches found during the DEA's inquiries at both Cherokee locations. Terry Forshee, along with his close friend and long-time partner, Grady Michael Carder; who was the managing pharmacist at the Cleveland store, were implicated in these violations, accusations, and possible criminal activities. All the above "knowing" points to malice a forethought, and likely concludes as, "fraud in the inducement".

As greater stress and fear arrived, amplified by the DEA's findings and suspicions of criminal intent, the rapid decline in value of the businesses gained momentum. The near-horizon invited even more stress and fear of greater losses – even the possible loss of freedom. In the

shortness of time, creditors and regulators were closing in, threatening the operations and reputations of the prestigious Cherokee Pharmacies. The crescendo of all this came just 14 days after the signing the Stock Purchase Agreement by the Marquess'. On January 29, 2017. Grady Michael Carder committed suicide. He was 61 years old.

During April of 2017, Smith Drug Company choose to levy against certain bank accounts that threatened the available cash resources of the Debtor. In reaction to this, on April 28, 2017, just 103 days after the execution of the Stock Purchase Agreement, Cherokee's shareholders, Terry and Angela Forshee, filed three (3) related Chapter 11 cases in the U.S. Bankruptcy Court, Eastern District of Tennessee at Chattanooga: (1) case no: 17-bk-11918 NWW, David Terry Forshee, individual case, (2) case no.: 17-bk-11919 NWW, Cherokee Pharmacy & Medical Supply of Dalton, Inc., and (3) case no.: 17-bk-11920 NWW, Cherokee Pharmacy & Medical Supply, Inc. (Cleveland Store). On October 25, 2017, in each of the above cases, the exclusivity period for the Debtors to file Plans of Reorganization terminated, opening the opportunity for the Plan Proponents, in due course, to file their Plan(s).

ARTICLE V
PLAN PROPONENTS' STANDING

5.1 **Stock Purchase Agreement.** The Plan Proponents' standing in this case refers to a certain Stock Purchase Agreement entered into by and among Jonathan G. Marquess and Pamela S. Marquess (the "Purchasers", "Plan Proponents"); and Terry David Forshee and Angela Denise Forshee, (the "Sellers") on January 15, 2017. A copy of this Agreement was filed with the Court in case 1:17-bk-11920-NWW on August 1, 2017 as [Exhibit D] of [DOC 81-4] by the Debtor requesting a hearing to assume/affirm the Agreement presumably to enforce the Agreement. A hearing was scheduled before the Court on December 14, 2017 to consider the matter and is now

rescheduled for February 8, 2018 [DE#187]. To the extent the four corners of the Agreement speak for itself, certain summary points are useful.

The Agreement provides for the sale and purchase of the 100% of the shares of stock of Cherokee Pharmacy & Medical Supply, Inc., a Tennessee corporation, and of Cherokee Pharmacy & Medical Supply of Dalton, Inc., a Georgia corporation, (collectively the "Company"). These are the entities referred to herein as “Cherokee Cleveland” and “Cherokee Dalton”. The Plan Proponents’ standing extends beyond the interpretations or matters surrounding the Stock Purchase Agreements. The Marquess’ are stakeholders, having nearly $1,000,000 invested in the inventory purchased, and in the related costs and expenses to sustain the Cherokee Pharmacies’ operations since January 2017. In addition, they have the talents, skills, and requisite credentials to maximize the realizable value that the creditors and regulators may receive in this case.

At the core of this case is the declining value of the business operations, and the barriers to achieving higher current values due to serious regulatory issues, and the lack of operating capital at the two Cherokee pharmacies. The impact on each of these items, amongst many more, have impacted all the stakeholders in this case along the way. The issues range from asset/collateral valuation matters, to disputes as to the value of the company, to fairness issues related to the valuation of its capital stock, its operating assets and cash flow streams, and recognition of the new equity being proposed to settle the claims of the various and diverse stakeholders. How each these very different valuations apply to each stakeholder will greatly assist the Chapter 11 Trustee, the U.S. Trustee, and the Court in determining the most equitable outcomes proposed, as well as, the most economical path to complete the bankruptcy process.

The Plan Proponents view the Stock Purchase Agreement as the origin of the particulars, and the deliveries, required for this transaction to occur; in other words, using the Agreement as the foundation for the understandings, representations, and intentions of the

Forshees and the Marquess' on January 15, 2017, where $2,200,000 was the purchase price made sense at that time. However, commercial transactions; if not all transactions, are subject to "timing and value". Timing influences value, and value is influenced by supply and demand, location, the economy, uniqueness, and current performance (naming a few). Intrusions, such as regulatory changes or scandals can move value in a business down fast. On January 15, 2017, Cherokee Cleveland looked like a prospering and growing enterprise. Nearly a year later, on December 26, 2017, the opportunity is not the same. The revenue generated by the Cherokee Cleveland has fallen substantially producing negative cash flow in the last two quarters of 2017. The Cherokee Dalton revenue and profits have fallen less dramatically, mostly due to wholesale pricing increases and limited merchandising caused by the file of Chapter 11. The Plan Proponents believe both locations can be turned-around if immediate working capital is added to operations, and the Forshee's are retired from management; especially the fiscal management. Although the Plan Proponents have offered to assist with these solutions; by using in part, the Agreement as an organized structure to complete the stock purchase as intended in January 2017, the Chapter 11 Trustee is apparently relying on the Forshee's to solve the critical issue of the rapid declining value of the pharmacies. The $2,200,000 purchase price was fair and reasonable in January 2017, and as discussed throughout this Disclosure Statement, the apparent reasons are offered as to why the reduced purchase price of $1,800,000 is fair and reasonable; with the $1,200,000 on the table to be paid to complete the purchase.

The Plan Proponents offer is founded upon the current business circumstances, and the current value of the operating businesses – not an attempt to vulture a better deal. In January 2017, the Marquess' presumed they were buying a valuable array of assets, agreed to pay $2,200.000 for the two pharmacies. In December 2017, the two pharmacies are clearly financially distressed, in Chapter 11 Bankruptcy; where the Cleveland store in out of working capital, and is

draining the more successful Dalton location of all its working capital. Repeatedly, since January 2017, Dr. Marquess has advanced funds to prop-up the Cleveland operations, only to find out after the fact, that the Forshees have written tens of thousands of dollars of checks from the Dalton store bank account to the Cleveland store bank account. Dr. Marquess has continually tried to assist, only to be refused requests for the data controlled by personnel at the Cleveland pharmacy, who also refuse to provide vital copies of the Cleveland and Dalton bank statements and accounting records to otherwise clarify and reconcile what is going on with the money and daily receipts taken in at the Cleveland pharmacy.

5.2 **Stock Purchase Price Revisited.** The recitals in the Stock Purchase Agreement included that "the full, entire, and aggregate Purchase Price for the shares of stock was $1,600,000; subject to the terms and conditions set forth in the Agreement. In addition, the Agreement provides that the Purchasers shall pay to Sellers [$600,000] as the cost of inventory; which shall be determined as Sellers' net cost for specific items of inventory and shall specifically not include any item of inventory which has an expiration date earlier than April 30, 2017".

The inventory to be purchased was arrived at by physical inventory concluded on January 29, 2017, and was counted and verified by, the Buyers and the Sellers, and assisted by McKesson Connect. The following is the conclusion of the physical inventory as taken:

	Location	**Inventory $**	**Totals**	
(a)	Cherokee Cleveland – Main Pharmacy	$374,092.70		
(b)	Cherokee Cleveland – Hospital Gift Shop	40,027.59		
(c)	Total Cherokee Cleveland		$414,120.29	$405,653.04
(d)	Cherokee Dalton – Pharmacy		$198,404.33	$194,346.96
(e)	Total All Cherokee Locations		$612,524.62	$600,000.00

The amount of $612,524.62 was rounded down to $600,000 as the agreed upon

Sellers' net cost, bringing the total purchase price of the transaction to $2,200,000. The $600,000 was paid to the Sellers by the Buyers on January 17, 2017 and allocated as (1) $405,653.04, Cherokee Cleveland, and (2) $193,346.96, Cherokee Dalton.

5.3 **Performance and Deliveries.** The Stock Purchase Agreement provides that "Sellers agree to sell, assign, transfer and deliver to the Purchasers, and the Purchasers agreed to purchase from the Sellers, all of the Sellers' shares of stock in the Company, which represents all of the ownership interests in the Company. The Sellers were to deliver to the Purchasers at the Closing on the Closing Date, concurrently with the payment of the Purchase Price, the stock certificates of the Company". The Sellers represented that they "possess good and merchantable title to the shares of stock and that the stock is free and clear of any and all security interests, agreements, restrictions, claims, liens, pledges, encumbrances of any nature or kind". The Sellers further represent that they "have the absolute and unconditional right to sell, assign, transfer and deliver the Sellers' stock to the Purchasers in accordance with the terms of the Agreement".

Although a closing date was set to occur on or before January 30, 2017, it did not fully occur. The full purchase proceeds were not tendered to the Sellers, and the shares of stock of the Company to be purchased were not delivered to the Purchasers. However, the Purchasers, consistent with the intentions and provisions in the Agreement, proceeded "to take possession of the Company locations on January 16, 2017, and began operating the businesses under a Power of Attorney signed by Sellers in favor of the Purchasers on January 16, 2017".

5.4 **Partial Closing.** Although a closing did not fully occur on or before January 30, 2017, the transaction still required certain performances and deliveries regardless of the timeliness of the closing. One of these performances and deliveries (of Purchasers) included the $600,000 paid for the above inventory. Because the Sellers were unable to deliver the requirements of the closing, the Purchasers 'held back" the remaining purchase price proceeds of $1,600,000 payable

to the Sellers, and the shares of stock of the Company to be purchased, were not delivered to the Purchasers. However, in the point of view of the Sellers and the Buyers, the $600,000 substantially consummated the sale of the Cherokee Cleveland and Cherokee Dalton pharmacies – subject to the final contract performances and deliveries set forth in the Stock Purchase Agreement.

The Buyers took possession of the corporate entities – but not the full control – under a Power of Attorney and began operating the pharmacies from a distance. Within days after this initial exchange, the Sellers' inability to deliver the corporate stock and the operating pharmacies free and clear of encumbrances; including clearance from the DEA to allow the Purchasers to obtain licenses for Cherokee Cleveland and Cherokee Dalton, "suddenly" emerged.

In a transaction such as this, the Sellers were to deliver the corporate entities; along with the respective corporate stock, to the Purchasers where "any accrued liabilities of the Company through January 29, 2017 shall be paid by Sellers, which shall include, but not be limited to all wholesaler and secondary wholesaler invoices, all other account invoices related to the day to day operation of the business, and payroll and sales taxes. The parties acknowledge that invoices for debts due prior to January 29, 2017 may not be available at or prior to closing and the Sellers agree to pay promptly those invoices after closing upon notice by the Company".

The Sellers, to date, have not furnished information, supporting or otherwise, regarding invoices for debts due prior to January 29, 2017. Further, the Sellers have not furnished information, supporting or otherwise, regarding the application of the partial purchase money proceeds of $600,000 paid to Sellers in exchange for taking title of the verified inventory of Cherokee Cleveland or Cherokee Dalton. The Plan Proponents, even with the benefit of reviewing the Monthly Operating Reports (MORs) filed in the case, remain unable to determine how much, if any, of the $600,000 exchanged for the equity interest in the inventory purchased was paid to vendors and other creditors. With the above as background, the Plan Proponents claim a $600,000

Purchase Money Retention Interest in the inventory assets of the straddled Debtor Estates; where the underpinning claim and value remains as the inventory purchased, or its substitutions, by the Plan Proponents for $600,000; paid in full, in cash, and at cost. The Purchase Money Retention Interest claim is divided as $405,653.04 allocated to Cherokee Cleveland, and $194,346.96 allocated to Cherokee Dalton.

5.5 **Subsequent Events.** Since the filing of this case, and the filing of the other hereinreferenced Chapter 11 cases on the same day, the Purchasers/Plan Proponents have invested tens of thousands of dollars attempting to complete the purchase of the Cherokee pharmacies.

Contributors of these amounts include the (1) combined and necessary legal fees, (2) substantial decrease of sales margins due to CBD and COD purchasing mandates from suppliers, (3) unexplained, sharp and rising, purchasing and operating costs at the Cherokee Cleveland store, and (4) duplication of administrative costs due to limited and conflicting management and financial controls.

(a) The Plan Proponents, by way of filing their Disclosure Statement and Plan, seek to turn the above trends and circumstances around in the extreme near-term by offering solutions.

(b) The Plan Proponents, with their operations team, are ready to serve the Dalton, GA community with the highest quality products and medical supply services available in the marketplace. They seek to restore the continuity of patient services and medications once realized, and return the sense of community to the pharmacy's everyday operations and well established, and valued brand.

(c) The Plan Proponents' Chapter 11 Plan restores the ambitions and integrity portrayed by Cherokee Dalton and Cherokee Cleveland for nearly four decades.

(d) The funds necessary to implement the Plan (proposed at $1,200,000) are

derived from the resources of Jonathan G. Marquess and Pamela S. Marquess, as Purchasers, and add to the initial investment of $600,000 paid to the Sellers pre-petition on January 17, 2017 to equal a total purchase price of $1,800,000 (at this time). The reduction of $400,000 from the original Stock Purchase Agreement price is caused by the substantial devaluation of the Debtor since the January 2017 partial closing, as reported on the filed Monthly Operating Reports in the two cases.

(e) Although the contemplated transaction is substantially devalued from the former $2,200,000 Stock Purchase Price, the Plan Proponents remain committed to their original objectives, and submit their Disclosure Statement and Plan of Reorganization, pursuant to Section 1125 of the Bankruptcy Code, supporting the request and solicitation of acceptances of the Plan.

5.6 **Immediate Solutions – Interim Operating Plan.** The Plan Proponents offer their Disclosure Statement and Plan with the continuity guidance, and prior intentions forwarded in the Stock Purchase Agreement. However, attempting to enforce the provisions and deliveries of the Agreement, or argue the effect of the non-deliveries, breaches, or other relevant weaknesses found in the Agreement, is highly unlikely to improve any offer put forth by the Plan Proponents. Whether the Agreement is "affirmed and assumed" by the Debtor or not, does not resolve the bankruptcy process in the most efficient way. The projected legal processes to litigate an outcome would be expensive, run counter to the most efficient use of the Court's valuable resources, and needlessly delay resolution of the case for the benefit of the stakeholders in a timely fashion.

The Plan Proponent agrees with the invitation provided by the Chapter 11 Trustee on December 21, 2017, to immediately restructure Cherokee Cleveland's operations (and continuing supporting the Cherokee Dalton operations with approved and conditional financing) with the commitment to stop the increasing losses reported by the Cleveland location, and to fortify the gains and mildly-profitable operations at the Dalton location. Under the Chapter 11 Trustee's

direction, Dr. Marquess has agreed to provide reimbursable, super-priority administrative, working capital and trained personal, to "fix the problems" at Cherokee Cleveland and amplify the current profitable trend at Cherokee Dalton. The rationale in doing this includes at Cleveland, (1) stopping the current momentum of cash losses, (2) arresting the accelerated devaluation of the assets of the Estate, and (3) to otherwise prevent the Cherokee Cleveland case from being converted to a case under Chapter 7, and thereafter, liquidated the Plan Proponents offer their modifiable, Interim Operating Plan for immediate consideration.

ARTICLE VI
DESCRIPTION OF THE PLAN

6.1 **Principal Provisions.** A DISCUSSION OF THE PRINCIPAL PROVISIONS OF THE PLAN AS THEY RELATE TO THE TREATMENT OF CLASSES OF ALLOWED CLAIMS IS SET FORTH BELOW. THIS DISCUSSION OF THE PLAN IS MERELY A SUMMARY AND SHOULD NOT BE RELIED UPON FOR VOTING PURPOSES. YOU ARE URGED TO READ THE PLAN IN ITS ENTIRETY IN EVALUATING WHETHER TO ACCEPT OR REJECT THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THIS SUMMARY AND THE PLAN, THE PLAN CONTROLS.

6.2 **Greater Recovery.** The Plan Proponents submits that, under the Plan, Creditors will obtain a greater recovery than would be available if the Debtor were liquidated under Chapter 7. The following Article VII further describes the Plan. As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class receives. The Plan also states whether each class of claims or equity interests is impaired or unimpaired.

Class 1 and Class 2 are not impaired, Class 3 is impaired. If the Plan is confirmed, all creditors' allowed recovery will be limited to the amount provided by the Plan.

ARTICLE VII

CLASSIFICATION OF CLAIMS AND TREATMENT

7.1 **Classes of Creditors.** The Plan separates the classes of creditors into differences of timing and value of claims. Some claims are classified, and some are unclassified. Some are entitled to vote to accept of reject the Plan, and some are not. Certain creditors in the same class may be treated differently; and some may be contingent, unliquidated and disputed, and some may require filing an objected to clear up certain facts surrounding the claim. In the following Article and Articles, these distinctions are brought to the forefront with the intention to have the creditors vote to accept Plan.

The classification of Claims in this case include:

Class and Description	Number In Class	Amount Claimed
Priority Tax – U.S. Treasury – IRS	1	$100.00
Priority Unsecured – Post-Petition Vendor	1	$53,465.67
Class 1 – Executory Contracts and Leases	2	22,362.73
Class 2 – Contingent Liability – Commercial Guarantee	1	587,699.29
Class 3 – General Unsecured Claims (at 42%)	69	867,261.45
Class 3 – General Unsecured Claims – Disputed (DEA)	1 (1)	536,574.00
Equity - Purchase Money Retention Interest – Plans Proponents	2	405,653.04
Equity Holders (Shareholders)	2	Disclaimed
Insiders (Disputed)	2	201,800.00
Totals	82	$2,674,916.18

7.2 **Treatment of Claims.** Pursuant to Section 1123(a)(1), a plan must designate separate classes of claims and classes of interests' subject to Section 1122, which governs the classification of claims and interests. According to Section 1122(a), as a general matter, each class of claims or interests must consist of substantially similar claims or interests. Pursuant to Section 1123(a)(4), a plan must provide the same treatment for each claim or interest within a particular class. Treatment of claims may be found to be unequal when, for example, one creditor or interest

holder is asked to relinquish certain rights that other members of the class are not. A plan cannot provide holders within a voting class that accept the Plan to receive a greater distribution than holders within the class rejecting the plan. A holder of a particular claim or interest may, however, agree to a less favorable treatment of its claim or interest than that of the other members of its class. Dividends payable under the plan, regardless of the receiving class or treatment of the class, are computed after final verification of each claim and its claimed amount and paid from the Dividend Settlement Pool. The summary of payments from the Dividend Settlement Pool is *(attached hereto at Exhibit B, page 86),* and is subject to modification. The Plan treatment for each class and type of creditor is *(attached hereto at Exhibit C, page 87),* is also subject to modification. Payment of dividends by the Plan Proponents is subject to the approval of an expedited §363(m) sale as proposed or such other structural alternative that accomplishes the same outcome.

7.3 **Allowed Claims.** Allowed Claims are claims secured by contracts entered into by the Debtor or property of the Debtor's bankruptcy Estate (or that are or may be subject to setoff) to the extent allowed as secured claims under Section 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim.

7.4 **Disputed Claims.** Certain Claims that may receive different treatment under the Plan or may not receive any treatment in the certain circumstances. Such claims; including the amounts claimed, are not straightforward, and are defined as one or more of the following:

(a) **Contingent.** A contingent claim depends on some event that has not yet occurred and may never occur.

(b) **Unliquidated.** Unliquidated means a debt may exist, but the exact amount has not been determined.

(c) **Disputed.** A claim is disputed if the debtor and the creditor do not agree about the existence or amount of the debt.

Beyond scheduling a debt as the Contingent, Unliquidated, or Disputed, the Chapter 11 Trustee, and the Plan Proponents may advocate, the filing of an Objection to the Allowance of a Claim under the Federal Rules of Bankruptcy Procedure, Part III — Claims and Distribution to Creditors and Equity Interest Holders; Plans, Rule 3007.

7.5 **Priority Tax Claims.** Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief. The Internal Revenue Service has filed its amended proof of Claim #5-2 on 05/25/2017 in the amount of $100.00 (*see attached Exhibit C,* page 87). The amount claimed will be verified at confirmation, and the verified amount will be paid at 100% from the Dividend Settlement Pool, thirty (30) days after the Effective Date of the Plan.

7.6 **Administrative Claims.** Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponents have *not* placed Administrative expenses in a creditor class. These are costs or expenses of administering the Debtor's Chapter 11 case, and are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires all administrative expenses to be paid on the effective date of the Plan, unless a claimant agrees to a different treatment. Administrative claims must be paid in full on the Effective Date of the Plan unless

other agreed arrangements are made *(see attached Exhibit B, Page 86).*

7.6.1 U.S. Trustee Fees.

Plan Proponents do not provide an estimate U.S. Trustee fees due and owning or for those to be due and owing in the future. Notwithstanding any other provisions of the Plan to the contrary, the Debtor shall pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6), within 15 days of the entry of the Order confirming the Plan, for pre-confirmation periods and simultaneously provide to the U.S. Trustee an appropriate Affidavit indicating the cash disbursements for the relevant period.

The Debtor, as a reorganized Debtor, shall further pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for post-confirmation periods within the time period set forth in 28 U.S.C. §1930(a)(6), based upon all post-confirmation disbursements made by the reorganized Debtor; until the earlier of the closing of this case by the issuance of a Final Decree by the Court, or upon entry of an Order by the Court dismissing this case or converting this case to another Chapter under the U.S. Bankruptcy Code, and the reorganized Debtor shall provide to the U.S. Trustee upon payment of each post-confirmation payment an appropriate Affidavit indicating all the cash disbursements for the relevant period.

7.6.2 Chapter 11 Trustee Fees.

Appointed Chapter 11 Trustee is compensated on an hourly basis, plus approved costs and expenses. No estimate is provided by Plan Proponents as such are unknown. Fees and costs are subject to Court approval.

7.6.3 Debtor's Counsel Fees.

Debtor's counsel is presumed to be owed fees, costs, and expenses in connection with representation of Debtor in this case. Debtor's counsel is compensated on an hourly basis, plus approved costs and expenses. No estimate is provided by Plan Proponents as such are unknown. Fees

and costs are subject to Court approval.

7.6.4 Plan Proponents' Counsel Fees.

Plan Proponents' counsel is to be owed fees, costs, and expenses in connection with representation of Plan Proponent in this case. Plan Proponents' counsel is compensated on an hourly basis, plus approved costs and expenses. No estimate is provided by Plan Proponents as such are unknown. Fees and costs are subject to Court approval.

7.6.5 Interim Operating Plan - Costs and Expenses.

The proposed Interim Operating Plan at *(attached hereto at Exhibit D, page 98)* is projected to have costs, expenses, and reimbursements associated with restructuring and improving the current financial condition of the Debtor. It is anticipated that these approved amounts will be funded in the ordinary course of operation from current cash flow. No estimate or budget is provided by Plan Proponents as such is in formulation and contingencies exist that are unknown. Fees and costs not accounted for as ordinary operating expenses are subject to Court approval; for example, third party professionals that may be required to fulfill the commitments of the Court, the Chapter 11, or the Plan Proponents. In the event the Chapter 11 Trustee and the Plan Proponents agree to engage an independent financial consultant to assist with the processes and methods introduced above, such would require an Application for Employment of Financial Consultant, and its adjoining Affidavit prepared by the Financial Consultant to be filed with the Court; requiring Court approval as its particulars; along with the Financial Consultant requested compensation. Fees and cost are subject to Court approval.

7.6.6 Pre-Petition Suppliers of Goods (20 days prior).

Bankruptcy Code section 503(b)(9) was included as part of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA") to provide additional protection to certain trade creditors by allowing suppliers of goods to assert an administrative expense claim

for the value of goods sold and delivered to, and received by, a customer in the ordinary course of business within 20 days of the customer's bankruptcy filing ("§503(b)(9) Claim"). A §503(b)(9) Claim grants goods suppliers a step up in priority as an administrative claim. Plan Proponents have verified only one claimant (McKesson Corporation) as having a §503(b)(9) Claim in its Plan due to limited access to information. No review, reconciliation, or verification has been conducted at this time. Should additional §503(b)(9) Claims be discovered, such Claimants, if any, would be paid from the Dividend Settlement Pool subject to the approval of an expedited §363(m) sale as conditioned, and the Plan treatment offered is 100% of the Allowed Amount of claimant, payable 30 days after Effective Date of the Plan. McKesson Corporation is not an insider and not impaired as to its Claim (POC #6 08/25/2017), in the amount of $47,061.27, and is to be paid at 100%, from the Dividend Settlement Pool, thirty (30) days after the Effective Date of the Plan, unless other payment arrangements are agreed upon by the Claimant McKesson and the Plan Proponent.

7.6.7 Post-Petition Suppliers of Goods.

To the extent there are post-petition suppliers of goods that are unpaid, such amounts are to be reviewed and confirmed that none of these amounts are confused with pre-petition claims or obligations. Plan Proponents offer an estimate, and are reserving $135,000.00 in its Plan to address these amounts as no review, reconciliation, or verification has been conducted at this time. After verification, these Claimants, if any, would be paid subject to the approval of an expedited §363(m) sale as conditioned, and the Plan treatment offered is 100% of the Allowed Amount of claimant, payable 30 days after Effective Date of the Plan from the Dividend Settlement Pool *(see attached Exhibit C, page 87).*

7.7 **Classes of Claims.**

7.7.1 Class 1 - Executory Contracts and Leases.

Plan Proponents agree to assume all executory contracts and unexpired

leases under the current terms and conditions to the extent possible. The following executory contracts and leases are affirmed for the specific equipment and systems utilized at the Cherokee Cleveland location. Post-Petition payments have been timely made and are current. These include, (1) POC #12, filed 07/18/2017, Hitachi Capital America, Inc., in the amount of $8,477.76, and (2) POC #9, filed 06/29/2017, Wells Fargo Financial Leasing, in the amount of $13,884.97 for a total amount claimed of $22,362.73

7.7.2 Class 2 – Contingent Liability – Commercial Guarantee.

As a condition of the Plan Proponents' offer to purchase the Stock of the Debtor under a §363 sale, an appropriately valued lease of the premises needs to be negotiated. This conveyance was granted in the Stock Purchase Agreement at section **1. Purchase and Sale of the Seller's Ownership Interest,** paragraph **1.2 Lease.** "At or prior to Closing, Sellers and Purchasers shall enter into a Lease Agreements, or assignments thereof, satisfactory to Purchasers, on the current locations of the Company locations. Sellers affirm that the transfer of ownership pursuant to this agreement does not constitute a default in the terms of any the lease.

With the above as background, upon the Effective Date of the Plan, the agreed upon monthly rent payments pursuant to a negotiated and executed lease, as warranted in the Stock Purchase Agreement, shall commence accordingly; including taxes and common area maintenance. Plan Proponents intend to discuss with the Landlord certain post-confirmation considerations; including improvements, signage changes, and other matters. There was no pre-petition, and there is no post-petition, lease payments overdue or unpaid.

As a preferred alternative to a lease on the Cherokee Cleveland premises, the Plan Proponents propose to acquire the property supported the following facts and offer to purchase:

On July 18, 2017, as creditor #11775144, United Community Bank, PO Box

398 Blairsville, GA 30514 ('UCB'), filed its Proof of Claim #10 in the amount of $587,699.29 referring to a Commercial Guarantee of a mortgage on the real property at 1690 25th NW Cleveland, TN 37311, Bradley County (location of Cherokee Cleveland pharmacy)

This claim references a Commercial Guarantee executed by David Terry Forshee and Angela Denise Forshee, his wife, as officers and owners of Cherokee Pharmacy and Medical Supply, Inc. The Debtor, therefore, is contingently liable in the amount of $587.699.29 as Guarantor of the real property provided further security under the Forshee's mortgage.

The Plan Proponents offer to purchase the real property for the appraised value as determined by a third-party appraiser chosen by the Chapter 11 Trustee. The Plan Proponents are prepared to close on the property as soon as practical – subject to the approval of the proposed §363 sale. It as anticipated the appraisal would yield a value exceeding UCB's Proof of Claim amount of $587,699.29. For example, David Terry Forshee listed in his Chapter 11 case: 1:17-bk-11918-NWW [DE#43] at Schedule D: Creditors Who Have Claims Secured by Property filed on 05/26/17, at Item 2.6, the value of the real property to be $852,200.00. The Plan Proponent proposes to purchase the building making the premium offer of $952,200.00 where the surplus amount above paying of the mortgage would yield approximately $364,500.71 ($952,200.00 - $587,699.29 = $364,500.71); payable in two halves, where Tenants in the Entireties, David Terry Forshee, would receive $182,250.36 (which proceeds could be partially made available to resolve and release the judgment J.M. Smith Corp. has perfected against the property), and Angela Denise Forshee, his wife, would also receive $182,250.36 as the borrowers under the UCB mortgage. If the appraisal proves to have a value above the $952,200.00 offered, the Plan Proponents would agree to pay (plus other related costs and attorney's fees) to purchase the property at such appraisal price accordingly.

7.7.3 Class 3 – General Unsecured Claims.

Class 3 includes general unsecured allowed claims not otherwise dealt with in the Plan. General unsecured claims are not secured by property of the Estate and are not entitled to priority under § 507(a) of the Code, and as referenced in §§ 507(a)(1), (4), (5), (6), and (7) of the Code, Claimants are required to be placed in classes. The Code requires that each holder of such claims receive cash on the Effective Date of the Plan equal to the allowed amount and treatment of such claim. However, a class of holders of such claims may vote to accept different treatment, or may not receive any treatment in certain circumstances. There are 69 of 71, Class 3, General Secured Claimants, having a total of $867,261.45 claimed, payable at 42%, to equal payment of $346,249.81 from the Dividend Settlement Pool, thirty (30) days after the Effective Date of the Plan. Number 70-71 are disputed.

7.7.4 Class 3 – General Unsecured Claims - Disputed.

Class 3 includes three (3) general unsecured claims that are contingent, unliquidated, and disputed. It is anticipated objections will be filed referencing these Class 3 claims.

(1) Betts and Associates, referencing legal representation and services in the J.M. Smith litigation and judgment, and the pending appeal in the Courts regarding the judgment. The Plan Proponents propose, under their Plan, a settlement payable to J.M. Smith Corp, d/b/a/ Smith Drug Co, as a part of its Plan Treatment in an effort to complete its purchase of the Cherokee Cleveland pharmacy. David Terry Forshee, a 50% shareholder of the Sellers/owners of the Cherokee Cleveland corporation, intends to continue with the appeal of the Judgment reached by J.M. Smith, and should the Judgment be set-aside or remanded back the Circuit Court, Mr. Betts would continue as the Debtor's Counsel in such matters. In the event there were a reversal, or an award ultimately reached against J.M. Smith, Mr. Betts and the Debtor would receive those

monetary benefits. The Plan Proponents "do not have a dog in that fight" and are disinterested parties in the appeal. In this regard, the Plan Proponents underline their treatment of the $256,000.00 aggregated claim (POC #4) as Contingent, Unliquidated, and Disputed due to non-specific allocations of Betts' claim in any of the three related Cherokee cases, and Plan Proponents object to the claim accordingly.

(2) U.S. Drug Enforcement Administration filed an Addendum to each Proof of Claim in the three (3) below referenced cases titled "**Civil Penalty Action; Basis for Calculation Attached".** The DEA's recitals in the three (3) separate claims are in regard to regulatory claims arising from inspections and audits underpinning (1) Proof of Claim 8-1 in the Cherokee Dalton small business case; (2) Proof of Claim 16-1 in the David Terry Forshee, individual case, and Proof of Claim 20-1 in the Cherokee Cleveland small business. The allegations in each Claim are similar and overlapping between case to case, and are recited below for information and comparison purposes. Inevitably, resolution of the three (3) DEA **Civil Penalty Actions** is the core determinate as to whether the successful purchase of the Cherokee Cleveland and Cherokee Dalton pharmacies can occur or proves to be economically feasible and practical.

7.7.4.1 Addendum to Proof of Claim 20-1.

U.S. Drug Enforcement Administration in case of *In re:* Cherokee Pharmacy & Medical Supply, Inc., EDTN Case Number 1:17-bk-11920-NWW, filed its Proof of Claim 20-1 on 10/25/17 reciting: In June of 2016, an administrative inspection and audit by the Drug Enforcement Administration of Cherokee Pharmacy & Medical Supply, Inc., revealed up to 37 separate violations of federal regulations. Pursuant to 21 U.S.C. § 842(c)(l)(A) and (B), the United States may seek civil penalties of up to$14,502 per violation. See 28 C.F.R. § 85.5 (adjusting penalty amounts for violations occurring after November 2, 2015). With a potential for 37 separate

violations, this calculation results in potential civil penalties of up to $536,574 based on the June 2016 inspection and audit. Therefore, this claim is estimated to include the possible penalties known at this time arising from the inspection. The penalty periods were all prepetition.

The following subsections are offered for information purposes and comparison, and as additional support and consideration for approving Plan Proponents' Plan:

7.7.4.2 Addendum to Proof of Claim 8-1.

"In September 2016 an administrative inspection by the Drug Enforcement Administration of Cherokee Pharmacy & Medical Supply of Dalton, Inc., revealed up to 627 separate violations of federal regulations. Pursuant to 21 U.S.C. § 842(c)(l)(A) and (B), the United States may seek civil penalties with maximum amounts ranging from $14,502 per violation to $62,500 per violation. See 28 C.F.R. § 85.5 (adjusting penalty amounts for violations occurring after November 2, 2015). With a potential for 627 separate violations, this calculation results in potential civil penalties in excess of $9 million based on the September 2016 inspection. This claim is estimated to include the possible penalties known at this time arising from the inspection. The penalty periods were all prepetition".

In view of the uncertainty of the consequences recited in the DEA's Claim, the Plan Proponents object to the Claim of $9 million as it is contingent, unliquidated and disputed. "Potential" violations with "potential" penalties cannot be quantified or qualified for treatment under the Plan as the amounts are "estimated" and are stated as "possible penalties known at this time arising from the inspection".

Further, it is the Plan Proponents observation that the sale of Cherokee Dalton to the Marquess' (as Plan Proponents), where Jonathan Marquess would subsequently be issued a DEA registration as the Licensed Pharmacist/Owner of Cherokee Dalton, is a significant change to the past and current circumstances. While the Plan Proponents are not certain of, or clear about,

how the full DEA process works or is conducted, it is reasonable to offer that the violations causing the "potential" penalties may be appropriately placed upon David Terry Forshee, who is in receipt of Proof of Claim [16-1] of U.S. Drug Enforcement Administration in case of *In re* David Terry Forshee, EDTN Case Number 1:17-bk-11918 NWW filed on 10/25/17), where the Debtor (David Terry Forshee) who "was responsible for such penalties due to his status with the organization, including as signatory on the registrations" *referring to Cherokee Cleveland POC 20-1 and Cherokee Dalton POC 8-1* [emphasis added]. As is indicated below, the DEA consolidated the total penalties under the above. Civil Claim Actions.

7.7.4.3 Addendum to Proof of Claim 16-1.

U.S. Drug Enforcement Administration in case of *In re* David Terry Forshee, EDTN Case Number 1:17-bk-11918 NWW, filed its Proof of Claim 16-1 on 10/25/17 reciting: In June of 2016, an administrative inspection and audit by the Drug Enforcement Administration of Cherokee Pharmacy & Medical Supply, Inc., revealed up to 37 separate violations of federal regulations. Pursuant to 21 U.S.C. § 842(c){l)(A) and (B), the United States may seek civil penalties of up to $14,502 per violation. See 28 C.F.R. § 85.5 (adjusting penalty amounts for violations occurring after November 2, 2015). With a potential for 37 separate violations, this calculation results in potential civil penalties of up to $536,574 based on the June 2016 inspection and audit. Therefore, this claim is estimated to include the possible penalties known at this time arising from the inspection.

Additionally, in September of 2016, an administrative inspection by the Drug Enforcement Administration of Cherokee Pharmacy & Medical Supply of Dalton, Inc., revealed up to 627 separate violations of federal regulations. Pursuant to 21 U.S.C. § 842(c)(l)(A) and (B), the United States may seek civil penalties with maximum amounts ranging from $14,502 per violation to $62,500 per violation. See 28 C.F.R. § 85.5 (adjusting penalty amounts for violations

occurring after November 2, 2015). With a potential for 627 separate violations, this calculation results in potential civil penalties in excess of $9 million based on the September 2016 inspection.

This estimated claim includes possible penalties known at this time arising from this inspection also. The penalty periods were all prepetition, and Debtor was responsible for such penalties due to his status with the organization, including as signatory on the registrations.

7.7.5 Proposed Mitigation as to Dalton and Cleveland DEA Claims**.**

If the purchase of the Stock (ownership interests) of the Cherokee Dalton and Cherokee Cleveland pharmacies are not purchased in the extreme near-term, the value of the pharmacies will continue to decline. Sales and profit margins have eroded substantially since the close of the 2016 fiscal year financial statements. Further, since the January 2017, and more particularly, since the filing of the cases on April 28, 2017; accordingly, to the filed Monthly Operating Reports, Cherokee Cleveland is 'hemorrhaging money', while Cherokee waivers between breakeven and mildly profitable on an annualized basis. These financial results, among other serious factors, support an expedited sale under §363(m); preferably by the Plan Proponents.

While the January 15th 2017 Stock Purchase Agreement between the parties offered a face value of $1,600,000; plus the $600,000 purchase of inventory tendered in January, 2017, to equal $2,200,000, the Sellers were unable, and remain unable, to deliver the entities free and clear of encumbrances, as well as, resolving the DEA Civil Actions Claims, which the Sellers were at the source of the causes for these occurring pre-petition, and prior to, the execution of the January 2017 Stock Purchase Agreement.

After review of all the factors, costs, and expenses to purchase the pharmacies and remarket the Cherokee brand, the Plan Proponents can support a valuation of the entities at $1,800,000 (to include the $600,000 already paid), to equal net $1,200,000 to fund the Plans of Reorganizations for the Cherokee Dalton case and the Cherokee Cleveland case,

respectively.

In pursuit of this, the Plan Proponents offer to mitigate and expedite the settlement of two (2) DEA Civil Action Claims against the Cherokee Cleveland and Cherokee Dalton corporations.

From the $1,200,000 Stock Purchase Proceeds, the DEA would receive $45,000.00 to settle the Civil Penalty Action *In re:* Cherokee Pharmacy and Medical Supply of Dalton Inc., and $55,000.00 to settle the Civil Penalty Action *In re:* Cherokee Pharmacy and Medical Supply, Inc. (Cleveland, TN).

7.7.6 **Equity Holders.** The equity interest holders of Cherokee Pharmacy & Medical Supply of Dalton, Inc. (David Terry Forshee, owning 50%, and Angela D. Forshee, owning 50%) shall subordinate to the claims of other creditors consistent with the Absolute Priority Rule. A Debtor company in Chapter 11 will want to retain its property, and the Stockholders of the Debtor will want to retain their shares in the company. If the company or the shareholders do not pay all its creditors 100% of their claim, the company could face an objection based upon the Absolute Priority Rule.

7.7.5.1 Absolute Priority Rule.

Under 11 U.S.C. § 1129(b)(2)(C), if a class of claims (normally the ownership structure of the company) retains an interest in property while a senior class (creditors) is not paid in full, the Plan should not be confirmed. This rule is referred to as the Absolute Priority Rule. The class that is not paid in full may object to confirmation of the Plan based upon this failure to pay the full claims. As stated above, the Absolute Priority Rule is codified in the Bankruptcy Code and a Court should not confirm a Plan that does not comply with the rule.

7.7.5.2 Exception to Absolute Priority Rule.

Because of the Absolute Priority Rule, Chapter 11 Debtors that do not pay

all creditors would have great difficulty confirming Chapter 11 Plans. However, the Courts have recognized this issue and created a method for Debtors to work around this Rule. Debtors can confirm a Plan over an Absolute Priority Rule objection by proposing a new value contribution to the Debtor's Estate. The Courts have described this new value as "money or money's worth" as the injection of capital in many forms. While the Courts have created this exception, they have not created a uniform standard for its applicability. The basic theme for new value contribution is “timing and value”. The sooner the contribution is made, and the larger the contribution (in relation to the discharged debt), the more likely the Court is to overrule the Absolute Priority Rule objection. The new value exception allows for existing equity holders to retain their ownership interest in a debtor even in scenarios where more senior, dissenting classes of creditors are impaired. The new value exception to the Absolute Priority Rule under 11 USCS § 1129(b)(2)(B)(ii) serves both goals of a Chapter 11 case; (1) to permit successful rehabilitation of the debtor, and (2) to maximize value of estate by permitting prior stockholders to contribute new money in exchange for participation in reorganized company. Restating (2) above in a modified format suggests “to maximize value of estate by permitting NEW stockholders to contribute new money in exchange for participation in reorganized company”. The Plan Proponents are offering the Debtor an additional and verified source of capital, and the new contribution increases amount available for the estate to use both in its reorganization and in funding plan and paying creditors. In re Bonner Mall Partnership (1993, CA9 Idaho) 2 F3d 899, 93 CDOS 5848, 93. Similarly, the United States Bankruptcy Court for the Western District of Tennessee has reiterated that the new value exception to absolute priority rule is viable for purposes of evaluating fair and equitable provisions of 11 USCS § 1129(b). In re Professional Dev. Corp. (1991, BC WD Tenn) 133 BR 425, 22 BCD 441.

In considering the specific facts and circumstances of this case, the Plan reflects the

Plan Proponents attempt to provide the benefits to the corporation (Debtor) as allowed by the new value exception. At the same time, the Plan proponents are making a good faith effort to align, as best as possible, with the Absolute Priority Rule. Additionally, the Plan Proponents are confident that the Plan is in-line with the policy reasons behind the new value exception, and are confident the Plan, and its underlying infusion of new capital, increases the likelihood that the business, along with Plan Proponents new management, will fix the current issues and successfully reorganize the operating corporation.

7.7.5.3 Issuing New Stock.

The Plan Proponents have adopted the basic theme for new value contribution into a reorganizable Debtor as "timing and value". The Plan Proponents are ready to immediately take over the operations of the Debtor, and to bring interim capital into its pharmacy operations to otherwise stabilize and save the operating corporation from failure and liquidation. The current shareholders (David Terry Forshee, owning 50%, and Angela D. Forshee, owning 50%) are unable or unwilling to contribute immediate working capital into the operations. The Debtor, and the shareholders, have not filed a Plan or demonstrated any interest in filing a Plan. Further, there is no indication the Debtor values the company's operations sufficiently to slow or stop the current devaluation of the corporations. The Plan Proponent's Plan offers dividend payments, and other monetary settlements that result in a reorganized Debtor that can return to economic viability in the community where it operates. This brief summary of the Plan Proponents focus on timing and value is absolute.

The Plan Proponents' proposal to bring $1,200,000 as new cash value into the Estate underpins their $600,000 Purchase Money Retention Interest (and claim) in the Estate. The Purchase Money Retention Interest claim is divided as $405,653.04 allocated to Cherokee Cleveland, and $194,346.96 allocated to Cherokee Dalton, and rises to the solution of canceling

the current stockholder's shares, and issuing new shares at Confirmation to the Plan Proponents.

When a company cancels its common stock, it declares all existing common stock certificates to be null and void. Most often, companies cancel stock when going through bankruptcy proceedings. After canceling, the company may cease to exist or issue new shares in a reorganized company. In this case, the reorganized company would issue new shares to the Plan Proponents in exchange for its contributing substantial new value (cash) into the Estate

Upon the Effective Date of the Plan, should the §363(m) sale be approved, the Reorganized Debtor shall be owned by the Plan Proponents by completion of the §363(m) sale as having brought new equity into the Debtor by way of funding the Plan. The equity interest holders (David Terry Forshee, owning 50%, and Angela D. Forshee, owning 50%) shall have surrendered their issued and outstanding shares of Cherokee Pharmacy & Medical Supply of Dalton, Inc. to Stock Treasury of the company and rendered null and void. Upon receipt of the new capital contribution paid-in by the Plan Proponents, new shares will be issued to the Plan Proponents or their designees.

ARTICLE VIII
CLASSES IMPAIRED BY THE PLAN

Certain Claims are impaired by the Plan. Claims in Class 1 and 2 are not impaired. Claims in Class 3 are divided into parcels; (1) General Unsecured Claims that are not contingent, unliquidated and disputed, and (2) General Unsecured Claims that are contingent, unliquidated, and disputed. Class 3 Claimants are impaired, and unless disputed, are entitled to vote to accept or reject the Plan. If the Plan is confirmed, all creditors' allowed recovery will be limited to the amount provided by the Plan.

ARTICLE XI
IMPLEMENTING THE PLAN

Due to the Cherokee Dalton shareholders, David Terry Forshee and Angela Denise Forshee's failure to deliver clear title and adequate control of the Cherokee Dalton pharmacy in January 2017, the Purchasers Jonathan G. Marquess and Pamela S. Marquess, now the Plan Proponents, are seeking an expedited sale of the pharmacy under §363(m) as was intended under the January 15, 2017 Share Purchase Agreement.

The initial purchase money of $600,000, paid to the Forshees on or about January 17, 2017, was the portion due under the Stock Purchase Agreement for the in-place inventory at the Cherokee Cleveland and Dalton pharmacies. The amount paid was rounded-off to $600,000 from the $612,524.62 "at net cost" value arrived at by physical inventory taken in December 2016 and early January 2017. The $600,000 was allocated as (1) $405,653.04, Cherokee Cleveland, and (2) $193,346.96, Cherokee Dalton. These facts underline the Purchasers assertion that they have a "Purchase Money Retention Interest Claim" in the amount of $405,653.04 against the Cleveland Estate as the owner of that portion of the assets under its $2,200,000 Stock Purchase Agreement. This Claim of is directed to the inventory on the corporation's balance sheet in the amount of $405,653.04. The core stumbling blocks in closing a purchase transaction in this case includes the resolution of the possible DEA civil penalties claimed against the two locations and the extent of the devaluation of the operations and the Cherokee brand.

Dr. Marquess has overseen the operation of the Dalton store since January 2017 and believes the Cherokee brand can be sufficiently rehabilitated to justify purchasing both Cherokee pharmacies for the remaining $1,200,000 of the purchase price to complete the transaction. These funds are verified and able to be tendered as quickly as resolution of the case is moved to the foreground. This involves achieving an approved expedited sale under §363(m), the

DEA settling the potential civil penalties as proposed, and subsequently, the DEA completing the issuance of the licenses for Dr. Marquess at each of the Cherokee locations.

9.1 **§363 of the Bankruptcy Code.** Section 363 of Title 11 of the United States Code ("Bankruptcy Code") authorizes trustees (and Chapter 11 debtors-in-possession) to use, sell, or lease property of a debtor's bankruptcy estate outside of the ordinary course of business upon bankruptcy court approval. Some of the key benefits for purchasers are the ability to purchase assets free and clear of liens under §363(f) and obtain protections from adverse consequences of any appeal under §363(m). Under §363(f), the trustee or debtor-in-possession may sell property of the debtor's bankruptcy estate free and clear of all liens, claim and encumbrances as long as: (1) applicable non-bankruptcy law permits it; (2) the interested party consents; (3) such interest is a lien and the sale price of the property is greater than the value of all liens; (4) the interest of the interested party is in bona fide dispute; ***or*** (5) the interested party could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of its interest.

(1) The Plan Proponents advocate the granting of a sale under §363(f) as it yields optimal results for the Sellers, Purchasers, and Creditors. If the Court finds that property of the Debtor's Estate can be sold pursuant to §363(f), the Purchasers request the Order to include findings under §363(m) of the Bankruptcy Code that the purchase of the property is in "good faith." The practical implication of securing the §363(m) finding is that once the Purchasers are declared to be a 'good faith purchaser' and close on the sale (assuming the court does not grant a stay pending any appeal), the sale cannot be undone by reversal or modification of the sale order.

(2) While it could be argued that the Purchasers, as insiders, have access to the sale, and that the proposed sale is not an arms-length transaction, the risk that potential bidders and/or the Debtor could be accused of price controlling, anti-bid rigging, fraud, or collusion during an otherwise conducted auction process, is highly unlikely or supportable. The Purchasers are only

insiders because of the failure of the Debtor (Sellers) to deliver the purchase/sale transaction on January 15, 2017 as planned. Prior to that, the Plan Proponents were absolutely arms-length buyers. What is occurring now is the use and benefit of the Chapter 11 Court to correct the failing of the Sellers, and to assist with the settlement of out-sized Civil Penalty Actions levied against the Debtor from significant regulatory violations. The Plan Proponents offer a remedy within the arena and believe their offer meets the standards of fair, reasonable, and equitable.

(3) Should the Court agree and approve, the Plan Proponents seek waiver of the 14 day stay of the sale order under Bankruptcy Rule 6004(h) – so that the Plan Proponents can close immediately or as soon as practical. The ability to close sooner prevents further delay and damage – relieving the Chapter 11 Trustee/Debtor the overhead and burden of securing the assets/stock purchase transaction, for two additional weeks.

(4) In the Sixth Circuit, the Court paved the way for §363 sales of all of the Debtor's assets in *Stephens Industries, Inc. v. McClung*, 789 F.2d 386 (6th Cir. 1986). In *Stephens Industries*, the Court concluded that a bankruptcy court may authorize the sale of all of the Debtor's assets under §363(b)(1) so long as the sale is justified by a "sound business purpose." *Id.* at 390.

9.2 **§363 Applied to this Case.**

(1) In this case, one of the most salient business purposes that best serves the creditors is the continuation of the Cherokee Pharmacies' post-petition income stream by retaining the continuity of existing operations, but with the Purchasers, Dr. Jonathon G. Marquess and Pamela S. Marquess, as the new equity owners with Dr. Marquess as the registered Pharmacist, accountable for compliance and management of the Cherokee pharmacies and brand. The procedures to approve the sale are not complex as the assets are identified and a purchase price is in place with certain economic adjustments requested due to the length of time between the intention to close and the ability to close the Stock Purchase transaction. These components point

to the benefits associated with an expedited private sale rather than a public auction. At this point, time is of the essence because (1) the revenue generated in both Cherokee locations is deteriorating because of the inability to strategic buy goods and provide services profitably, (2) the organic restrictions and uncertainties inherent in Chapter 11 proceedings, where customers, patients, and suppliers are uncertain about the ownership and future leadership of the entities, and (3) the looming DEA civil penalties that are clearly tied to David Terry Forshee as the registered pharmacist under whose watch the DEA incidents occurred.

(2) The Plan Proponents propose to complete the sale pursuant to 11 U.S.C. § 363(m), by way of a Court approved sale to Jonathan G. Marquess and Pamela S. Marquess as "Purchasers" and the Debtor's shareholders, David Terry Forshee and Angela Denise Forshee as "Sellers." Contemporaneously with the filing of the Plan Proponents' Plan and Disclosure Statement and Plan, along with filing of Disclosure statement and Plan in the two Cherokee Cases, the Plan Proponents file their motion for a "Good Faith Finding" pursuant to § 363(m) of the Bankruptcy Code and in support of this motion, the Plan Proponents will set forth:

(3) As was stated, prior to the Bankruptcy filing of the three (now two) Administratively Joined cases on April 28, 2017, Debtor filing two separate business cases and Dr. Forshee's individual case.

(4) The Plan Proponents and the shareholders of the Debtor (David Terry Forshee and Angela Forshee) entered into a Purchase contract in January 15, 2017 and this contract is under consideration to be affirmed (unless modified) by the selling shareholders and the Plan Proponents upon Court approval.

(5) With the Plan Proponents as Purchasers of the Stock of the Cherokee entities, tension between the parties in interest, and the stakeholders, can be mitigated quickly. The Plan Proponents (1) have the funds supporting the means of execution of, theoretically, all three

cases; depending upon the downward scalability of creditor settlements, and the boundaries of possible mitigation of the DEA civil penalties, (2) have the expertise, creditability, and experience within their existing infrastructure and professional relationships to quickly minimize costs to the Estate, and to maximize the value of the assets before further and accelerated value erosion occurs, and (3) have $600,000 invested in the transactions as stakeholders since January 2017. The Plan Proponents are familiar with the personnel, compliance matters, geographic locations, and what works and what does not work about the operations.

(6) The Plan Proponents; despite sustaining unanticipated losses, expenses, and costs associated with the delayed and failed closing in January 2017, their objective remains to rebuild the Cherokee brand, and re-establish its prestige and integrity in the community, with its vendors and suppliers, and with the regulators having jurisdiction over compliance matters and record-keeping. The budget to fund these financial challenges, and to install systems upgrades, and apply the corrections needed in operations, can be measured in the tens of thousands of dollars. Recent Monthly Operating Reports prepared by the Debtor, confirm that operating is cash dwindling due to out-of-formula purchasing, and ineffective accounting and leadership. These points, among others, offer a “sound business purpose” supporting an expedited pre-confirmation §363(m) sale.

9.3 **§363 Support for this Case.**

(1) The Bankruptcy Court for the Middle District of Tennessee relied on the *Stephens Industries* "sound business purpose" test in denying a Debtor's expedited sale motion. *In re Barnhill's Buffet, Inc.*, 2008 WL 4489687 (Bankr. M.D. Tenn. Feb. 13, 2008). In *Barnhills*, the court listed the following factors commonly considered in connection with the "sound business purpose" test. [#1] a sound business reason or emergency justifies a pre-confirmation sale, [#2] adequate and reasonable notice of sale was provided to interested parties, [#3] the sale has been

proposed in good faith, and [#4] the purchase price is fair and reasonable.

(2) The key benefit of a sale under Section 363 is that the sale is "free and clear" and divests the property of all liens, claims, and encumbrances. Issues that commonly arise in a Section 363 sale include: 1) whether the property to be sold is part of the bankruptcy estate; 2) whether the parties with interests in the property are adequately protected; 3) whether the property to be sold is subject to a *bona fide* dispute; and 4) whether the buyer is acting in good faith. If these issues are resolved and the bankruptcy court approves the sale, Section 363 provides a good faith purchaser with invaluable security by limiting the effect of a successful appeal of the order approving the Section 363 sale.

(3) The Plan Proponents offer that pursuant to 11 U.S.C. § 363(m), "The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property, does not affect the validity of a sale or lease under such authorization to an entity that *purchased or leased such property in good faith*, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal" *(Emphasis Added).*

(4) The Bankruptcy Code and Rules do not provide a definition of Good Faith; however the *in re: Ewell*, the Court made a good faith determination using equitable principles, such as: a) whether the sale was "in the best interests of all creditors and other parties in interest," b) whether the sale was "fair and reasonable," and c) whether there was evidence of a lack of good faith through "fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders." 958 F.2d 276, 281-82 (9th Cir. 1992).

(5) Plan Proponents' use of the prior contract as agreed upon guidelines for the purchase of the underlying Stock of the two pharmacy entities is in the best interest of all creditors in the two Cherokee cases, and other parties in interest, because the proceeds of the sale will be

used to fund the two small business cases' Plans of Reorganization, along with the applicable U.S. Trustee Fees (estimated to be $6,500.00 contributed at closing of the §363(m) sale), with the balance of the proceeds being held in Plan Proponents' Attorney's Trust Account until it can be used to fund the Plans of Reorganization, upon the Plans' confirmations (unless handled as a pre-confirmation sale; which works more effectively in the best interests of all stakeholders and all others affected and those concerned).

(6) The complexities of the two small business cases, and to relevant parts of the third, individual case for that matter, immediately forwards the licensing and capital requirements to operate the two Cherokee pharmacies, with Dr. Jonathan G. Marquess as a qualified and suitable Purchaser and Owner over other Bidders that may be unwilling or unable to provide sufficient speed and funds to otherwise solve the two Cherokee cases – plus perhaps the third, individual case, as well.

(7) As introduced, Purchaser Jonathan G. Marquess, PharmD, CDA, FAPhA of Acworth, GA is (1) a highly respected, distinguished, and licensed Pharmacist, (2) is the owner and operator of ten [10] other successful pharmacies in the geographical region where the Cherokee pharmacies are located, (3) has extensive professional experience and numerous certifications offering confidence and certainty to the future of the Cherokee brand, (4) who is a $600,000+ stakeholder in the Cherokee pharmacies and brand, and (5) is a related party and insider to the current operating business and transactions.

(8) The background and visibility of the Cherokee pharmacies, and the three cases before the Court, concludes with confidence that the sale is not for the purposes of hiding assets from creditors; rather, the proceeds of the proposed §363(m) sale are directed to funding the Plans in the two small business cases, and perhaps assist with the resolving the third, David Terry Forshee, individual case as well.

(9) The Purchase Price ($1,800,000 - $600,000 = $1,200,000 net) is offered from a "good faith purchaser", and the proposed §363(m) sale is a fair and reasonable solution against the background of the reduced values and costs incurred to hold the transaction together through the multiple and diverse negative developments for the entities in 2017. The asset value of the two pharmacies equal approximately $800,000 (Cleveland) and $400,000 (Dalton) on a "fast look" basis – meaning the inability to receive updated information that would lead to the contrary. In addition, any possible added value based on a multiple of EBITDA (earnings before interest, taxes, depreciation, and amortization; which is a basis used in most merger and acquisition transactions, is missing at this point, because the trend in both pharmacies concludes with very little, or no EBITDA on the near horizon due to protracted and projected losses.

(10) The United States Court of Appeals for the Third Circuit laid out the test for a good faith purchaser in *In re Abbotts Dairies of Pennsylvania*, 788 F.2d 143 (3rd Cir. 1981). "The requirement that a purchaser act in good faith ... speaks to the integrity of his conduct in the course of the sale proceedings. Typically, the misconduct that would destroy a purchaser's good faith status at a judicial sale involves fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders. *In re Rock Indus. Mach. Corp*., 572 F.2d at 1198; *see also Taylor v. Lake* (*In re Cada Invs*.), 664 F.2d 1158, 1162 (9th Cir. 1981) ("Courts have generally appeared willing to set aside confirmed sales that were 'tinged with fraud, error or similar defects which would in equity affect the validity of any private transaction.' ")." *In re Abbots Dairies*, 788 F.2d at 147. By acting in good faith, a buyer can secure the protections of Section 363(m), provided a reviewing court does not stay the sale.

(11) The Plan Proponents, as stakeholders, are transparent in their intentions and purposes. There is no evidence of fraud, collusion, or any attempts to take grossly unfair advantage of other bidders. The Plan Proponents' discussion of an expedited §363(m) sale seeks a 'Court

Ordered Good Faith Finding' that the contemplated sale under 11 U.S.C. § 363(m) as proposed, is in the best interest of the Debtor, the Debtor's exiting stockholders, the Plan Proponents, and the Creditors, as such a finding would protect the Creditor's interest in the sale, as well as, expediting the confirming of a Plan of Reorganization. Further, moving the businesses forward offers the participating creditors, by and large, with fresh benefits from the Plan Proponents' planned upgrades and projected market growth resulting from cleaning up the Cherokee brand and daily operations.

(12) Dr. Marquee's (and his wife Pamela's) motive to purchase the Cherokee pharmacies includes adding to their current ownership of ten (10) other pharmacies, increasing their privately owned 'chain" to twelve (12). This motive finishes with the ability to increase the Purchasers' merchandising and buying powers; including achieving economies of scale in pricing, logistics, administration, and management. The Plan Proponents' pharmacies; by way of consolidation, emerge as a stronger, independent chain, in the highly competitive, national retail chain pharmacy marketplace.

(13) The §363(m) sale price offered at $1,800,000 - $600,000 paid = $1,200,000 net, is offered at a fair premium over an auction (liquidation) yield, and statistically higher than a single store purchaser, or a new entry into the local markets would pay. To close, the Plan Proponents also plan substantial improvements to the devalued Cherokee stores and brand through a "made it through the storm" marketing and re-merchandizing campaign to clear up lingering issues with its systems, personnel, compliance, and aging curb appeal.

(14) The Plan Proponents' Plan of Reorganization *(attached at Exhibit F, page 106 hereto)* offers the manner, disposition, and deployment of directed resources producing specific results in the extreme near-term. These resources are underpinned with professional credentials, and an operations team, that is fully capable of supporting and delivering the economic

feasibility disclosed here and in the Plan. This assures the Court that financial viability is highly likely to manifest before the end of the 2nd quarter of 2018, thereby avoiding the need to file Bankruptcy again in the future. In view of this, the Court is requested to approve the proposed § 363(m) sale embedded in the Plan, and therefore the Plan itself. After this, the creditors are requested to vote affirmatively for the Plan based on the Plan Proponents' §363(m) sale proceeds.

9.4 **Application of Funds.** The Plan treatments proposed are to be provided at confirmation (30 days after the Effective Date) and paid from the Dividend Settlement Pool by the Plan Proponents conditioned upon approval of the proposed §363(m) sale and applied according to the Class schedules provided (subject to Court approval). In the event there is an expedited sale prior to confirmation, the funds will be applied at such time accordingly. Due to the Cherokee corporations' (Cleveland and Dalton) shareholders , David Terry Forshee and Angela Forshee's, inability to deliver the Cherokee corporations to Plan Proponents' (Purchasers Jonathon G. Marquess and Pamela S. Marquess) free and clear of encumbrances under the terms of the January 15, 2017 Cherokee Stock Purchase Agreement, the Plan Proponents request the Court to approve the sale of Cherokee Cleveland, by way of the proposed §363(m) sale, having the Purchasers emerge as the Cherokee Cleveland owners and shareholders as was intended under the Stock Purchase Agreement.

The new owners intend to invest in upgrades to the accounting and cost control systems of the Cherokee Cleveland operations, while installing its professional management team to assist with operations. The Plan Proponents' Plan launches important operational and supervisory objectives while offering maximum systems and compliance integrity. The Plan Proponents offer a change of registration, licensure, and management, closing the door on the past, and emerging with confidence and new investment in near-term, offering a post-confirmation outlook that is very encouraging. The post-DEA incident operations at Cleveland have demonstrated post-petition

viability by [1] remaining current with its cash collateral obligations, [2] keeping its various lease payments and payroll tax deposits timely paid, [3] paying its U.S. Trustee fees and all its other costs and expenses within the terms granted by its vendors and providers, the Plan Proponents are stabilizing Cherokee Cleveland, and have recently shifted from lackluster financial results to mildly profitable; with trending monthly increases likely through the end of the 4th quarter of 2017 and beyond under its new leadership.

Reaching into the mid-term (year-end 2018), the company's projections show continued profitability and growth. By increasing its revenue monthly, and intending to upgrade a real-time, bar-code inventory control and purchasing system, the post-confirmation operations are positioned for rapid growth and compliance.

ARTICLE X
MANAGEMENT – COMPENSATION

During the pendency of the Chapter 11 proceeding, the affairs of the Debtor have been managed by the Equity Holders of the Debtor, as well as, Purchaser Jonathan G. Marquess having limited authority under the aforementioned Power of Attorney. From November 7, 2017 forward, the Chapter 11 Trustee and Plan Proponents visited both pharmacies and observed in-progress operations and limitations. Management compensation remained consistent with pre-petition levels, and the Chapter 11 Trustee's compensation is ordinary and customary requiring Court approval.

ARTICLE XI
FINANCIAL INORMATION

The Debtor has filed Monthly Operating Reports with the Court which reflect the monthly income and expenses of the Debtor. Those reports are available on the Court Docket or by request to the Chapter 11 Trustee.

ARTICLE XII
TREATMENT OF DISPUTED, CONTINGENT, AND UNLIQUIDATED CLAIMS

12.1 **No Payment to Disputed Claims.** Notwithstanding any other provision of the Plan, no cash or other property shall be distributed under the Plan on account of any Disputed Claim, whether or not such Claim is disputed in part only. If a settlement or understanding is reached where a disputed claim is resolved in whole or in part, such distribution shall occur as provided in the Plan.

12.2 **Claims Objections.** The Chapter 11 Trustee, or Plan Proponents shall file and serve objections to claims when and as required by Rule 3007-1(B), and such other of the Local Rules of the United States Bankruptcy Court for the Eastern District of Tennessee at Chattanooga, as applicable, or as provided for in any order from the Bankruptcy Court.

12.3 **Estimation.** To expedite distributions pursuant to the Plan and avoid undue delay in the administration of the Chapter 11 Case, on request of the Chapter 11 Trustee, or the Plan Proponents as the Chapter 11 Trustee may determine, the Bankruptcy Court may estimate, pursuant to Section 502(c) of the Bankruptcy Code, the amount of any Disputed Claim for which funds are to be set aside.

12.4 **Delivery of Distributions.** Distributions and deliveries to holders of Allowed Claims shall be made at the address of each such holder as set forth on the proofs of Claim filed by such holders in the space on such proof of Claim identifying the name and address where notices shall be sent (or the last known addresses of such holders if no proof of Claim is filed or if the Chapter 11 Trustee has been notified in writing of a change of address), except as otherwise provided in this Plan. If any holder's distribution is returned as undeliverable, no further distributions to such holder shall be made unless and until the Chapter 11 Trustee, is notified in writing by such holder within six months from the date of the mailing of the undeliverable distribution of such holder's then current

address, at which time any missed distributions shall be made to such holder without interest.

12.5 **Undeliverable Distributions.** With respect to distributions found to be undeliverable, these shall be returned to the Chapter 11 Trustee, or Plan Proponents as the Chapter 11 Trustee may determine, until such distributions are claimed. All claims for undeliverable distributions shall be made within six months of the date of such distribution. Any amounts in respect of undeliverable distributions which remain unclaimed after such six-month period shall be forfeited to the Chapter 11 Trustee or Plan Proponents as the Chapter 11 Trustee may determine, and shall be made available for distribution to other Creditors.

12.6 **Professional Fees and Expenses.** Each entity requesting compensation in Chapter 11 Cases pursuant to Section 330 of the Bankruptcy Code, shall file an application for allowance of final compensation and reimbursement of expenses before the 45th day after the Confirmation Date or within such time as the Bankruptcy Court shall order. Objections to applications may be filed on or before the 15th day after such application is filed. Each person retained by the Debtor, Chapter 11 Trustee, and the Plan Proponents to perform legal, accounting, consulting or advisory services for the Debtor post-confirmation shall be paid for such services in accordance with arrangements made by such person and the Debtor, Chapter 11 Trustee, and the Plan Proponents, respectfully.

12.7 **Claims Based Upon Rejection of Executory Contracts or Unexpired Leases.** Pursuant to the Plan, and Local Bankruptcy Rule 3003-1(C), all Proofs of Claim with respect to Claims arising from the rejection of executory contracts or unexpired leases rejected as of the Confirmation Date must be filed within 30 days after the later of the date of the entry of the Confirmation Order or an order of the Bankruptcy Court approving such rejection.

Although the Plan provides that any Claims arising from the rejection of an executory contract or unexpired lease not filed within such times will be forever barred unless otherwise ordered by the Bankruptcy Court, no rejection of executory contracts or unexpired leases is contemplated in

this case. All such rejection Claims for which Proofs of Claim are required to be filed will be deemed general Unsecured Claims to the extent ultimately allowed.

12.8 **Lawsuits Reserved**. The Debtor has no post-petition cause of action contemplated or threatened and reserves the option to undertake an action should such an action arise.

12.9 **Voidable transfers.** There was no transfer of assets (property or money) made by the Debtor prior to filing of the case.

12.10 **Non-Bankruptcy Litigation**. There is no non-bankruptcy litigation in this case.

12.11 **Impairment Controversies.** If a controversy arises as to whether any Claim, or any class of Claims, is impaired under the Plan, the Bankruptcy Court shall determine such controversy.

ARTICLE XIII
SOLICITATION OF VOTES

The Plan Proponents are soliciting acceptances from the Creditors holding Claims in classes entitled to vote for or against confirmation of the Plan.

13.1 **Eligibility.** Any Creditor whose Claim is objected to prior to the date the Ballots are due is not eligible to vote to accept or reject the Plan unless the objection is resolved, or after notice and a hearing pursuant to Bankruptcy Rule 3018(a), the Bankruptcy Court allows the Claim temporarily for the purpose of voting. Any Creditor whose claim is objected to that wants its Claim to be allowed temporarily for the purpose of voting must take steps necessary to arrange an appropriate hearing with the Bankruptcy Court.

13.2 **Multiple Claims.** Some Creditors may hold Claims in more than one impaired class. These Creditors must vote separately for each class (in accordance with the records of the Clerk of the Court) and should complete and sign each Ballot received.

13.3 **Ballots.** In voting for or against the Plan, please only use the Ballot or Ballots sent to

you with this Disclosure Statement. You may receive more than one Ballot, and if you do, you should assume that each Ballot is for a Claim in a different class in which you are entitled to vote. Votes cast to accept or reject the Plan will be counted by the class. You are not required to vote all of your Claims in different classes the same way. However, you are required to vote all of your Claims within a class the same way. Please read the voting instructions contained within the Ballot for a thorough explanation of voting procedures applicable to your Claim.

13.4 **Voting Procedure.** To vote on the Plan, you must: (1) indicate on the Ballot that (a) you accept the Plan or reject the Plan; and (2) sign your name and mail the Ballot in the envelope provided for this purpose. Please complete and return each Ballot you receive to the Clerk. Any executed Ballot that does not indicate acceptance or rejection of the Plan will be disregarded. Put your taxpayer identification number (or social security number) on your Ballot where indicated. PLEASE CAREFULLY FOLLOW THE INSTRUCTIONS CONTAINED ON THE BALLOT.

13.5 **Change of Vote.** You may not change your vote after it is cast unless the Court permits you to do so after notice and a hearing to determine whether sufficient cause exists to permit a change. **Do not return any certificates or instruments evidencing your Claim with the Ballot.**

13.6 **Ballot Not Received.** If you believe that you are a member of a voting class for which you did not receive a Ballot, or if your Ballot is damaged or lost, or if you have any questions concerning voting procedures, then please contact the following in writing:

Douglas R. Johnson Chapter 11 Trustee Johnson & Mulroony, PC 428 McCallie Ave Chattanooga, TN 37402 (423) 266-2300 djohnson@johnsonmulroony.com	With a Copy to: LEWIS AND THOMAS, L.L.P. Counsel for the Debtor 165 E. Palmetto Park Road, 2nd Floor Boca Raton, Florida 33432 (561) 368-7474 main (561) 368-0293 fax ron@lewisthomaslaw.com

13.7 **Importance of Voting.** Your vote is important. Your failure to vote will leave other Creditors, whose interests may not be the same as yours, the decision to accept or reject the Plan.

ARTICLE XIV
CONFIRMATION

14.1 **Cramdown.** At the Confirmation Hearing, the Bankruptcy Court shall confirm the Plan if all of the requirements of Section 1129(a) of the Bankruptcy Code are met, or alternatively pursuant to the "cramdown" provisions of Section 1129(b) of the Bankruptcy Code, if all of the requirements of Section 1129(a) except Subsection 1129(a)(8) are satisfied, and as to any rejecting class of impaired Claims or Interests, Section 1129(b) is satisfied. Two of the requirements of Section 1129(a) are known as the "best interest test" and the "feasibility test."

14.2 **Best Interest Test.** To meet the "best interest" test, a plan proponent must establish that each holder of a claim or interest that is impaired under the plan either has accepted the plan or will receive or retain under the plan in respect of its claim or interest, property of a value as of the effective date that is not less than the amount such holder would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

14.3 **Feasibility Test.** To determine what creditors and holders of interests would receive if a Debtor were liquidated under Chapter 7, the Bankruptcy Court will first determine the dollar amount that would be generated from the liquidation of the assets and properties of the Debtor in the context of a Chapter 7 liquidation. The cash amount that would be available for satisfaction of claims and interests would consist of: (i) the proceeds resulting from the disposition of the Debtor's assets, (ii) the cash held by the Debtor on the petition date, and (iii) any interest earned on the investment thereof, minus the costs of the liquidation and any administrative expense claims and priority claims that may result from liquidation of the Debtor's assets in Chapter 7.

14.4 **Cost of Trustee.** A Chapter 7 trustee's costs of liquidating a Debtor under Chapter

7 would include the fees (in the nature of a commission) payable to a trustee in bankruptcy and the fees and expenses of any attorneys and other professionals engaged by such trustee, plus unpaid expenses incurred during the prior Chapter 11 case including compensation of attorneys and accountants.

14.5 **Risk Factors and Additional Costs.** In this Chapter 11 Case, the additional costs and expenses incurred by a trustee (or trustees) in a Chapter 7 liquidation would likely be substantial, including those associated with the trustee's need to obtain expertise in the particular assets to be liquidated and the background of all of the pending and anticipated litigation. Moreover, the potential loss of management knowledge of the institutional data underlying the prosecution of litigation that is pending or is to be filed would create a significant obstacle for recovery by a Chapter 7 trustee. The costs associated with these factors would be significant and would both delay the final disposition of the cases and would decrease the amounts that Allowed Claims would receive under the Plan. In addition, it is unlikely that the Chapter 7 trustee would undertake the kind of orderly liquidation of the outstanding accounts receivable as is contemplated by the Plan inasmuch as an orderly liquidation as contemplated by the Plan would require the Chapter 7 trustee to continue to operate the business of the Debtor. This is something a trustee in Chapter 7 rarely does and would necessitate the prior permission of the United States trustee and the Bankruptcy Court. the percentage recovery on accounts receivable will likely suffer substantially *(see attached Liquidation Analysis at Exhibit A, page 84.hereto).*

14.6 **Subordination of Claims.** Under Chapter 7, the Claims arising from the Chapter 7 administration of this case would be paid in full before proceeds would be paid to holders of Allowed Claims.

14.7 **New Claims Bar Date.** In addition, the Bankruptcy Code and Rules would permit the establishment of a new Claims Bar Date upon conversion. The reopening of the claims process

would provide a second opportunity for additional potential Claims to be filed, claims that are now time-barred under Chapter 11. Additional costs of noticing, administration and analysis of these additional potential claims, which are now barred, would also be incurred.

14.8 **Smaller Distribution.** Consequently, the Plan Proponents' believe that under Chapter 7, Creditors would receive a smaller distribution than they would receive under the Plan. The Plan Proponents' Chapter 7 liquidation analysis is attached hereto at *Exhibit A, page 84.*.

14.9 **Feasibility.** Funds to be used to make cash payments under the Plan shall derive from the Buyer as prior disclosed. As demonstrated in the projected operating income and expenses budget, which is *attached hereto at Exhibit E, page 104,* the Cherokee Cleveland, TN operation returns to cash flow positive post-confirmation and can perform the obligations under the Plan ay confirmation.

ARTICLE XV
CONFIRMATION OF PLAN W/O NECESSARY ACCEPTANCES; CRAMDOWN

A COURT MAY CONFIRM A PLAN EVEN IF IT IS NOT ACCEPTED BY ALL IMPAIRED CLASSES IF THE PLAN HAS BEEN ACCEPTED BY AT LEAST ONE IMPAIRED CLASS OF CLAIMS AND THE PLAN MEETS THE "CRAMDOWN" REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE. FOR A PLAN TO BE CRAMMED DOWN, THE COURT MUST FIND THAT THE PLAN IS "FAIR AND EQUITABLE" AND DOES NOT "DISCRIMINATE UNFAIRLY" WITH RESPECT TO EACH NON-ACCEPTING IMPAIRED CLASS OF CLAIMS OR INTERESTS. IF NECESSARY, THE PLAN PROPONENTS' INTEND TO REQUEST THE BANKRUPTCY COURT TO CONFIRM THE PLAN IN ACCORDANCE WITH THE "CRAMDOWN" PROVISIONS OF SECTION 1129(b) OF THE BANKRUPTCY CODE OR THE PLAN PROPONENTS WILL MODIFY THE PLAN SO THAT IT SATISFIES THE TERMS THEREOF.

15.1 **No Unfair Discrimination; Fair and Equitable Test.** A plan does not discriminate

unfairly if no class receives more than it is entitled to receive under the Bankruptcy Code. The "fair and equitable" rule requires absolute priority in the payment of claims and interests with respect to the dissenting class or classes. The plan will be deemed "fair and equitable" with respect to creditors if: (i) creditors receive or retain under the plan property of a value equal to the amount of their allowed claims; or (ii) no holders of claims or interests that are junior to the claims of the creditors within the rejecting class receive any property under the plan on account of their junior claim or interest.

15.2 **Absolute Priority Rule Revisited.** The strict requirement of the allocation of full value to dissenting classes before junior classes can receive distribution is known as the "absolute priority rule". The Proponent's Plan: (i) has three (3) impaired classes (Classes 2, 3, and 4). Certain creditors in these classes are contingent, unliquidated, disputed and objected, and are not entitled to vote without resolving these matters first. For example, Betts & Assoc. filed Proof of Claim #4 on 08/24/2017, in the amount of $256,000, due under pre-petition legal fees, is allocated amongst the two Cherokee cases (1:17-bk-11919 Dalton, and 1:17-bk-11920 Cleveland) and the David Terry Forshee individual case (1:17-bk-11918). The Plan treatment is a reduced computation under the three allocations. No other Claims and Equity Interests are impaired, and no creditor or equity interests have legal rights intertwined; and (ii) no class of Claims will receive payments or property with an aggregate value greater than the aggregate value of the Allowed Claims in such a class. Accordingly, the Debtor, Plan Proponents' does not discriminate unfairly as to any impaired class either by proposed treatment or settlement agreement.

ARTICLE XVI
EFFECT OF CONFIRMATION

16.1 **Binding Effect of Confirmation.** Confirmation of the Plan will legally bind the Debtor, Plan Proponents, all Creditors, holders of Equity Interests and other parties in interest to the provisions of the Plan whether or not the Creditor or Equity Interest holder is impaired under the Plan

and whether or not such Creditor or Equity Interest holder has accepted the Plan.

Upon the Effective Date, and after the Debtor, Plan Proponents have received a discharge upon completion of all payments under the Plan, the Reorganized Debtor will be discharged, pursuant to Section 1141 (d)(1) of the Bankruptcy Code, from all Claims and debts that arose before the Effective Date of this Plan and from any liability of any kind whether or not: (a) a proof of claim is filed or deemed to be filed under Section 501 of the Bankruptcy Code; (b) such Claim is allowed under Section 502 of the Bankruptcy Code; or (c) the holder of such Claim has accepted the Plan.

On the Effective Date and after the Debtor, Plan Proponents has received a discharge upon completion of all payments under the Plan, as to every discharged debt and Claim, the Creditor that held such debt or Claim will be permanently barred from asserting against the Reorganized Debtor, Plan Proponents, or against the Reorganized Debtor, Plan Proponents' assets or properties, any other or further Claim based upon any document, instrument or act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

As of the Effective Date, all persons who have held, hold or may hold Claims against the Debtor, will be enjoined from taking any of the following actions or affecting the Reorganized Debtor, the Debtor's estate, the assets or properties of the Reorganized Debtor (other than actions brought to enforce any rights or obligations under the Plan or appeals, if any, from the Confirmation Order):

(a Against the filing, commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor and/or Insiders, with respect to any property of any of the foregoing or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing,

or any property of any such transferee or successor except as specifically authorized in the Plan;

(b) Enforcing, levying, attaching (including without limitation, any pre-judgment attachment), collecting or otherwise recovering by any means or in any manner, whether directly or indirectly, any judgment, award, decree or other Order against the Debtor and/or Insiders, with respect to any property of any of the foregoing or any of the direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or property or any such transferee or successor except as specifically authorized in the Plan.

(c) Creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any liens or encumbrances against the Debtor and/or Insiders, with respect to any property of any of the foregoing or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or any property of any such transferee or successor except as specifically authorized in the Plan;

(d) Setting off, seeking reimbursement or contribution from or subrogation against or otherwise recouping in any manner, directly or indirectly, any amount against any liability owed to the Debtor and/or Insiders, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing except as specifically authorized in the Plan; or

(e) Proceeding in any manner and any place with regard to liquidating any Claim in any forum other than the United States Bankruptcy Court for the Eastern District of Tennessee at Chattanooga, or, if that Court does not have jurisdiction thereon, in the United States District Court for the for the Eastern District of Tennessee, or in such forum deemed appropriate by the Debtor or Plan Proponent.

16.2 **Good Faith.** Confirmation of the Plan shall constitute a finding that the Plan has been

proposed in good faith and in compliance with applicable provisions of the Bankruptcy Code.

ARTICLE XVII
TAX ANALYSIS

17.1 THE FOLLOWING DISCUSSION IS A SUMMARY OF CERTAIN MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO HOLDERS OF CLAIMS AGAINST THE DEBTOR, BUT IS NOT A COMPLETE DISCUSSION OF ALL SUCH CONSEQUENCES. CERTAIN OF THE CONSEQUENCES DESCRIBED BELOW ARE SUBJECT TO SUBSTANTIAL UNCERTAINTY DUE TO THE UNSETTLED STATE OF THE TAX LAW GOVERNING BANKRUPTCY REORGANIZATIONS. NO RULINGS HAVE BEEN OR WILL BE REQUESTED FROM THE INTERNAL REVENUE SERVICE (THE "IRS") WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN. FURTHER, THE TAX CONSEQUENCES OF THE PLAN TO THE HOLDERS OF CLAIMS AGAINST THE DEBTOR MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. IN ADDITION, THERE MAY BE STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF THE PLAN APPLICABLE TO PARTICULAR HOLDERS OF CLAIMS OR INTERESTS, NONE OF WHICH ARE DISCUSSED BELOW. THEREFORE, THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM, AND YOU ARE URGED TO CONSULT WITH YOUR OWN TAX ADVISORS CONCERNING THE INDIVIDUAL TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED BY THE PLAN, INCLUDING STATE, LOCAL AND FOREIGN TAX CONSEQUENCES.

17.2 A portion of the consideration received pursuant to the Plan in payment of a Claim may be allocated to unpaid interest, and the remainder of the consideration will be allocated to the

principal amount of the Claim. The tax consequences of the consideration allocable to the portion of a Claim related to interest differ from the tax consequences of the consideration allocable to the portion of a Claim related to principal. Holders of Claims will recognize ordinary income to the extent that any consideration received pursuant to the Plan is allocable to interest, and such income has not already been included in such Creditor's taxable income. The determination as to what portion of the consideration received will be allocated to interest is unclear, and may be affected by, among other things, rules in the Internal Revenue Code (the "Tax Code") relating to original issue discount and accrued market discount. Holders of Claims should consult their own tax advisors as to the amount of any consideration received under the Plan that will be allocated to interest. If amounts allocable to interest are less than amounts previously included in the Creditor's taxable income, the difference will result in a loss. Any amount not allocable to interest will be allocated to the principal amount of the Claim paid pursuant to the Plan, and will be treated as discussed below.

17.3 Creditors receiving Cash generally will recognize gain or loss on the exchange equal to the difference between its basis in the Claim and the amount of Cash received that is not allocable to interest. The character of any recognized gain or loss will depend upon the status of the Creditor, the nature of the Claim in its hands and the holding period of such Claim. If a Creditor has treated a Claim as wholly or partially worthless and been allowed a bad debt deduction, the Creditor will include the amount of Cash received in income to the extent such Cash exceeds the Creditor's remaining tax basis in the Claim.

17.4 Creditors may be entitled to installment sales treatment or other deferral with respect to the distribution received after the Effective Date. Creditors may already have claimed partial bad debt deductions with respect to their Claims. The IRS may take the position that holders of Allowed Claims cannot claim an otherwise allowable further loss in the year in which their Claim is allowed because they could receive further distributions. Thus, a Creditor could be prevented from recognizing

a loss until the time when its Claim has been liquidated and distributions have been completed. If a Creditor is permitted to recognize a loss in the year of the Effective Date by treating the transaction as a "closed transaction" at such time, it may recognize income on any subsequent distribution.

17.5 In making distributions pursuant to the Plan, the Plan Proponent will comply with all withholding and reporting requirements imposed by federal, state or local taxing authorities. All distributions pursuant to the Plan will be subject to all applicable withholding and reporting requirements.

ARTICLE XVIII
ALTERNATIVES TO CONFIRMATION, CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated, the only reasonable alternative is the liquidation of the Debtor under Chapter 7 of the Bankruptcy Code. If the Chapter 11 Case is converted to a case under Chapter 7 of the Bankruptcy Code, a Chapter 7 trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to Creditors in accordance with the priorities established by the Bankruptcy Code. The Plan Proponents' analysis of the probable recovery to Creditors and holders of Equity Interests under Chapter 7 has been presented in the foregoing discussion regarding the "best interest" test.

ARTICLE XIX
CONCLUSION AND RECOMMENDATION

The Plan Proponents put forth their Disclosure Statement and Plan and urge Creditors entitled to vote to accept the Plan and to evidence such acceptance by timely and properly returning their Ballots so indicating. Under the approved Plan, all creditors will receive payment of their claims to the greatest extent allowable under the Bankruptcy Code, and the expense of administering an Estate under Chapter 7 will be avoided. The Plan Proponents affirm their belief that administration of this Estate as provided herein will ultimately provide each creditor the

maximum payment available on their claims.

ARTICLE XX
DEFINITIONS

As used in the Plan, as defined below, and in this Disclosure Statement, as also defined below, the following terms shall have the meanings specified below, unless the context requires otherwise:

20.1 **Administrative Claim** shall mean a Claim for payment of costs or expenses of administration specified in Sections 503(b) and 507(a)(2) of the Bankruptcy Code, incurred after the Petition Date through the Confirmation Date, including without limitation, (i) the actual, necessary costs and expenses of preserving the Debtor's estate incurred after the Petition Date, (ii) compensation for legal, accounting and other services and reimbursement of expenses awarded pursuant to Sections 330(a) or 331 of the Bankruptcy Code, and (iii) all fees and charges assessed against the Debtor's estate pursuant to Section 1930 of Title 28 of the United States Code.

20.2 **Allow, Allowed, Allowance** or words of similar meaning shall mean with respect to a Claim against the Debtor's estate: (i) that no objection has been interposed within the applicable period of limitation fixed by this Plan or by the Bankruptcy Court and that such period of limitation has expired; or (ii) that the Claim has been allowed for purposes of payment by an order of the Bankruptcy Court that is no longer subject to appeal or certiorari and as to which no appeal or certiorari is pending.

20.3 **Bankruptcy Code (the "Code")** shall mean the Bankruptcy Reform Act of 1978, as amended, Title 11, United States Code, which governs the Chapter 11 Case of the Debtor.

20.4 **Bankruptcy Court (the "Court")** shall mean the United States Bankruptcy Court for the Eastern District of Tennessee at Chattanooga, or any other Court exercising competent jurisdiction over the Chapter 11 Case or any proceeding arising in or related to the Chapter 11 Case.

20.5 **Bankruptcy Rules** shall mean the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court (including any applicable local rules of the United States District Court for the Eastern District of Tennessee), as now in effect or hereafter amended.

20.6 **Bar Date** shall mean the date by which Proofs of Claim must be filed against the Debtor's estate.

20.7 **Business Day** shall mean a day other than Saturday, Sunday or legal holidays.

20.8 **Cash** shall mean cash or equivalents, including without limitation checks, bank deposits, proceeds or other similar items.

20.9 **Chapter 11 Case** shall mean the proceeding under Chapter 11 of the Bankruptcy Code for the reorganization of the Debtor herein.

20.10 **Chapter 11 Trustee** shall mean Douglas R. Johnson, appointed on November 7, 2017 as Chapter 11 Trustee, of Johnson & Mulroony, PC, 428 McCallie Ave, Chattanooga, TN 37402, Chattanooga, TN 37409, (423) 266-2300, email: djohnson@johnsonmulroony.com.

20.11 **Claim(s)** shall have the meaning provided for such terms in Section 101(5) of the Bankruptcy Code.

20.12 **Claim Reserve** shall mean Funds to be held by Plan Proponents in respect of Disputed Claims, pending entry of Final Order on allowance or disallowance of such Disputed Claim.

20.13 **Claimant or Creditor** shall mean the holder of a Disputed Claim or Allowed Claim.

20.14 **Class** shall mean a group of Claims or Interests consisting of Claims or Interests which are substantially similar to each other as classified pursuant to the Plan in accordance with Section 1122 of the Bankruptcy Code.

20.15 **Collateral** shall mean with respect to any particular Secured Creditor, any and all of the Debtor's assets which are security for the Claims asserted as Secured Claims by the particular

Creditor.

20.16 **Confirmation or Confirmation Date** shall mean the date upon which the Confirmation Order is entered on the Bankruptcy Court's docket.

20.17 **Confirmation Hearing** shall mean the hearing on the confirmation of the Plan, at which time the Court will consider objections to confirmation, if any.

20.18 **Confirmation Order** shall mean the Order of the Bankruptcy Court confirming this Plan pursuant to Section 1129 of the Bankruptcy Code.

20.19 **Creditor** shall mean any person or entity that is a holder of a Claim against the Debtor.

20.20 **DEA Incident** shall mean the consequences a June 2016 administrative inspection and audit by the Drug Enforcement Administration of Cherokee Pharmacy & Medical Supply, Inc., Cleveland TN, and a September 2016 administrative inspection and audit by the Drug Enforcement Administration of Cherokee Pharmacy & Medical Supply pf Dalton, Dalton, GA.

20.21 **DIP Account(s)** shall mean the bank accounts set up and maintained by the Debtor in approved depositories and which accounts are property of the bankruptcy estate. Closed taking over Chapter 11 Trustee

20.22 **Disclosure Statement** shall mean the Disclosure Statement for the Plan of Reorganization proposed by the Plan Proponents' as approved by the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code, as such Disclosure Statement may be amended, modified or supplemented from time to time *(and all Exhibits and schedules attached thereto or referred to therein).*

20.23 **Disbursing Agent** shall mean initially Douglas R. Johnson, the Chapter 11 Trustee, and subsequently, Ronald Lewis, Attorney for the Plan Proponents.

20.24 **Disputed Claim** shall mean (i) a liability scheduled on the Schedules or the

Amended Schedules as disputed, contingent or unliquidated; or (ii) timely filed proofs of Claim against which an objection is pending, or is filed within the deadline provided in this Plan and which Claim has not been allowed by order of the Bankruptcy Court.

20.25 **Disputed Claim Reserve** shall mean Funds to be held by the Plan Proponents' attorneys, Plan Proponent in conjunction with Douglas Johnson, the Chapter 11 Trustee in respect to a Disputed Claim, pending the entry of a Final Order on the allowance or disallowance of such Disputed Claim.

20.26 **Effective Date** shall mean the fifteenth (15^{th}) day after entry of the Confirmation Order. In the event of an appeal, absent the entry of a stay, the Effective Date shall be the fifteenth (15^{th}) day after entry of the Confirmation Order. In the event the Confirmation Order is stayed pending appeal, the Effective Date shall be the fifteenth (15^{th}) day after the entry of an Order either lifting the stay or affirming the Confirmation Order.

20.27 **Estate Claims** shall mean claims asserted by the Plan Proponent on behalf of the Estate, against any third party, whether under the Bankruptcy Code or other applicable law.

20.28 **Final Order** shall mean an order or judgment of the Bankruptcy Court that is appealable of right to the United States District Court for the Eastern District of Tennessee, pursuant to Section 158(a) of Title 28, United States Code, whether or not an appeal can be timely taken, is taken or is pending unless the order is stayed pending appeal, and whether or not a timely motion is filed under Bankruptcy Rule 7052 or 9023.

20.29 **Final Report** shall mean the Final Report on Distribution and Request for Entry of Final Decree Closing Case to be filed by the Chapter 11 Trustee and Plan Proponents.

20.30 **General Unsecured Claim or Unsecured Claim** shall mean any Claim against the estate of the Debtor other than an Administrative Claim, a Secured Claim, a Priority Claim or a Priority Tax Claim.

20.31 **Insider(s)** shall have the meaning given such term in Section 101(31) of the Bankruptcy Code, including without limitation, Jonathan G. Marquess and Pamela S. Marquess (Purchasers).

20.32 **Notice Parties** shall mean all parties entitled to notice of filings or other matters, as set forth in the Plan which includes all Classes, the United States Trustee, the Chapter 11 Trustee, the Debtor, and Plan Proponents' Counsel, excluding in any particular circumstance the party that itself filed the matter required to be served.

20.33 **Petition Date** shall mean the date that the voluntary petition was filed in the Chapter 11 Case, which date was April 28, 2017.

20.34 **Plan** shall mean this Plan of Reorganization in its entirety, together with all addenda, exhibits, schedules and other attachments hereto, in its present form or as it may be modified, amended or supplemented from time to time, and as attached at *Exhibit F*, *Page 106*.

20.35 **Priority Claim** shall mean any Claim entitled to priority under Section 507 of the Bankruptcy Code other than an Administrative Claim or Priority Tax Claim.

20.36 **Purchasers** shall mean Jonathan G. Marquess and Pamela S. Marquess, who, on January 15, 2017, entered into the Stock Purchase Agreement.

20.37 **Reorganized Debtor** shall mean Cherokee Pharmacy & Medical Supply, Inc., Cleveland, TN.

20.38 **Schedules or Amended Schedules** shall mean the Schedules and Amended Schedules filed or which may be filed by the Debtor or the Plan Proponent in the Chapter 11 Case.

20.39 **Secured Claim** shall mean a Claim pursuant to Section 506(a) of the Bankruptcy Code, which is secured by a lien on property in which the Debtor has an interest or that is subject to set-off under Section 553 of the Bankruptcy Code.

20.40 **Sellers** shall mean shareholders, David Terry Forshee and Angela Denise Forshee,

who, on January 15, 2017, entered into the Stock Purchase Agreement.

20.41 **Stock Purchase Agreement** shall mean that certain Stock Purchase Agreement entered into on January 15, 2017, by and between, Jonathan G. Marquess and Pamela S. Marquess, as Purchasers, and David Terry Forshee and Angela Denise Forshee, as Sellers , where Sellers agreed to sell 100% of the stock of Cherokee Pharmacy & Medical Supply, Inc., a Tennessee corporation (Debtor in Case No.: 1:17-bk-11919 NWW), and Cherokee Pharmacy & Medical Supply of Dalton, Inc., a Georgia corporation (Debtor in Case No.: 1:17-bk-11920 NWW) to Purchasers.

20.42 **United States Trustee** shall mean the Assistant United States Trustee for the Eastern District of Tennessee.

20.43 **Unliquidated Claim(s)** shall mean all Claims scheduled as such by Debtor and/or Plan Proponents, and any Claim filed by Claimant without a specific dollar amount identified therein.

20.44 **Undefined Terms**. A term used but not defined herein shall have the meaning given to it by the Bankruptcy Code or the Bankruptcy Rules, if used therein.

THE SIGNATURE PAGE IS PROVIDED ON THE FOLLOWING PAGE 82 of 106

PLAN PROPONENTS

Jonathon G. Marquess

Pamela S. Marquess

December 26, 2017

COUNSEL

I HEREBY CERTIFY that I am admitted to the Bar of the United States District Court for the Southern District of Florida, and I am in compliance with the additional qualifications to practice in this Court, by way of *Ex Parte* Motion to Appear *pro hac vice* Filed by Ronald B. Lewis on behalf of Interested Party Jonathan Marquess (Plan Proponents), Entered: 11/01/2017 as [DE #136]. Order Granting Motion by Ronald B. Lewis To Appear *pro hac vice* was entered 11/02/2017 [(DE #137].

LEWIS AND THOMAS, L.L.P.
Attorneys for Debtor
165 E. Palmetto Park Road
2nd Floor
Boca Raton, Florida 33432
(561) 368-7474 main
(561) 368-0293 fax

Date: December 26, 2017

By: ____/s/_____
RONALD LEWIS ESQ.
Florida Bar No. 807958

EXHIBIT A **LIQUIDATION ANALYSIS**	
Cherokee Pharamacy & Medical Supply, Inc.	**CASE NO. 17-11920-NWW**
CASE NO. 17-11920-NWW - CHAPTER 11	**Joint Administration Case**

The Liquidation Analysis offers alternatives to confirmation; including risk sensitivities and analysis of the alternatives.

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a Chapter 7 liquidation. The following spreadsheet offers the comparison between accepting the Plan and the alternative of liquidation of the Debtor.

In the event the accompanying Plan, or any of its modifications or amendments, is not accepted by the holders of Approved Claims and Allowed Interests in the impaired classes or otherwise confirmed by the Court under the Cramdown provisions of Section 1129(b) of the Bankruptcy Code, the Plan Proponent believes that the Debtor's case would be dismissed or converted to a case under Chapter 7.

In such event, the Chapter 11 Trustee would be likely be appointed as Chapter 7 Trustee, and the Debtor's assets would be liquidated for distribution to creditors. Since the Debtor has limited assets beyond its stock in trade and leasehold improvements; which are subject to judgment creditor levy, remaining creditors would realize less than the proposed distributions offered in the Plan Proponents' Plan of Reorganization in a liquidation.

In a liquidation, the unsecured creditors would not be entitled to any of the equity from the sale of the real property or personal property as a forced sale would predictably erode the projected equity value of the Estate assets and personal property. Accordingly, in a Chapter 7 Bankruptcy, the unsecured creditors would likely receive far less, <u>if any</u>, distribution.

The Plan Proponents are confident that the proposed Plan, and its creditor treatments, offer

a superior outcome to Liquidation. As offered in the following Liquidation Analysis; regardless of the yield a liquidation sale may conclude, would not exceed the approximate 100% Plan treatments as proposed.

NOTE:

Plan Proponents have insufficient source materials to complete its Liquidation Analysis at this time. When sufficient source materials are assembled, this Exhibit A will be completed accordingly. The Plan Proponents anticipate a preliminary Liquidation Analysis will be added to its Disclosure Statement in the extreme near-term.

EXHIBIT B
SUMMARY OF CONFIRMATION DIVIDEND SETTLEMENT POOL

Cherokee Pharamacy & Medical Supply, Inc. **CASE NO. 17-11920-NWW**
CASE NO. 17-11920-NWW - CHAPTER 11 **Joint Administration Case**

SUMMARY OF ADMINISTRATIVE ESTIMATES

	Administrative Estimates: (2)	**Estimated**	**Parcel**	**Est. Subtotal:**
1	Estimated U.S. Trustee Fees (Ordinary):	4,875.00	2	
2	Estimated U.S. Trustee Fees (§363(m) sale if approved)	12,000.00	2	
3	Estimated Chapter 11 Trustee Fees	35,000.00	1	
4	Estimated Debtor's Counsel Fees	20,000.00	1	
5.	Estimated Plan Proponents Counsel Fees	56.950.00	2	
6.	Estimated Other Professional Fees	20,000.00	2	
7.	Pre/Post Petition Vendor- Proof of Claim, Priority Unsecured	53,465.67	2	
8	Estimated Post-Petition Vendors	135,000.00	2	
	Total Administrative Estimates (without $$ for missing line items):			$280,340.67

SUMMARY OF DISBURSMENTS FROM DIVIDEND SETTLEMENT POOL

Class and Description	**Number In Class**	**Amount Claimed**
Priority Tax – U.S. Treasury – IRS	1	$100.00
Priority Unsecured – Post-Petition Vendor	1	$53,465.67
Class 1 – Executory Contracts and Leases	2	22,362.73
Class 2 – Contingent Liability – Commercial Guarantee	1	587,699.29
Class 3 – General Unsecured Claims (at 42%)	69	867,261.45
Class 3 – General Unsecured Claims – Disputed (DEA)	1 + (1)	536,574.00
Equity - Purchase Money Retention Interest – Plans Proponents	2	405,653.04
Equity Holders (Shareholders)	2	Disclaimed
Insiders (Disputed)	2	201,800.00
Totals	82	$2,674,916.18

Creditor Class Summary:					
Class	**Description**	**Claim**	**Paid @ 42%**	**Assumed @ 100%**	**Offered Settlement**
Priority Tax	U.S. Treasury – IRS	$100.00		$100.00	
Class 1	Executory Contracts	22,363.73		22,362.73	
Class 2	Commercial Guarantee	587,699.29			10,000.00
Class 3	General Unsecured	867,261.45	364,249.81		
Class 3	General Unsecured Disputed (DEA Settlement)	536,574.00			55,000.00
	Equity Holders	Disclaimed			
	Insiders	201,800.00			
		$2,269,263.14	$364,249.81	$75,828.40	$65,000.00
				Total Creditor Class Summary:	**$505,078.21 (2)**
				Total Administrative Estimates (without $$ for missing line items above):	**$289,825.00 (1)**
				Total Administrative Estimates (1) and Creditor Class Summary (2) (without $$ for missing line items):	**$794.903.00 (2), (1)**

EXHIBIT C
CLASSES OF CREDITORS AND SCHEDULE OF CLAIMS AND SETTLEMENTS

Cherokee Pharamacy & Medical Supply, Inc. **CASE NO. 17-11920-NWW**
CASE NO. 17-11920-NWW - CHAPTER 11 **Joint Administration Case**

Priority Tax Claims *(See section 7.5, page 38)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment
1	POC #3-2 05/25/2017 11691955	Internal Revenue Service PO Box 7346 Philadelphia, PA 19101	No	No	$100.00 Notice Only	Amount Verified, if any, at Confirmation (Paid in Full on Effective Date)

Priority Unsecured - Post-Petition Suppliers of Goods *(See section 7.6.7, page 41)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment
1	POC #17 08/28/2017 11816636 Priority Unsecured	McKesson Corporation Attn: John Crumrine 2975 Evergreen Drive Duluth GA 30096	No	No	***Total Priority:*** $53,465.67	Paid @ 100% = $53,465.67

Class 1 – Executory Contracts and Leases *(See section 7.7.1, page 41)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment
1	Class 1 POC #12 07/18/2017 11814210	Hitachi Capital America, Inc. c/o Matthew F. Kye LLP 23 Green Street Suite 302 Huntington, NY 11743	No	No	$8,477.76	Continue under existing terms and conditions
2	Class 1 POC #9 06/29/2017 11757815	Wells Fargo Financial Leasing 800 Walnut St. Des Moines, IA 50309	No	No	$13,884.97	Continue under existing terms and conditions
					$22,362.73	**Total No. 1 and 2**

Class 2 – Contingent Liability – Commercial Guarantee *(See section 7.7.2, page 42)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment (if Purchased) *
1	POC #10 07/18/2017 11775144 Secured Cherokee Cleveland	United Community Bank PO Box 398 Blairsville, GA 30514	No	No	$587.699.29	$952,200.00
				Purchase Money Proceeds payable as: David Terry Forshee Angela Denise Forshee		$364,500.71 $182,250.36 $182,250.36
* If real property leased, not purchased, payable to UCB for release of Commercial Guarantee:						$10,000.00

Class 3 – General Unsecured Creditors – Page 1 *(See section 7.7.3, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Computed and Paid @ 42% =
1	Class 3 No POC	Accident Fund Insurance Co 200 N. Grand Ave. PO Box 40790 Lansing, MI 48901-7990	No	Yes	$195.75	**$82.22**
2	Class 3 No POC	Akins Gas Company 3501 Waterlevel Hwy Cleveland, TN 37323	No	Yes	$318.25	**$133.67**
3	Class 3 No POC	American Express 4315 S 2700 W Salt Lake City, UT 84184-0440	No	Yes	$4,250.00	**$1,785.00**
4	Class 3 No POC	Anda 2915 Weston Road Suite 1000 Weston, FL 33331	No	Yes	$121,677.99	**$51,104.76**
5	Class 3 No POC	Avanti Press 155 W Congress Ste 200 Attn Accounting Detroit, MI 48226	No	Yes	$1.00	Exact amount is unknown. Verified amount or **$.42**
6	Class 3 POC #4 5/15/2017 11691973	Barlow Designs Inc 20 Commercial Way East Providence, RI 02914	No	Yes	$647.61	**$272.00**
7	Class 3 No POC	Blue Cross Blue Shield TN 1 Cameron Cir Attn: Bankruptcy Dept Chattanooga, TN 37402	No	Yes	$676.91	**$284.30**
8	Class 3 No POC	Blue Mountain Arts, Inc. P.O. Box 4549 Boulder, CO 80306	No	Yes	$1,220.46	**$512.59**
9	Class 3 No POC	Buyer's Direct Inc PO Box 818 Elm City, NC 27822	No	Yes	$294.78	**$123.81**
10	Class 3 No POC	CDMA 43157 W Nine Mile Road PO Box 995 Novi, MI 48376-0095	No	Yes	$1,743.46	**$732.25**
11	Class 3 No POC	Chala Group Inc 5135 Edison Ave Ste 7 Chino, CA 91710	No	Yes	$732.25	**$307.55**

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Computed and Paid @ 42% =
1	Class 3 No POC	Accident Fund Insurance Co 200 N. Grand Ave. PO Box 40790 Lansing, MI 48901-7990	No	Yes	$195.75	**$82.22**
2	Class 3 No POC	Akins Gas Company 3501 Waterlevel Hwy Cleveland, TN 37323	No	Yes	$318.25	**$133.67**
3	Class 3 No POC	American Express 4315 S 2700 W Salt Lake City, UT 84184-0440	No	Yes	$4,250.00	**$1,785.00**
4	Class 3 No POC	Anda 2915 Weston Road Suite 1000 Weston, FL 33331	No	Yes	$121,677.99	**$51,104.76**
5	Class 3 No POC	Avanti Press 155 W Congress Ste 200 Attn Accounting Detroit, MI 48226	No	Yes	$1.00	Exact amount is unknown. Verified amount or **$.42**
6	Class 3 POC #4 5/15/2017 11691973	Barlow Designs Inc 20 Commercial Way East Providence, RI 02914	No	Yes	$647.61	**$272.00**
7	Class 3 No POC	Blue Cross Blue Shield TN 1 Cameron Cir Attn: Bankruptcy Dept Chattanooga, TN 37402	No	Yes	$676.91	**$284.30**
8	Class 3 No POC	Blue Mountain Arts, Inc. P.O. Box 4549 Boulder, CO 80306	No	Yes	$1,220.46	**$512.59**
9	Class 3 No POC	Buyer's Direct Inc PO Box 818 Elm City, NC 27822	No	Yes	$294.78	**$123.81**
10	Class 3 No POC	CDMA 43157 W Nine Mile Road PO Box 995 Novi, MI 48376-0095	No	Yes	$1,743.46	**$732.25**
11	Class 3 No POC	Chala Group Inc 5135 Edison Ave Ste 7 Chino, CA 91710	No	Yes	$732.25	**$307.55**

Class 3 – General Unsecured Creditors – Page 2 *(See section 7.7.3, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Computed and Paid @ 42% =
12	Class 3 No POC	Charter Communications 1235 King Street SE Cleveland, TN 37323	No	Yes	$191.32	**80.35**
13	Class 3 No POC	Cherokee Advance Care 1690 25th St NW Ste B Cleveland, TN 37311	No	Yes	$4,933.02	**$2,071.87**
14	Class 3 No POC	Cherokee Health Care 1032 McCallie Ave Chattanooga, TN 37403	No	Yes	$320.67	**$134.68**
15	Class 3 No POC	Cherokee Pharmacy & Medical Supply of Dalton Inc 1506 N Thornton Ave Chattanooga, TN 37402	No	Yes	$27,242.05	**$11,441.66**
16	Class 3 No POC	Cherokee Signs and Lighting 1301 Old Powerline Rd NE Cleveland, TN 37323	No	Yes	$384.13	**$161.33**
17	Class 3 No POC	Citi Card PO Box 6235 Sioux Falls, SD 57117	No	Yes	$825.03	**$346.51**
18	Class 3 No POC	Classic City Roasters Inc Jittery Joes 1480 Baxter St Suite C Athens, GA 30606	No	Yes	$1,516.55	**$636.95**
19	Class 3 No POC	Cleveland Business Machines 3142 Frazier Park Dr Cleveland, TN 37323	No	Yes	$232.51	**$97.65**
20	Class 3 No POC	Cleveland Utility P.O. Box 2730 Cleveland, TN 37320-2730	No	Yes	$1,262.49	**$530.25**
21	Class 3 No POC	Coca-Cola Bottling Co 174 Refreshment Ln SW Cleveland, TN 37311	No	Yes	$959.75	**$403.10**
22	Class 3 No POC	Duncan Ingram P.O. Box 34 Charleston, TN 37310	No	Yes	$65.00	**$27.30**
23	Class 3 No POC	EMO Earcanding Mothers Organization 1109 S Park St #101 Ste 504 Carrollton, GA 30117	No	Yes	$82.74	**$34.75**

Class 3 – General Unsecured Creditors – Page 3 *(See section 7.7.3, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Computed and Paid @ 42% =
24	Class 3 POC #8 06/29/2017 11757581	Emporos Systems Corporation 8514 McAlpine Park Drive Suite 135 Charlotte, NC 28211-6283	No	Yes	$1,734.05	**$728.30**
25	Class 3 No POC	Equinox Communications 6 Cadillac Drive Suite 120 Brentwood, TN 37027	No	Yes	$806.45	**$338.71**
26	Class 3 No POC	Evergreen Enterprises, Inc. 5915 Midlothian Turnpike Richmond, VA 23225	No	Yes	$328.35	**$137.91**
27	Class 3 POC #1 5/05/2017	FFF Enterprises 41093 County Center Drive Temecula, CA 92591	No	Yes	$5,877.97	**$2,468.75**
28	Class 3 No POC	First Citizens Bank PO Box 370 Dyersburg, TN 38025	No	Yes	$150.00	**$63.00**
29	Class 3 No POC	Goodhew, LLC 430 Chestnut St 3rd Floor Chattanooga, TN 37402	No	Yes	$71.70	**$30.11**
30	Class 3 No POC	Harting, Bishop & Arrendale, PLLC 1040 William Way NW Cleveland, TN 37312	No	Yes	$7,184.28	**$3,017.40**
31	Class 3 No POC	Health Care Logistics P.O. Box 400 Circleville, OH 43113	No	Yes	$48.19	**$20.24**
32	Class 3 No POC	Healthsource Distributors, LLC 7200 Rutherford Road Suite 150 Baltimore, MD 21244	No	Yes	$7,714.48	**$3,240.08**
33	Class 3 No POC	Howard's Jewelry, Inc. 8140 Mallory Court Chanhassen, MN 55317	No	Yes	$1.00	Exact amount is unknown. Verified amount or **$.42**
34	Class 3 No POC	HUMCO Compounding 201 W. 5th Street Floor 12 Austin, TX 78701	No	Yes	$240.00	**$100.80**

Class 3 – General Unsecured Creditors – Page 4 *(See section 7.7.3, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Computed and Paid @ 65% =
35	Class 3 No POC	Ingold Law 5555 Main Street Buffalo, NY 14221	No	Yes	$1.00	Exact amount is unknown. Verified amount or **$.42**
36	Class 3 No POC	Jittery Joes 1480 Baxter St Ste C Athens, GA 30606	No	Yes	$928.50	**$389.97**
37	Class 3 #15-2 8/28/2017 11692003	JM Smith Corp dba Smith Drug Co c/o James Haltom & Shane Ramsey 150 Fourth Avenue, N. Suite 1100 Nashville, TN 37219	No	Yes	$485,495.28 Judgment Disputed Under Appeal	**$203,908.02**
38	Class 3 No POC	Kelli's Gift Shop Suppliers 3311 Boyington Drive Suite 400 Carrollton, TX 75006	No	Yes	$1.00	Exact amount is unknown. Verified amount or **$.42**
39	Class 3 No POC	Kringle Candle Company 31 Kringle Drive Bernardston, MA 01337	No	Yes	$1,001.56	**$420.66**
40	Class 3 No POC	Maggie Lyon, Inc. 6000 Peachtree Industrial Blvd Norcross, GA 30071	No	Yes	$519.75	**$218.84**
41	Class 3 No POC	Marriott Blue 28 Card Member Services P.O. Box 94014 Palatine, IL 60094-4014	No	Yes	$29.95	**$12.58**
42	Class 3 POC #7 8/25/2017 11816608	McKesson Corporation Attn: John Crumrine 2975 Evergreen Drive Duluth, GA 30096	No	Yes	11/17/2017 verification = $62,488.60	**$26,245.21**
43	Class 3 POC #2 5/12/2017 11692010	P. Graham Dunn 630 Henry St Dalton, OH 44618	No	Yes	$459.42	**$192.96**
44	Class 3 No POC	Parata Financial Co. 2600 Meridian Parkway Durham, NC 27713	No	Yes	$86,586.75	**$36,366.44**
45	Class 3 No POC	Pitney Bowes 27 Waterview Drive 3rd Floor Shelton, CT 06484	No	Yes	$100.00	**$42.00**

Class 3 – General Unsecured Creditors – Page 5 *(See section 7.7.3, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Computed and Paid @ 65% =
46	Class 3 No POC	Pleasant Valley Candy P.O. Box 455 Blue Ridge, GA 30513	No	Yes	$142.30	**$59.77**
47	Class 3 No POC	Principal Financial Attn: Law Department 711 High Street Des Moines, IA 50392-0300	No	Yes	$45.36	**$19.05**
48	Class 3 No POC	Regency Gallery 1748 Highland Ave. NW Cleveland, TN 37311	No	Yes	1.00	Exact amount is unknown. Verified amount or **$.42**
49	Class 3 No POC	RelayHealth P.O. Box 742532 Atlanta, GA 30374-2532	No	Yes	$311.18	**$130.70**
50	Class 3 No POC	River City Pharmacy 11930 Kemper Springs Drive Cincinnati, OH 45240	No	Yes	$ 1.00	Exact amount is unknown. Verified amount or **$.42**
51	Class 3 No POC	RX Net 8325 B Monticello Road Shawnee, KS 66227	No	Yes	$200.00	**$84.00**
52	Class 3 POC #3 5/15/2017 11691976	SPS Studios, Inc. dba Blue Mountain Arts Inc P.O. Box 4549 Boulder, CO 80306	No	Yes	$1,220.46	**$512.59**
53	Class 3 No POC	Springdale Heating & Air 3871 Old Tasso Road NE Cleveland, TN 37312	No	Yes	$46.55	**$19.55**
54	Class 3 No POC	Staples Advantage P.O. Box 405386 Atlanta, GA 30384-5386	No	Yes	$152.35	**$63.99**
55	Class 3 No POC	Starnes Flower Junction 263 Harle Ave. NW Cleveland, TN 37311	No	Yes	$664.30	**$279.01**
56	Class 3 No POC	Stephanie H Burton Gibbes Burton LLC 308 E Saint John St Spartanburg, SC 29302	No	Yes	$1.00	Exact amount is unknown. Verified amount or **$.42**
57	Class 3 No POC	Transaction Data Services Inc. P.O. Box 79047 Baltimore, MD 21279-0047	No	Yes	374.51	**$157.29**

Class 3 – General Unsecured Creditors – Page 6 *(See section 7.7.3, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Computed and Paid @ 42% =
58	Class 3 No POC	Tri State Distribution Inc. 600 Vista Drive Sparta, TN 38583	No	Yes	$114.71	**$48.18**
59	Class 3 No POC	Tritex Services P.O. Box 962 Trenton, GA 30752	No	Yes	$235.44	**$98.88**
60	Class 3 No POC	TY Inc. P.O. Box 5934 Chicago, IL 60680	No	Yes	46.24	**$19.42**
61	Class 3 No POC	United Community Bank PO Box 3150 Cleveland, TN 37320	No	Yes	$600.00	**$252.00**
62	Class 3 POC #11 07/18/2017 11775144	United Community Bank PO Box 398 Blairsville, GA 30514	No	Yes	$30,453.80 Promissory Note	**$12,790.60**
63	Class 3 No POC	UPS - Corporate Headquarters 5901 Peachtree Dun Road NE Suite A460 Atlanta, GA 30329-7147	No	Yes	$41.20	**$17.30**
64	Class 3 No POC	Vienna Coffee Co. 212 College Street Maryville, TN 37804	No	Yes	$294.18	**$123.56**
65	Class 3 No POC	WCLE 104.1 FM 1860 Executive Park Drive Suite E Cleveland, TN 37312	No	Yes	500.00	**$210.00**
66	Class 3 No POC	Westland Giftware P.O. Box 1165 Union City, CA 94587-1165	No	Yes	1.00	Exact amount is unknown. Verified amount or **$.42**
67	Class 3 No POC	Wheeler Electronics Inc. P.O. Box 1018 Cleveland, TN 37364	No	Yes	$78.00	**$32.76**
68	Class 3 No POC	YP 2247 Northlake Parkway Tucker, GA 30084	No	Yes	$194.87	**$81.85**
				Subtotal:	$867,261.45	**$364,249.81**

Class 3 – General Unsecured Creditors – Page 8 - Disputed *(See section 7.7.4, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment
69	Class 3 POC #13 08/24/2017 11814744	Betts and Associates 44 Broad Street, NW Suite 200 Atlanta, GA 30303	Yes	Yes	$256,000.00	Not an Admin Claim and Disputed
~~70~~	Not Classed POC #6 06/20/2017 11747378	U.S. Bank National Association c/o U.S. Bank Home Mortgage, a division of U.S. Bank N.A. 4801 Frederica Street Owensboro, Kentucky 42301	N/A	N/A	$364,104.82	Not a Creditor in this Case Objected – Should be filed in Case No. 1:17-bk-11918-NWW

Class 3 – General Unsecured Creditors – Page 8 - Disputed *(See section 7.7.4, page 44)*

70	Not Classed POC #7 06/29/2017 11757815	Wells Fargo, N.A. as servicer Attn: Default Document Processing 1000 Blue Gentian Road N9286-01Y Eagan, MN 55121-7700	N/A	N/A	$5,605.79	Not a Creditor in this Case Objected – Should be filed in Case No. 1:17-bk-11918-NWW

Class 3 - Cherokee Cleveland *(See section 7.7.4, page 44)*

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment
71	Proof of Claim 20-1 10/25/2017	Civil Penalty Action; potential for 37 separate violations, with potential civil penalties of $536,574.00	No	Yes	$536,574.00 (Unsecured) Payable as a Flat Fee Settlement of **$55,000.00**	*For reference purposes from Cherokee Cleveland Case:* Contingent, Unliquidated, Disputed, and Objected U.S. DEA c/o AUSA M. Kent Anderson 1110 Market Street, Suite 515 Chattanooga, TN 37402 423.385-1329 kent.anderson@usdoj.gov
	Daniel R. Salter, Assistant Special Agent in Change/Acting SAC, for Special Agent in Charge (SAC) U.S. Drug Enforcement Administration Atlanta Field Division 800 Richard Russell Building 75 Ted Turner Drive, SW Atlanta, GA 30303 tonya.crowley@usdoj.gov 404-893-7000					
					$55,000.00	

Equity Holders and Insiders (See section 7.7.6, page 49)

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment
1	Equity Insiders POC #14 08/24/2017 11814777 Class 2 POC #18 09/01/2017 11823992	Paul Forshee 2712 Brooks Drive SW Rocky Face, GA 30740 Insider Loan to Corporation Mary Helen & Paul Forshee 44 Broad Street NW Suite 200 Atlanta, GA 30303	Yes	Yes	$201,800.00	Disclaimed

DEA Civil Penalty Action in Related Cases
For Reference and Information Purposes

David Terry Forshee Case No. No. 1:17-bk-11918-NWW

No.	Creditor Class	Description	Insider? Yes or No	Impaired	Amount Claimed	Allowed Amount and Treatment
1	Proof of Claim 16-1 10/25/2017	Civil Penalty Action; potential for 627 separate violations, with potential civil penalties of $9,000,000.00, and Civil Penalty Action; potential for 37 separate violations, with potential civil penalties of $536,574.00	No No	Yes Yes	$9,000,000.00 (Unsecured) $536,574.00 (Unsecured) Total: $9,536,574.00 (Unsecured)	*For reference purposes from David Terry Forshee Case:* Contingent, Unliquidated, Disputed, and Objected U.S. DEA c/o AUSA M. Kent Anderson 1110 Market Street, Suite 515 Chattanooga, TN 37402 423.385-1329 kent.anderson@usdoj.gov
	Daniel R. Salter, Assistant Special Agent in Change/Acting SAC, for Special Agent in Charge (SAC) U.S. Drug Enforcement Administration Atlanta Field Division 800 Richard Russell Building 75 Ted Turner Drive, SW Atlanta, GA 30303 tonya.crowley@usdoj.gov 404-893-7000					

Cherokee Dalton – Case No. 1:17-bk-11919-NWW *(see section 7.7.5, page 48)*						
No.	**Creditor Class**	**Description**	**Insider? Yes or No**	**Impaired**	**Amount Claimed**	**Allowed Amount and Treatment**
1	Class 4 Proof of Claim 8-1 10/25/2017	Civil Penalty Action; potential for 627 separate violations, with potential civil penalties of $9,000,000.00	No	Yes	$9,000,000.00 (Unsecured) Payable as a Flat Fee Settlement of **$45,000.00**	Contingent, Unliquidated, Disputed, and Objected U.S. DEA c/o AUSA M. Kent Anderson 1110 Market Street, Suite 515 Chattanooga, TN 37402 423.385-1329 kent.anderson@usdoj.gov
	Daniel R. Salter, Assistant Special Agent in Change/Acting SAC, for Special Agent in Charge (SAC) U.S. Drug Enforcement Administration Atlanta Field Division 800 Richard Russell Building 75 Ted Turner Drive, SW Atlanta, GA 30303 tonya.crowley@usdoj.gov 404-893-7000					
					$45,000.00	

EXHIBIT D **INTERIM OPERATING PLAN AND CENTRALIZED ACCOUNTING**	
Cherokee Pharamacy & Medical Supply, Inc.	**CASE NO. 17-11920-NWW**
CASE NO. 17-11920-NWW - CHAPTER 11	**Joint Administration Case**

INTERIM OPERATING PLAN

To launch and accomplish immediate, coherent, and outcome managed solutions, the Plan Proponents request immediate access to the books and records of the Debtor to determine the current value of the Debtor and its operations. The Plan Proponents' are requesting Court and Chapter 11 Trustee approval; on an emergency basis, to approve the Plan Proponents' engagement of an independent Financial Consultant as a rational, professional counterpart to the current Consultant, Marc Wank employed by the Chapter 11 Trustee on December 14, 2017 [DE#186], to offer additional talents and perspectives to the valuation the corporation and its assets; and therefore, to underpin the veracity of the offer the Plan Proponents are making to purchase the corporate Stock. The scope of work and deliverables ordered under a proposed engagement of an independent Financial Consultant, would include the following:

(a) The launching of an Interim Operating Plan managed by the Financial Consultant in concert with the Chapter 11 Trustee and the Plan Proponents, where resources of the Plan Proponents will be deployed immediately to solve the "hemorrhaging of cash" at the Cherokee Cleveland store by applying sound business, management, and financial practices.

(b) The Interim Operating Plan proposes to utilize the Plan Proponents' Central Accounting and Purchasing Center in Atlanta, GA to operate the Cherokee pharmacies. The Center now operates the other ten (10) pharmacies in the Plan Proponents' portfolio. This method will create an immediate transparency for the Chapter 11 Trustee and the Court, with the Chapter 11 Trustee in full control of the finances of both Cherokee pharmacies from his Chattanooga Office. This solution immediately creates savings through economies of scale, substantial reduction of

operating costs by consolidating administrative personnel, real-time control of purchasing and receiving, and eliminating flaws in internal controls and "loose" accountability cause by duplication of effort. These remedies will immediately find and cure the current "hole-in-the-sack" where the losses are now occurring.

(c) The Financial Consultant operates with trained accounting personnel who have Chapter 11 Bankruptcy Court experience with billing, reporting, and completing Monthly Operating Reports (MORs). The Financial Consultant's firm will immediately; once the data is provided, complete all the delinquent MORs, and timely prepare all future MORs, for substantially less than the Estate is now paying for these reports.

: (d) The Financial Consultant will complete the diligence process (that was never properly finished) for the benefit of all stakeholders. This process was deferred, delayed, or otherwise obstructed during the pendency of the case, by the Sellers/Debtor. Completing the diligence process intends to ascertain, and provide support for, the various valuation approaches available by using typical Merger and Acquisition methods, models, and formulas. The results will be shared with all the stakeholders in the case.

(e) . The Financial Consultant will assist with confirming a final purchase value of the Stock of the Company consistent with the findings of the above valuation processes.

(e) The Financial Consultant will assist with the research and examination into the application and uses of the $600,000 paid by the Plan Proponents (Purchasers) to the Sellers. The contributes to the reconciliation of creditor balances, and the fiscal 2017 reconciliation of inventory and cost of goods in preparation of current period financial statements.

CENTRALIZED
ACCOUNTING AND FINANCIAL MANAGEMENT SYSTEM

ABSTRACT

Objective: Create, or apply, a code-compliant, cash accounting, and disbursement system, with multiple locations and geography

1. Organize a real-time, accessible online, transparent and verifiable, daily cash management system for two Cherokee (2) pharmacies
2. Accountability personnel for system logistics includes, in the following order:
   a) Douglas R. Johnson, Chapter 11 Trustee, Chattanooga, TN
   b) Jonathan G. Marquess, Registered Pharmacist, Atlanta, GA
   c) Accountable System Representative, Cleveland, TN
   d) Accountable System Representative, Dalton, GA
3. Utilize Plan Proponent's in-place accounting platform operating ten (10) pharmacies in ten (10) separate locations
4. Cherokee Dalton, GA is operated (from a distance) by Plan Proponents now but not 100% efficiently due to challenges with partial closing of the Stock Purchase transaction dated January 15, 2017.
5. The Cherokee Cleveland, TN is purportedly operated the same way as #4 above Cherokee Dalton, GA, but has not been. Current operations are disorganized and losing money due to rejection of Jonathan G. Marquess' input and oversight.
6. Plan Proponents' are requesting the Court to allow the 100% take-over of both pharmacies, including management of operations and all personnel, by Jonathan G. Marquess' Interim Operating Team as subordinate to, and under the senior supervision of, Douglas R. Johnson, Chapter 11 Trustee.
7. Plan Proponents' centralized accounting platform and purchasing center in Atlanta, GA is staffed with experienced personnel in all aspects of pharmacy operations and compliance.
8. The System is summarized below following the operating model and system in the other Marquess portfolio of pharmacies

To conclude Abstract, the complex system of regulatory purchasing; coupled with conventional wholesale purchasing commercial and consumer products for each pharmacy is now supported with a compliant and verifiable system suitable for reliance by the Chapter 11 Trustee, the creditors and the Court. On the receivables side of the pharmacies' operations, the same is true with matters of insurance contract coding, billing, and collection, as well as, systematic credit card processing.

The current Centralized System operates efficiently and effectively with ACH debits and credits, and incoming and outgoing direct deposits or wire transfers. The System handles all these cash management variables in real-time, and are trackable managed, and can be made visible online by the Chapter 11 Trustee (with the local DIP bank accounts in Cleveland, TN and Dalton, GA, respectfully, full managed from the Chapter 11 Trustee desk in Chattanooga, TN. Reports and Bank Statements can be viewed historically and in real-time as items are posted. With this System, and its adjacent accountability and security, "out of system" actions or transactions are fully minimized, if not eliminated.

Recommended Utilization: Atlanta Centralized Accounting Center

Basis for Recommendation: System in-place operating 10 existing Pharmacies under Management owned by Jonathan G. Marquess, the Plan Proponent and Registered Pharmacist

Immediate Action: Add the two Cherokee Pharmacies to the existing Marquess' portfolio of 10 pharmacies operated by the Atlanta Centralized Accounting Center

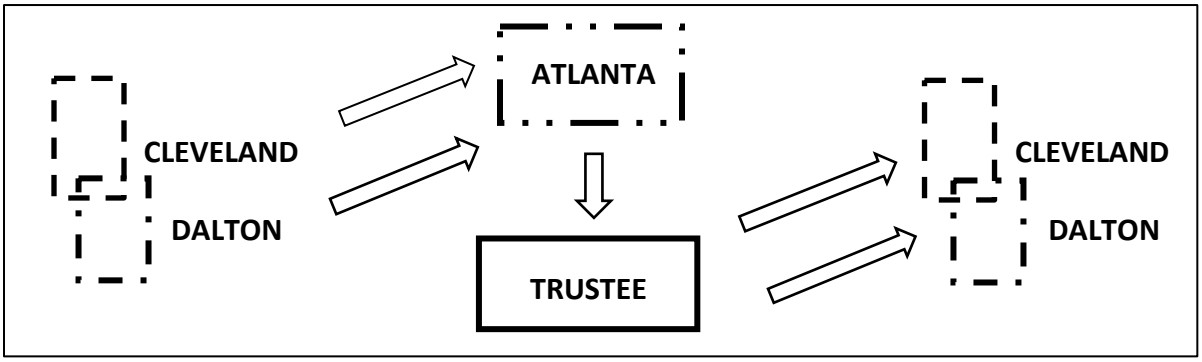
Accountabilities:

1. Licenses – Registrations – Compliance – Reporting
2. Operations Management
3. Quality Control – HIPAA Compliance
4. Customer Relationship Management
5. Personnel
6. Purchasing
7. Receiving
8. Shipping
9. Accounts Payable – CBD, COD, ACH, Direct Deposit, Online Bill Pay, Checks (all Cash basis)

Accountabilities (continued):

10. Accounts Receivable – Point-of-Purchase, Credit Cards, Debit Cards, Cash, Checks, ACH, Direct Deposit (Insurance Reimbursements) and Accounting, Contract HIPAA compliance and coding (per Insurance Providers), co-pay accounting, verification, and PoS Patient coding
11. Payroll and Withholding – Payroll Service
12. Other Taxation and Regulatory Filings and Compliance

PROCEDURES AND CHAIN OF COMMUNICATION
Between Douglas R. Johnson, Chapter 11 Trustee
Direct Administrative Management with Plan Proponent



1. Purchase Requests (Requisitions) from Cleveland and Dalton Manager route to Atlanta Central Office by email.
2. Requisition is reviewed, and items approved for purchase by Atlanta Approving Officer are then routed to Trustee.
3. Trustee reviews and approves/disapproves items and returns to Atlanta.
4. Approved payments are entered into a cash disbursements journal (which is a part of the accounting Atlanta Central system) and must be reconciled daily.
5. Atlanta determines method of payment and "green lights" payments accordingly. Payment method and accounting is part of journal entry above.

6. Best practices and mechanics to be confirmed:

   a. Local checks written by Chapter 11 Trustee are logged into cash disbursements journal daily.
   b. Approved advances made on behalf of the Estates can be made debit card on local Bank of by a Plan Proponent credit card (one used at each Cherokee location and logged into cash disbursements journal by Atlanta – reconciled weekly.
   c. PRINT OUT OF PURCHASE REQUISITIONS AND CASH DISBURSEMENTS JOURNAL IS RECONCILED DAILY WITH CASH IN BANK AND CASH RECEIPTS JOURNAL - THIS IS BEST IF THIS IS AN ATLANTA CENTRAL TASK AND RECONCILATION. REPORT IS SENT TO TRUSTEE DAILY. IF DAILY IS TOO CUMBERSOME, TUESDAYS AND FRIDAYS IS AN OPTION.

6. Cleveland Pharmacy needs Immediate Operational Review to reduce operating costs and current period losses (if possible). Cash infusion is also highly recommended.
7. As a footnote, Dalton is cash flow POSIITIVE, CLEVELAND is not. Regardless of a precise system being designed and installed, immediate effort needs to be invested at Cleveland to turn that store CASH FLOW POSITIVE IN THE EXTREME - NEAR TERM.

COMPARSION OF CURRENT OPERATIONS OF THE TWO CHEROKEE PHARMACIES AND RECOMMENDATIONS	
Cleveland Pharmacy Overview	***Dalton Pharmacy Overview***
1. Retire local bookkeeping function and put on Atlanta Centralized Accounting System	1. Does not have local bookkeeping function. It is done by Atlanta Centralized Accounting System
2. Change payroll from local high cost accounting firm to payroll service compatible with existing 10 store payroll processor (Dalton is already on this system)	2. Dalton Payroll is prepared by Payroll Service, (as oversight function) not local accounting firm
3. Change payroll from weekly to bi-monthly system	3. Payroll is bi-monthly system
4. Review Payroll Logs and confirm verifiable Employee Check-in and accountability system	4. Has verifiable Payroll Logs and verified Employee Check-in and accountability system
5. Next Payroll will be prepared by Payroll Service, not local accounting firm	5. Dalton Payroll is prepared by compatible Payroll Service as other existing 10 stores
6. Stop Local check writing. This is not a necessary function under the Atlanta Centralized System.	6. Dalton can stop Local check writing. Atlanta Centralized System is perfect substitute
7. Disengage Local Accounting firm – this firm is not cost effective and is 100% substitutable by Atlanta Centralized System	7. No Local Accounting firm currently retained
8. Shift all purchases and expenditures to requisition system used by Atlanta Centralized System	8. Shift all purchases and expenditures to requisition system used by Atlanta Central
9. All reoccurring bills (All Utilities, Rent, Supplies, Equipment leases, Robots, Cleaning Services, Garbage, Recycles, Hazardous waste, etc.) shift to separate monthly requisition and schedule paid out of Atlanta Central with Local Cleveland Banking Account. This requisition will be reviewed immediately by Trustee as "Operating Costs Floor" for Cleveland store budget. Checks written from Chattanooga as required	9. All reoccurring bills (All Utilities, Rent, Supplies, Equipment leases, Robots, Cleaning Services, Garbage, Recycles, Hazardous waste, etc.) shift to separate monthly requisition and schedule paid out of Atlanta Central with Local Dalton Banking Account. This requisition will be reviewed immediately by Trustee as "Operating Costs Floor" for Dalton store budget. Checks written from Chattanooga as required
10. Create "repeating" weekly requisition sheet to Trustee with projected amounts and delivery dates for predicable (historical) purchases – This sheet can be modified and updated at the end of each two-week period. This repeating model will be immediately prepared for Trustee for approval. Changes or modifications that are known to occur need to be updated when known and sent to Trustee as a "change order" for approval	10. Create "repeating" weekly requisition sheet to Trustee with projected amounts and delivery dates for predicable (historical) purchases – This sheet can be modified and updated at the end of each two-week period. This repeating model will be immediately prepared for Trustee for approval. Changes or modifications that are known to occur need to be updated when known and sent to Trustee as a "change order" for approval.
11. Daily requisitions required that were not in the above #8 category need to be received by no later than 2:00 PM Chattanooga Time by Trustee for approval as soon as practical.	11. Daily requisitions required that were not in the above #8 category need to be received by no later than 2:00 PM Chattanooga Time by Trustee for approval as soon as practical.

EXHIBIT E **POST-PETITION BUDGET**	
Cherokee Pharamacy & Medical Supply, Inc. **CASE NO. 17-11920-NWW - CHAPTER 11**	**CASE NO. 17-11920-NWW** **Joint Administration Case**

NOTE:

Plan Proponents have insufficient information to complete a Post-Petition Budget at this time. When sufficient information is assembled, this Exhibit E will be completed accordingly.

EXHIBIT F
PLAN OF REORGANIZATION

Cherokee Pharamacy & Medical Supply, Inc. **CASE NO. 17-11920-NWW**
CASE NO. 17-11920-NWW - CHAPTER 11 **Joint Administration Case**

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TENNESSEE
AT CHATTANOOGA

In re:	)	
	)	Joint Administration Case
Cherokee Pharmacy & Medical Supply, Inc, *et al*	)	No. 1:17-bk-11920-NWW
	)	
Debtors.	)	Chapter 11
	)	

PLAN PROPONENTS' PLAN OF REORGANIZATION

Table of Contents

ARTICLE I
DEFINITIONS

A. Terms. The capitalized terms set forth below when used in this Plan shall have the following meanings. All capitalized terms not otherwise defined herein shall be defined as provided for in the Disclosure Statement or in the Bankruptcy Code.

1.1 **Administrative Claim** shall mean a Claim for payment of costs or expenses of administration specified in Sections 503(b) and 507(a)(2) of the Bankruptcy Code, incurred after the Petition Date through the Confirmation Date, including without limitation: (i) the actual, necessary costs and expenses of preserving the Debtor's estate incurred after the Petition Date: (ii) compensation for legal, accounting and other services and reimbursement of expenses awarded pursuant to Sections 330(a) or 331 of the Bankruptcy Code; and (iii) all fees and charges assessed against the Debtor's estate pursuant to Section 1930 of Title 28 of the United States Code.

1.2 **Allow, Allowed, Allowance** or words of similar meaning shall mean with respect to a Claim against the Debtor's estate: (i) that no objection has been interposed within the applicable period of limitation fixed by this Plan or by the Bankruptcy Court and that such period of limitation has expired; or (ii) that the Claim has been allowed for purposes of payment by an order of the Bankruptcy Court that is no longer subject to appeal or certiorari and as to which no appeal or certiorari is pending.

1.3 **Bankruptcy Code (the "Code")** shall mean the Bankruptcy Reform Act of 1978, as amended, Title 11, United States Code, which governs the Chapter 11 Case of the Debtor.

1.4 **Bankruptcy Court (the "Court")** shall mean the United States Bankruptcy Court for the Southern District of Florida, West Palm Beach Division, or any other Court exercising competent jurisdiction over the Chapter 11 Case or any proceeding arising in or related to the Chapter 11 Case.

1.5 **Bankruptcy Rules** shall mean the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court (including any applicable local rules of the United States District Court for the Eastern District of Tennessee at Chattanooga, as now in effect or hereafter amended.

1.6 **Bar Date** shall mean the date by which proofs of claim must be filed against the Debtor's estate.

1.7 **Business Day** shall mean a day other than Saturday, Sunday or legal holidays.

1.8 **Cash** shall mean cash or equivalents, including without limitation checks, bank deposits, proceeds or other similar items.

1.9 **Chapter 11 Case** shall mean the proceeding under Chapter 11 of the Bankruptcy Code for the reorganization of the Debtor herein.

1.10 **Claim(s)** shall have the meaning provided for such terms in Section 101(5) of the Bankruptcy Code.

1.11 **Claim Reserve** shall mean Funds to be held by the Plan Proponents in respect of a Disputed Claim, pending entry of a Final Order on the allowance or disallowance of such Disputed Claim.

1.12 **Claimant or Creditor** shall mean the holder of a Disputed Claim or Allowed Claim, as the case may be.

1.13 **Class** shall mean a group of Claims or Interests consisting of Claims or Interests which are substantially similar to each other as classified pursuant to the Plan in accordance with Section 1122 of the Bankruptcy Code.

1.14 **Collateral** shall mean with respect to any particular Secured Creditor, any and all of the Debtor's assets which are security for the Claims asserted as Secured Claims by the particular Creditor.

1.15 **Confirmation or Confirmation Date** shall mean the date upon which the Confirmation Order is entered on the Bankruptcy Court's docket.

1.16 **Confirmation Hearing** shall mean the hearing on the confirmation of the Plan, at which time the Court will consider objections to confirmation, if any.

1.17 **Confirmation Order** shall mean the Order of the Bankruptcy Court confirming this Plan pursuant to Section 1129 of the Bankruptcy Code.

1.18 **Creditor** shall mean any person or entity that is a holder of a Claim against the Debtor.

1.19 **Debtor** shall mean Cherokee Pharmacy & Medical Supply, Inc.

1.20 **DIP Account(s)** shall mean the bank accounts set up and maintained by the Debtor in approved depositories and which accounts are property of the bankruptcy estate.

1.21 **Disclosure Statement** shall mean the Disclosure Statement for the Plan of Reorganization proposed by the Plan Proponents as approved by the Bankruptcy Court pursuant to Section 1125 of the Bankruptcy Code, as such Disclosure Statement may be amended, modified or supplemented from time to time (and all exhibits and schedules attached thereto or referred to therein).

1.22 **Disbursing Agent** shall mean initially, Doug G. Johnson, Esq. appointed Chapter 11 Trustee, and subsequently Plan Proponents' counsel, Ronald Lewis of Lewis & Thomas, LLP, Boca Raton, Florida.

1.23 **Disputed Claim** shall mean (i) a liability scheduled on the Schedules or the Amended Schedules as disputed, contingent or unliquidated; or (ii) timely filed proofs of Claim against which an objection is pending, or is filed within the deadline provided in this Plan and which Claim has not been allowed by order of the Bankruptcy Court.

1.24 **Disputed Claim Reserve** shall mean Funds to be held by the Debtor in respect to a Disputed Claim, pending the entry of a Final Order on the allowance or disallowance of such

Disputed Claim.

1.25 **Effective Date** shall mean the fifteenth (15th) day after entry of the confirmation Order. In the event of an appeal, absent the entry of a stay, the Effective Date shall be the fifteenth (15th) day after entry of the Confirmation Order. In the event the Confirmation Order is stayed pending appeal, the Effective Date shall be the fifteenth (15th) day after the entry of an Order either lifting the stay or affirming the Confirmation Order.

1.26 **Estate Claims** shall mean claims asserted by the Debtor on behalf of the Estate, against any third party, whether under the Bankruptcy Code or other applicable law.

1.27 **Final Order** shall mean an order or judgment of the Bankruptcy Court that is appealable of right to the United States District Court for the Southern District of Florida pursuant to Section 158(a) of Title 28, United States Code, whether or not an appeal can be timely taken, is taken or is pending unless the order is stayed pending appeal, and whether or not a timely motion is filed under Bankruptcy Rule 7052 or 9023.

1.28 **Final Report** shall mean the Final Report on Distribution and Request for Entry of Final Decree Closing Case to be filed by the Debtor.

1.29 **General Unsecured Claim or Unsecured Claim** shall mean any Claim against the estate of the Debtor other than an Administrative Claim, a Secured Claim, a Priority Claim or a Priority Tax Claim.

1.30 **Insider(s)** shall have the meaning given such term in Section 101(31) of the Bankruptcy Code, including without limitation, the equity holders of Compounding Docs, Inc. and the members of Directed CDI Investments, LLC.

1.31 **Notice Parties** shall mean all parties entitled to notice of filings or other matters, as set forth in the Plan which includes all Classes, the United States Trustee, the Chapter 11 Trustee, The Plan Proponents and Plan Proponents Counsel, the Debtor and Debtor's Counsel,

excluding in any particular circumstance the party that itself filed the matter required to be served.

1.32 **Petition Date** shall mean the date that the voluntary petition was filed in the Chapter 11 Case, which date was April 28, 2017.

1.33 **Plan** shall mean this Plan of Reorganization in its entirety, together with all addenda, exhibits, schedules and other attachments hereto, in its present form or as it may be modified, amended or supplemented from time to time.

1.34 **Priority Claim** shall mean any Claim entitled to priority under Section 507 of the Bankruptcy Code other than an Administrative Claim or Priority Tax Claim.

1.35 **Reorganized Debtor** shall mean Cherokee Pharmacy & Medical Supply, Inc.

1.36 **Secured Claim** shall mean a Claim pursuant to Section 506(a) of the Bankruptcy Code, which is secured by a lien on property in which the Debtor has an interest or that is subject to set-off under Section 553 of the Bankruptcy Code.

1.37 **Schedules or Amended Schedules** shall mean the Schedules and Amended Schedules filed or which may be filed by the Debtor in the Chapter 11 Case.

1.38 **United States Trustee** shall mean the Assistant United States Trustee for the Southern District of Florida.

1.39 **Unliquidated Claim(s)** shall mean all Claims scheduled as such by the Debtor and any Claim filed by Claimant without a specific dollar amount identified therein.

1.40 **Undefined Terms**. A term used but not defined herein shall have the meaning given to it by the Bankruptcy Code or the Bankruptcy Rules, if used therein.

ARTICLE II
CLASSIFICATION OF CLAIMS AND INTERESTS

For purposes of the Plan, the Claims of Creditors shall be classified as follows:

A. Unclassified Claims

2.1 Administrative Claims shall consist of Allowed Claims for liabilities incurred by the Debtor in the ordinary course during the Chapter 11 Case including the Administrative Claims of professionals.

2.2 U.S. Trustee's Fees shall consist of those fees due to the United States Trustee as required pursuant to 28 U.S.C. Section 1930(a)(6).

2.3 Allowed Secured and Priority Tax Claims shall consist of Allowed Priority Claims under 11 U.S.C. Section 507(a)(8) and any Secured Tax Claim that would otherwise meet the description of an unsecured claim under Section 507(a)(8), to the extent that any exist.

B. Classified Claims

2.4 Class 1 – Secured Claims – Executory Contracts and Leases. Class 1 includes two (2) equipment leases provided by two (2) different financial leasing companies. The creditors in this Class are not impaired.

2.5 Class 2 – Contingent Liability - Commercial Guarantee. Class 2 includes one (1) claimant referencing a Commercial Guarantee underpinning the mortgage on the real property where the Cherokee Pharmacy Cleveland is located. The Class 2 Claimant is not impaired.

2.6 Class 3 – General Unsecured Claims – Active Vendors. Class 3 has sixty-nine (69) general unsecured claims; plus, two (2) that are disputed **(see below at 2.8)**. Each of these claims, when the amounts owed are verified, will be paid from the Plan Proponents Dividend Settlement Pool thirty (30) days after the Effective Date of the Plan. All Class 3 creditors are impaired and are entitled to vote to accept or reject the Plan.

2.7 Class 3 – General Unsecured Claims – Disputed. Class 3 has two (2) general unsecured claims that are contingent, unliquidated, and disputed. These claimants are not

entitled to vote to accept or reject the Plan unless the subject of the dispute or disputes are resolved.

2.8 Equity - Purchase Money Retention Interest. The Plan Proponents are stakeholders having a Purchase Money Retention Interest Claim in the inventory assets operated by the Debtor, Cherokee Pharmacy & Medical Supply, Inc. These claimants are not entitled to vote to accept or reject the Plan.

2.9 Equity Holders. There are two (2) shareholders of Debtor Cherokee Pharmacy & Medical Supply, Inc., and two (2) insiders of the Debtor. These claimants are not entitled to vote to accept or reject the Plan.

ARTICLE III
TREATMENT OF UNCLASSIFIED CLAIMS

3.1 Administrative Claims. Allowed Administrative Claims shall be paid upon the date which such Claims become due in the ordinary course, in accordance with the terms and conditions of any agreement relating thereto or upon such other dates and terms as may be agreed upon by the holders of such Claims. All other holders of Allowed Administrative Claims (with the exception of professionals who will be paid One Hundred Percent (100%) of the amount allowed by the Bankruptcy Court upon application to the Bankruptcy Court and those Claims otherwise specifically dealt with in the Plan) shall be paid One Hundred Percent (100%) of their respective Allowed Administrative Claims, in cash, unless otherwise ordered by the Bankruptcy Court, upon the latter of (i) the Effective Date, or (ii) the date upon which an order approving payment of such Administrative Claim becomes a Final Order.

3.2 United States Trustee Fees. Notwithstanding any other provisions of the Plan to the contrary, the Plan Proponents shall pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6), within 15 days of the entry of the Order confirming the Plan, for pre-confirmation periods and simultaneously provide to the U.S. Trustee an appropriate Affidavit

indicating the cash disbursements for the relevant period. The Plan Proponents, as a reorganized Debtor, shall further pay the U.S. Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for post-confirmation periods within the time period set forth in 28 U.S.C. §1930(a)(6), based upon all post-confirmation disbursements made by the reorganized Debtor, until the earlier of the closing of this case by the issuance of a Final Decree by the Court, or upon entry of an Order by the Court dismissing this case or converting this case to another chapter under the U.S. Bankruptcy Code, and the reorganized Debtor shall provide to the U.S. Trustee upon payment of each post-confirmation payment an appropriate Affidavit indicating all the cash disbursements for the relevant period.

3.3 Allowed Secured and Priority Tax Claims. Allowed Secured and Allowed Priority Tax Claims under Section 507(a)(8) of the Bankruptcy Code shall be paid, in accordance with Section 1129(a)(9)(C) and (D) of the Bankruptcy Code, One Hundred Percent (100%) of the Allowed amount of the Claim over a period ending not later than five (5) years after the Petition Date. These claims are to be paid in full on the Effective Date of the Plan.

ARTICLE IV
TREATMENT OF CLASSIFIED CLAIMS

4.1 Class 1 – Executory Contracts and Leases. Plan Proponents agree to assume all executory contracts and unexpired leases under the current terms and conditions to the extent possible. The following executory contracts and leases are affirmed for the specific equipment and systems utilized at the Cherokee Cleveland location. These include, (1) POC #12, filed 07/18/2017, Hitachi Capital America, Inc., in the amount of $8,477.76, and (2) POC #9, filed 06/29/2017, Wells Fargo Financial Leasing, in the amount of $13,884.97 for a total amount claimed in Class 1 is $22,362.73. Although not verified, Plan Proponents assume Debtor has remained current under all its leases, and Plan Proponents assume all Debtor's executory contracts and unexpired leases;

including arrearages, if any, and propose to leave unaltered the legal and contractual obligations with its Class 1 claimants *(see Plan Proponents' Disclosure Statement, section 7.7.1, Page 41).*

4.2 Class 2 – Contingent Liability – Commercial Guarantee. This claim references a Commercial Guarantee executed by David Terry Forshee and Angela Denise Forshee, his wife, as officers and owners of Cherokee Pharmacy and Medical Supply, Inc. The Debtor, therefore, is contingently liable in the amount of $587.699.29 as Guarantor of the real property provided further security under the Forshee's mortgage. As a preferred alternative to a lease, and paying $10,000.00 to the lender in exchange for a release of the guarantee the Cherokee Cleveland premises, the Plan Proponents propose to acquire the property supported the following facts and offer to purchase:

The Plan Proponents offer to purchase the real property for the appraised value as determined by a third-party appraiser chosen by the Chapter 11 Trustee. The Plan Proponents are prepared to close on the property as soon as practical – subject to the approval of the proposed §363 sale. It as anticipated the appraisal would yield a value exceeding UCB's Proof of Claim amount of $587,699.29. For example, David Terry Forshee listed in his Chapter 11 case: 1:17-bk-11918-NWW [DE#43] at Schedule D: Creditors Who Have Claims Secured by Property filed on 05/26/17, at Item 2.6, the value of the real property to be $852,200.00. The Plan Proponent proposes to purchase the building making the premium offer of $952,200.00 where the surplus amount above paying of the mortgage would yield approximately $364,500.71 ($952,200.00 - $587,699.29 = $364,500.71); payable in two halves, where Tenants in the Entireties, David Terry Forshee, would receive $182,250.36 (which proceeds could be partially made available to resolve and release the judgment J.M. Smith Corp. has perfected against the property), and Angela Denise Forshee, his wife, would also receive $182,250.36 as the borrowers under the UCB mortgage. If the appraisal proves to have a value above the $952,200.00 offered, the Plan Proponents would agree to pay (plus other related costs and attorney's fees) to purchase the property at such appraisal

price accordingly.

4.3 Class 3 – General Unsecured Claims. General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

a. Certain priority claims referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Code are required to be placed in classes. The Code requires that each holder of such a claim receive cash on the Effective Date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.

b. Class 3 is the allowed general unsecured claims not otherwise dealt with in the Plan. All Class 3 claimants are impaired and are entitled to vote to accept or reject to Plan, unless claimants are scheduled as contingent, unliquidated, or disputed (or all three). Disputed claimants although impaired, are not entitled to vote to accept of reject the Plan.

c. Class 3 includes seventy-one (71) general unsecured creditors that are owed varying amounts, with several claims with amounts scheduled as "unknown" or "contingent, unliquidated, or disputed". Certain claims may also be objected to as more information is gathered. Sixty-nine (69) of the Allowed and approved Class 3 claimants are to receive forty-two percent (42%) of their respective claims. The total claims of these 69 equal $867,261.45, where 42% equals $364,249,81, payable thirty (30) days after the Effective Date of the Plan from Plan Proponents' Dividend Settlement Pool *(see Plan Proponents Disclosure, section 7.7.3 and 7.7.4, page 44).*

d. Within Class 3, there are two (2) general unsecured claims that are impaired, and either contingent, unliquidated, or disputed (or all of these). Proofs of Claim were filed by these creditors, but certain circumstances surrounding each prohibit recognition of these claims in their present form. However, the Plan Proponents are offering a dividend settlement of the claim filed by the United States Drug Enforcement Agency (DEA) to mitigate the possible Civil Penalty associated with this claim. This claim proposes different treatment than the other Class 3 claimants,

and requires the DEA to vote to accept this mitigation. Payment would be made thirty (30) days after the Effective Date of the Plan from Plan Proponents' Dividend Settlement Pool. The other two (2) disputed creditors are not entitled to vote or accept or reject the Plan.

4.4 Purchase Money Retention Interest. The Plan Proponents, on January 17, 2017, paid $600,000 to the Sellers of the Debtor, in exchange for an equity interest in the inventory purchased on that date. The $600,000 Purchase Money Retention Interest in the inventory assets of the Debtor straddles both Debtor Estates; where the underpinning claim and value remains as the inventory purchased, or its substitutions, by the Plan Proponents for $600,000; paid in full, in cash, and at cost. The Purchase Money Retention Interest claim is divided as $405,653.04 allocated to Cherokee Cleveland, and $194,346.96 allocated to Cherokee Dalton.

4.5 Equity Holders. The equity interest holders of Cherokee Pharmacy & Medical Supply of Dalton, Inc. (David Terry Forshee, owning 50%, and Angela D. Forshee, owning 50%) shall subordinate to the claims of other creditors consistent with the Absolute Priority Rule. A Debtor company in Chapter 11 will want to retain its property, and the Stockholders of the Debtor will want to retain their shares in the company. If the company or the shareholders do not pay all its creditors 100% of their claim, the company could face an objection based upon the Absolute Priority Rule *(see Plan Proponents' Disclosure Statement section 7.7.5.1, 7.7.5.2, page 49, and section 15.2, page 71).* Upon the Effective Date, the Reorganized Debtor shall be owned by the Plan Proponents, by way of adding new value to the Estate, and the subsequent issuance of new stock in Cherokee Pharmacy & Medical Supply, Inc.

4.5 Insiders – Disclaimed Pre-Petition Loans to Company. In the attempt to avoid a Chapter 11 Bankruptcy filing, insiders made pre-petition loans totaling $201,800.00 to Debtor. These loans are disclaimed in their entirety and no distributions or dividends are to be paid to this Class under the Plan *(see Plan Proponents' Disclosure Statement, section 7.7.6, page 49).* These claimants

are not entitled to vote or accept or reject the Plan.

4.6 Priority Tax Claims. Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief. The Internal Revenue Service has filed its proof of Claim #2 in the amount of $100.00. This claim will be paid in full on the Effective Date of the Plan *(see Plan Proponents' Disclosure Statement, section 7.5, page 38).*

4.7 Priority Unsecured – Pre-Petition Vendor. Bankruptcy Code section 503(b)(9) was included as part of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA") to provide additional protection to certain trade creditors by allowing suppliers of goods to assert an administrative expense claim for the value of goods sold and delivered to, and received by, a customer in the ordinary course of business within 20 days of the customer's bankruptcy filing ("§503(b)(9) Claim"). A §503(b)(9) Claim grants goods suppliers a step up in priority as an administrative claim. Plan Proponents have verified only one claimant (McKesson Corporation) as having a §503(b)(9) Claim in its Plan due to limited access to information. No review, reconciliation, or verification has been conducted at this time. Should additional §503(b)(9) Claims be discovered, such Claimants, if any, would be paid from the Dividend Settlement Pool subject to the approval of an expedited §363(m) sale as conditioned, and the Plan treatment offered is 100% of the Allowed Amount of claimant, payable 30 days after Effective Date of the Plan. McKesson Corporation is not an insider and not impaired as to its Claim (POC #6 08/25/2017), in the amount of $47,061.27, and is to be paid at 100%, from the Dividend Settlement Pool, thirty (30) days after the Effective Date of the Plan, unless other payment arrangements are agreed upon by the Claimant McKesson and the Plan Proponent.

4.8 Priority Unsecured – Post Petition Vendors. To the extent there are post-petition

suppliers of goods that are unpaid, such amounts are to be reviewed and confirmed that none of these amounts are confused with pre-petition claims or obligations. Plan Proponents offer an estimate, and are reserving $135,000.00 in its Plan, to address these amounts as no review, reconciliation, or verification has been conducted at this time. After verification, these Claimants, if any, would be paid subject to the approval of an expedited §363(m) sale as conditioned, and the Plan treatment offered is 100% of the Allowed Amount of claimant, payable 30 days after Effective Date of the Plan from the Dividend Settlement Pool *(see attached Plan Proponents' Disclosure Statement, section page Exhibit B, page 86).*

ARTICLE V
IMPLEMENTATION OF THE PLAN/DISBURSING AGENT

5.1 Vesting of the Property of the Estate. On the Effective Date, all property of the Debtor's estate, including any real and personal property interests, shall vest in the Plan Proponents, as the owners of the reorganized Debtor.

5.2 Funding of the Plan. The core stumbling block in closing the Plan Proponents' purchase under §363(m), is the resolution of the possible DEA civil penalties claimed against the two locations and the extent of the devaluation of the operations and the Cherokee brand. Dr. Marquess has overseen the operation of the Dalton store since January 2017 and believes the Cherokee brand can be sufficiently rehabilitated to justify purchasing both Cherokee pharmacies for the remaining $1,200,000 of the purchase price as contemplated in January 2017.

These funds are verified and able to be tendered as quickly as resolution of the case is moved to the foreground. This involves (1) achieving an approved expedited sale under §363(m), (2) the DEA settling the potential civil penalties as proposed, and subsequently, (3) the DEA completing the issuance of the licenses for Dr. Marquess at each of the Cherokee locations. The funding of the Plan treatments as proposed are to be provided at confirmation (30 days after

the Effective Date) and paid from the Dividend Settlement Pool *(see attached Plan Proponents Disclosure Statement, Exhibit B, Page 86, and Exhibit C, page 87).*

5.3 Disbursing Agent. The Chapter 11 Trustee shall make the initial distribution contemplated under the Plan. Any future distributions shall be made by Ron Lewis, Attorney for the Plan Proponents or the Plan Proponents directly, as the Disbursing Agents. Plan Proponents, as the owners of the reorganized Debtor will continue to invest in the Cherokee Cleveland pharmacy by funding the Plan thirty (30) days after the Effective Date, and continue to fund the Cleveland location's post-confirmation operations and expansion plans.

5.4 Disputed Claims. Any and all objections to any Claim must be filed by the date specified by the Bankruptcy Court. The Chapter 11 Trustee may settle any Claim Objection by providing notice to the Notice Parties of the settlement agreement. If (i) the Notice Parties indicate their approval or (ii) the Notice Parties do not provide the Chapter 11 Trustee with written notice of an objection to the respective settlement agreement within seven (7) days after the date such notice is received by the Notice Parties, the Chapter 11 Trustee shall be authorized to accept and consummate the settlement agreement and record an Allowed Claim in the settled amount. If the Chapter 11 Trustee receives any notices of objections to a settlement, then the Chapter 11 Trustee will set the proposed settlement for hearing before the Bankruptcy Court and will provide the appropriate notice to the Notice Parties.

5.5 Unclaimed Distributions. If any distribution to a holder of an Allowed Claim pursuant to the Plan remains unclaimed for a period of ninety (90) days after such distribution has been delivered to the holder entitled thereto, the Allowed amount of the Claim upon which such distribution was made shall be canceled and not be entitled to any further distributions hereunder. A distribution of funds is unclaimed if, without limitation, the holder of a Claim entitled thereto does not cash a check or returns a check or if the check mailed to the holder at the address in the Schedules

or Amended Schedules or set forth in any proof of claim filed by such holder is returned by the United States Postal Service or any other country's postal service as undeliverable. Any such unclaimed distributions shall be forfeited by the holder and be re-deposited into the Reorganized Debtor's accounts pursuant to Section 347(b) of the Bankruptcy Code.

5.6 Determination of Tax Liability. Debtor reserves the right to seek determination of any tax liabilities pursuant to Section 505 of the Bankruptcy Code. Debtor may have tax liabilities.

ARTICLE VI
EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Plan Proponents agree to assume all executory contracts and unexpired leases under the current terms and conditions to the extent possible. The following executory contracts and leases are affirmed for the specific equipment and systems utilized at the Cherokee Cleveland location. Post-Petition payments have been timely made and are current. These include, (1) POC #12, filed 07/18/2017, Hitachi Capital America, Inc., in the amount of $8,477.76, and (2) POC #9, filed 06/29/2017, Wells Fargo Financial Leasing, in the amount of $13,884.97 for a total amount claimed of $22,362.73

To the best of Plan Proponents' knowledge, Debtor does not have a formal location lease with Sellers David Terry Forshee and Angela Denise Forshee (the "Landlord"). To the extent a lease is agreed upon, rather than the preferred acquisition of the real property where Cherokee Cleveland is located by Plan Proponents, the lease would, by necessity, be negotiated and agreed upon with "at market" terms and conditions.

Upon the Effective Date, the Plan Proponents (as owner of the reorganized Debtor) shall continue making regular monthly rent payments to the extent there is a lease agreement. Should the Plan Proponents succeed with their proposed §363(m) sale, and appropriate lease agreement shall the entered into accordingly. The current monthly rent amount is unclear. Applicable taxes and common

area maintenance charges, and will be adjusted accordingly pursuant to the underlying lease agreement.

ARTICLE VII
ACCEPTANCE OF REJECTION OF THE PLAN

7.1 Impaired Classes to Vote. Each impaired class of creditors with claims against the Debtor's estate will be entitled to vote separately to accept or reject the Plan. Class 3 is the only impaired case, and all creditors in this class are impaired and entitled to vote to accept or reject the Plan. Those creditors in this Class that are contingent, unliquidated, disputed, or objected are not entitled to vote to accept or reject the Plan unless a settlement is otherwise reached.

7.2 Acceptance by Class of Creditors. A Class of creditors is deemed to have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Allowed Claims of such Class that vote.

7.3 Cramdown. In the event that any impaired Class of creditors with claims against the Debtor's estate fail to accept the Plan in accordance with Section 1129 of the Bankruptcy Code, the Plan Proponents will request the Bankruptcy Court to confirm the Plan in accordance with Section 1129 of the Bankruptcy Code ("Cramdown Provisions"). For purposes of seeking confirmation of the Plan under the Cramdown Provisions, the Plan Proponents reserves the right to modify or vary the terms of the Plan or the treatment of the Claims of those Classes that rejected the Plan so as to comply with the requirements of the Cramdown Provisions.

ARTICLE VIII
MISCELLANEOUS

8.1 Withdrawal of the Plan. The Plan Proponents reserve the right to revoke or withdraw the Plan in its sole discretion, at any time before the Confirmation Date, or, if for any

reason the Plan cannot be consummated after the Confirmation Date, at any time up to and including the Effective Date. If the Plan is revoked and withdrawn, then (a) nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the estate or to prejudice in any manner the rights of any person in any further proceedings in the Chapter 11 Case or otherwise; and (b) any provision of the Confirmation Order shall be null and void and all such rights of or against the estate shall exist as though the Plan had not been filed and no actions were taken to effectuate it.

8.2 Modification of the Plan. Plan Proponents may modify the Plan, in its sole discretion, either pre- or post-confirmation in accordance with the Bankruptcy Code, or, if for any reason the Plan cannot be consummated after the Confirmation Date, at any time up to and including the Effective Date.

8.3 Confirmation Order Controls. To the extent the Disclosure Statement is inconsistent with the Plan, the Plan shall control. To the extent that the Plan, the Disclosure Statement or any agreement entered into between or among the Plan Proponents and any third party is inconsistent with the Confirmation Order, the Confirmation Order shall control.

8.4 Effectuating Documents and Further Transactions. The Plan Proponents shall be authorized to execute, deliver, file or record such documents, contracts, instruments, releases and other agreements and take such other action as may be necessary to effectuate and further evidence the terms and conditions of the Plan. Plan Proponents' counsel shall have no continuing duties post-confirmation unless otherwise agreed to by the Reorganized Debtor and counsel.

8.5 Tax Returns. For purposes of any future analysis regarding appellate issues (including the mootness of any appeal of the Confirmation Order which has not been stayed), modification of the Plan, administration of the Plan and jurisdiction of the Bankruptcy Court, the Plan shall be deemed to have been substantially consummated upon the Effective Date. Nothing

herein, however, shall limit or affect the Bankruptcy Court's retention of jurisdiction under this Plan. The Plan Proponents' shall be entitled to seek a Final Decree from the Bankruptcy Court prior to the completion of distributions to Holders of Allowed Claims.

8.6 Terms of the Plan are Binding. Pursuant to Section 1141 of the Bankruptcy Code, the Plan and all of its terms, when approved and confirmed by the Bankruptcy Court, shall be binding upon; including without limitation, the Plan Proponents, the Debtor's estate, the Reorganized Debtor, the Committee, all holders of Claims, Allowed or not, and their respective successors and assigns. If, after the Confirmation Date, any term or provision of this Plan is determined to be unenforceable, the remaining terms and provisions shall nonetheless continue in full force and effect.

8.7 Injunction. ***The Confirmation Order shall act as an injunction:***

(a) Against the filing, commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor, and/or Plan Proponents, with respect to any property of any of the foregoing or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or any property of any such transferee or successor except as specifically authorized in the Plan;

(b) Enforcing, levying, attaching (including without limitation, any pre-judgment attachment), collecting or otherwise recovering by any means or in any manner, whether directly or indirectly, any judgment, award, decree or other Order against the Debtor, and/or Plan Proponents, with respect to any property of any of the foregoing or any of the direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or property or any such transferee or successor except as specifically authorized in

the Plan.

(c) Creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any liens or encumbrances against the Debtor, and/or Plan Proponents, with respect to any property of any of the foregoing or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing, or any property of any such transferee or successor except as specifically authorized in the Plan;

(d) Setting off, seeking reimbursement or contribution from or subrogation against or otherwise recouping in any manner, directly or indirectly, any amount against any liability owed to the Debtor, and/or Plan Proponents, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing except as specifically authorized in the Plan; or

(e) Proceeding in any manner and any place with regard to liquidating any Claim in any forum other than the United States Bankruptcy Court for the Eastern District of Tennessee at Chattanooga, or, if that Court does not have jurisdiction thereon, in the United States District Court for the Eastern District of Tennessee at Chattanooga, or in such forum deemed appropriate by the Debtor, and/or Plan Proponents.

8.8 Taxes. The issuance, transfer or exchange of a security or the making or delivery of an instrument of transfer under this Plan, including the execution or recording or any mortgage modification, security agreement and related note, shall be deemed to be free of any tax under any law imposing a stamp or similar tax pursuant to Section 1146(a) of the Bankruptcy Code.

8.9 Section Headings. Headings are utilized in this Plan for the convenience of reference only and shall not constitute a part of this Plan for any other purpose.

ARTICLE IX
RETENTION OF JURISDICTION

From and after entry of the Confirmation Order, the Bankruptcy Court shall retain jurisdiction as is legally permissible over these proceedings for the following purposes:

(a) To hear and determine any and all objections to the allowance of any claim or controversy as to the classification of claims;

(b) To hear and determine any and all applications for compensation and reimbursement of expenses to professionals as well as to hear and determine claims entitled to priority under §507 of Title 11;

(c) To enable the **Debtor, and/or Plan Proponents** to prosecute any and all proceedings which may be brought to set aside liens or encumbrances and to recover any transfers, assets, properties or damages to which the **Debtor, and/or Plan Proponents** may be entitled under applicable provision of the Bankruptcy Code or any other Federal, State or local laws; including causes of action, controversies, disputes, and conflicts between the **Debtor, and/or Plan Proponents,** and any other party, including but not limited to any causes of action for objections to claims, fraudulent or preferential transfers, actions for relief from stay and obligations or equitable subordination; and to enter any Order assuring that good, sufficient and marketable title is conveyed to the purchasers of the Estate's property.

(d) To consider any necessary valuation under §506 of the Code, and any proceeding to determine the amount, validity and priority of liens in connection with the property of the Estate.

(e) To determine the rights of any party in respect to assumption or rejection of any executory contracts or unexpired leases.

(f) To correct any defect, cure any omission or reconcile any inconsistency in the Plan or Order of Confirmation, as may be necessary to carry out the purposes and intent of this Plan.

(g) To modify this Plan after Confirmation, pursuant to the Code.

(h) To enforce and interpret the terms and conditions of this Plan.

(i) To enter Orders to enforce the rights, title and powers of the Estate as the Court may deem necessary.

(j) To enter Orders concluding and closing this case.

(k) To enter any Orders to enforce the rights of the **Debtor, and/or Plan Proponents** to request, receive and be entitled to exercise all rights it would have enjoyed had this case still been a pre-confirmation Chapter 11 case.

Dated this the 26th day of December 2017

THE SIGNATURE PAGE IS PROVIDED ON THE FOLLOWING PAGE 82 of 106

PLAN PROPONENTS

Jonathon G. Marquess

Pamela S. Marquess

December 26, 2017

COUNSEL

I HEREBY CERTIFY that I am admitted to the Bar of the United States District Court for the Southern District of Florida, and I am in compliance with the additional qualifications to practice in this Court, by way of *Ex Parte* Motion to Appear *pro hac vice* Filed by Ronald B. Lewis on behalf of Interested Party Jonathan Marquess (Plan Proponents), Entered: 11/01/2017 as [DE #136]. Order Granting Motion by Ronald B. Lewis To Appear *pro hac vice* was entered 11/02/2017 [(DE #137].

LEWIS AND THOMAS, L.L.P.
Attorneys for Debtor
165 E. Palmetto Park Road
2nd Floor
Boca Raton, Florida 33432
(561) 368-7474 main
(561) 368-0293 fax

Date: December 26, 2017

By: ___/s/_____
RONALD LEWIS ESQ.
Florida Bar No. 807958