

**IN THE UNITED STATES BANKRUPTCY COURT  
MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION**

**IN RE:**

**REO HOLDINGS, LLC,**

**DEBTOR.**

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**CHAPTER 11**

**CASE NO. 16-03349**

**JUDGE MASHBURN**

**AMENDED DISCLOSURE STATEMENT IN SUPPORT OF THE CHAPTER 11  
TRUSTEE'S PLAN OF REORGANIZATION**

**IMPORTANT DATES**

Date by which objections to Confirmation of the Plan must be filed and served: \_\_\_\_\_.

Hearing on Confirmation of the Plan: \_\_\_\_\_, in Courtroom 1 of the U.S. Bankruptcy Court for the Middle District of Tennessee located at 701 Broadway, Nashville, Tennessee 37203.

THIS AMENDED DISCLOSURE STATEMENT IN SUPPORT OF THE CHAPTER 11 TRUSTEE'S PLAN OF REORGANIZATION (THE "DISCLOSURE STATEMENT") SUMMARIZES CERTAIN PROVISIONS OF THE CHAPTER 11 TRUSTEE'S PLAN OF REORGANIZATION (THE "PLAN"), WHICH IS ATTACHED AS **EXHIBIT A**. CAPITALIZED TERMS USED HEREIN BUT NOT DEFINED HEREIN SHALL HAVE THE MEANINGS ASCRIBED THEM IN THE PLAN.

THE TRUSTEE HAS REVIEWED THE INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT AND HAS USED HER BEST EFFORTS TO ENSURE THE ACCURACY THEREOF. HOWEVER, THE INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT HAS NOT BEEN AUDITED.

NO PARTY IS AUTHORIZED TO PROVIDE TO ANY OTHER PARTY ANY INFORMATION CONCERNING THE PLAN OTHER THAN THE CONTENTS OF THIS DISCLOSURE STATEMENT. THE TRUSTEE HAS NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTOR, THE ESTATE, OR ANY ASSET OF THE ESTATE OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS SHOULD NOT RELY ON ANY INFORMATION, REPRESENTATIONS OR INDUCEMENTS MADE TO OBTAIN YOUR ACCEPTANCE OF THE PLAN THAT ARE OTHER THAN, OR INCONSISTENT WITH, THE INFORMATION CONTAINED HEREIN AND IN THE PLAN.

## SUMMARY

### I. BACKGROUND

On February 29, 2016 (the “Petition Date”), the Debtor commenced this case (the “Case”) by filing a voluntary petition for relief under chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Western District of Tennessee. On May 6, 2016, the Debtor’s Case was transferred to the United States Bankruptcy Court for the Middle District of Tennessee (the “Bankruptcy Court”). On June 8, 2016, Family Trust Services LLC, Billy Gregory, Steven Reigle, Regal Homes Co., and John Sherrod moved for the United States Trustee to appoint a chapter 11 trustee to administer the Debtor’s Case (the “Trustee Motion”). On July 13, 2016, the Court granted the Trustee Motion. On July 28, 2016, the United States Trustee moved to appoint Eva M. Lemeh as the Trustee (the “Appointment Motion”). On July 29, 2016, the Court entered an Order granting the Appointment Motion. The Trustee continues to serve in her capacity.

#### A. Overview of the Debtor

The Debtor is a limited liability company organized under the laws of the State of Tennessee with its principal place of business in Nashville, Tennessee. Charles E. Walker (“Mr. Walker”) owns 50% of the equity interests in the Debtor while Jon Paul Johnson (“Mr. Johnson”) owns the remaining 50% of the equity interests in the Debtor. The Debtor’s primary business involves the resale of real estate properties that are: (i) purchased at delinquent tax sales in various counties in Tennessee or (ii) redeemed following delinquent tax sales in various counties in Tennessee.

#### B. Causes of Chapter 11 Filing

In the year prior to the filing of this bankruptcy, the Debtor, Mr. Walker, Mr. Johnson, and other affiliated individuals and entities became embroiled in litigation concerning the propriety of certain real estate transfers consummated by the Debtor and/or Mr. Walker. This litigation, which was pending in the Business Court in Davidson County, Tennessee, preoccupied the Debtor and began to strain its resources. Moreover, as a result of certain restraining orders issued by the state court in conjunction with the litigation, the Debtor was no longer able to sell its assets in a profitable manner. The Debtor filed a voluntary chapter 11 petition in order to, *inter alia*, regain the ability to operate. Mr. Walker also filed a voluntary petition for relief under chapter 11 Bankruptcy Code in the United States Bankruptcy Court for the Western District of Tennessee (the “Walker Case”). The Walker Case was transferred to the Bankruptcy Court, where it is pending as Case No. 16-03304. John C. McLemore was subsequently appointed as the Chapter 11 Trustee of the Mr. Walker Bankruptcy Estate (the “Walker Trustee”).

#### C. Developments Following Appointment of the Trustee

In administering the Debtor’s estate, the Trustee has taken a multipronged approach of litigating and resolving litigation involving the Debtor, recovering the Debtor’s property, and preparing for the sale of the Debtor’s property in order to fund distributions under the Plan.

Since her appointment, the Trustee has litigated numerous adversary proceedings and state court matters involving the Debtor. She has resolved a number of these pending matters. Most importantly, the Trustee has resolved the litigation that caused the Debtor's bankruptcy filing pursuant to the Settlement Agreement among the Trustee, the Walker Trustee, Family Trust Services, LLC, Steve Reigle, Regal Homes Company, Billy Gregory, John Sherrod, Charles E. Walker and Jon Paul Johnson, which was approved by the Bankruptcy Court on May 1, 2017 (the "Global Settlement") [Dkt Entry No. 293]. The Global Settlement has also been approved by the Bankruptcy Court in the Walker Case.

The Trustee has recovered or is in the process of recovering significant funds related to the Debtor's attempts to redeem properties throughout Tennessee as well as payments related to settlements approved by the Bankruptcy Court, including the Global Settlement.

The Trustee is in the process of selling three properties owned by the Debtor in Davidson County, Tennessee. The Trustee has also filed a total of 21 quiet title complaints in the Chancery Courts for Hamilton County, Tennessee and Maury County, Tennessee to resolve any title issues concerning such real properties owned by the Debtor, in preparation for the sale of such real properties.

## **II. SUMMARY OF ESTATE ASSETS**

The Debtor owns three parcels of real property that the Trustee is currently in the process of selling, which are not subject to litigation of any kind, and have the associated estimated valuations listed in parenthesis:

1. 3908 Augusta Drive, Nashville, TN 37207 (\$130,000.00)
2. 6166 North New Hope Road, Hermitage, TN 37076 (\$40,000)
3. 4988 Bull Run Rd, Ashland City, TN 37015 (\$20,000)

The Debtor owns 21 parcels of real property that are subject to petitions to quiet title in either the Chancery Court for Hamilton County, Tennessee (the first 20 parcels) or the Chancery Court for Maury County, Tennessee (the last listed property) (collectively, the "Undisputed Properties"), and have the associated estimated valuations listed in parenthesis:

1. 31 West 21st Street, Chattanooga, TN 37408 (\$20,000)
2. 4919 15th Ave, Chattanooga, TN 37407 (\$35,000)
3. 731 East Henderson Drive, Chattanooga, TN 37411 (\$37,000)
4. 1911 Raulston Street, Chattanooga, TN 37404 (\$20,000)\*
5. 4819 16th Avenue, Chattanooga, TN 37407 (\$30,000)
6. 1 Maude Street, Chattanooga, TN 37403 (\$25,000)\*
7. 5918 Porter Drive, Harrison, TN 37341 (\$79,000)\*
8. 305 Peach Bloom Drive, Chattanooga, TN 37411 (\$45,000)\*
9. 3601 3rd Avenue, Chattanooga, TN 37407 (\$22,000)

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\* These properties are subject to a Trust Agreement between the Debtor and James Brett whereby Mr. Brett is entitled to 1/2 of profits from the sale of property after subtracting the cost of the tax sale.

10. 1517 Kirby Avenue, Chattanooga, TN 37404 (\$60,000)
11. 2708 Woodside Street, Chattanooga, TN 37407 (\$18,000)
12. 716 Larkin Avenue, Chattanooga, TN 37411 (\$44,000)
13. 1908 Robbins Street, Chattanooga, TN 37404 (\$25,000)
14. 1704 South Hawthorne Street, Chattanooga, TN 37404 (\$20,000)
15. 2025 North Chamberlain Avenue, Chattanooga, TN 37406 (\$33,000)
16. 925 East 11th Street, Chattanooga, TN 37403 (\$50,000)
17. 1508 West 54th Street Chattanooga, TN 37409 (\$15,000)
18. 3014 Peggy Lane, Chattanooga, TN 37404 (\$50,000)
19. 2226 East 19th Street, Chattanooga, TN 37404 (\$12,000)
20. 4334 Sprigg Street, Chattanooga, TN 37412 (\$15,000)
21. 408 West 6th Street, Columbia, TN 38401 (\$100,000)

The following properties are owned by the Debtor subject to further litigation (the “Disputed Claims Properties”) as explained below. The Disputed Claims Properties have the associated estimated valuations listed in parenthesis:

1. 18 West 51st Street, Chattanooga, TN 37410 (\$30,700). The Debtor purchased this property at a delinquent tax sale in Hamilton County, Tennessee but the automatic stay imposed by 11 U.S.C. § 362 arose upon the Debtor’s bankruptcy filing before the redemption period related to the property elapsed. Before a petition to quiet title is filed regarding this property, the automatic stay must be lifted to allow the 30 day extension of the redemption period established by 11 U.S.C. § 108 to expire regarding any unexpired period of redemption related to the property. The automatic stay will be lifted on the effective date of the Trustee’s Plan (the “Effective Date”). It is not anticipated that a redemption will be filed regarding this property. After the 30 day extension expires following notice of the Effective Date, the Trustee anticipates that the PCDA (as defined herein) will file a petition to quiet title and then liquidate this property.

2. 1301 Neely’s Bend Road G64, Madison, TN 37115 (\$62,300). This property is subject to a disputed deed of trust held by Wells Fargo Bank in the alleged amount of \$88,449.25 that is currently the subject of Adversary Proceeding No. 16-90152 pending in the Bankruptcy Court. Adversary Proceeding No. 90152 was removed from the Chancery Court for Davidson County, Tennessee and will be revested in the Debtor upon the Effective Date.

The Debtor’s ownership interest in the following properties (the “Disputed Ownership Properties”) is subject to further litigation as explained below:

1. 1725 Heritage Drive, Madison, Tennessee 37115. The Debtor attempted to redeem this property following its sale at a delinquent tax sale in Davidson County, Tennessee to G Co Investments, LLC. The property is allegedly subject to a deed of trust in favor of CitiFinancial Servicing, LLC in the amount of \$114,892.28. The Debtor's redemption is subject to dispute and was pending in the Chancery Court for Davidson County, Tennessee until it was removed to the Bankruptcy Court as Adversary Proceeding No. 16-90150. This matter will be revested in the Debtor on the Effective Date. If the Debtor is not successful in litigating the matters regarding this property, the \$13,437.49 paid by the Debtor pursuant to its redemption will be available for distribution by the Trustee under the Plan.

2. 7710 Basswood Drive, Chattanooga, TN 37416. The Debtor purchased this property at a delinquent tax sale in Hamilton County, Tennessee. The Basswood Revocable Land Trust filed a notice of redemption regarding this property that the Debtor disputed prior to the Petition Date. This dispute remains pending in the Chancery Court for Hamilton County, Tennessee and will be revested in the Debtor upon the Effective Date. If the Debtor is not successful in litigating the matters regarding this property, the \$22,856.12 paid by the Debtor pursuant to its redemption will be available for distribution by the Trustee under the Plan.

3. 1817 Jackson Street, Chattanooga, TN 37404. The Debtor purchased this property at a delinquent tax sale in Hamilton County, Tennessee. U.S. Bank, N.A. filed a motion to redeem the property, which the Debtor contested pre-petition. The Trustee has agreed in principal to settle the litigation regarding this property, which will result in payments to the Debtor's estate in the amount of \$12,000.00.

4. 3911 Dodson Chapel Road #6, Hermitage, TN 37606. The Debtor attempted to redeem this property after it was purchased by Unique Real Estate Investments, LLC at a delinquent tax sale in Davidson County, Tennessee. In a contested prepetition hearing, the Chancery Court for Davidson County, Tennessee denied the Debtor's redemption. The Debtor timely appealed to the Tennessee Court of Appeals, where the matter remains stayed by the Debtor's bankruptcy. This matter will be revested in the Debtor on the Effective Date. If the Debtor is not successful in litigating the matters regarding this property, the \$12,032.21 paid by the Debtor pursuant to its attempted redemption will be available for distribution by the Trustee under the Plan.

5. 102 Colt Court, Nashville, TN 37221 (\$135,000). The Debtor attempted to redeem this property after it was purchased at a delinquent tax sale in Davidson County, Tennessee. The Debtor's redemption was based upon its purchase of an interest held by one of the heirs to the property. The Metropolitan Government of

Nashville, Tennessee asserted that the Debtor's redemption was insufficient to vest the property in the Debtor's name because it did not own the interests of all the heirs. The Debtor's contested redemption was pending in the Chancery Court for Davidson County, Tennessee prior to it being removed to the Bankruptcy Court as Adversary Proceeding 16-90149. The Trustee has negotiated and is in the process of finalizing the purchase of all the remaining heirs' interests and anticipates entering an agreed order with Metropolitan Government of Nashville, Tennessee remanding Adversary Proceeding 16-90149 to the Chancery Court for Davidson County, Tennessee for entry of an order redeeming this property in the name of REO Holdings, LLC. Afterwards, the Trustee anticipates that the PCDA will file a petition to quiet title and then liquidate this property.

6. 1026 North 7th Street, Nashville, TN 37207. The Debtor attempted to redeem this property after it was sold at a delinquent tax sale in Davidson County, Tennessee. Evans Property Management, LLC also attempted to redeem the property. The dueling contested redemptions were pending in the Chancery Court for Davidson County, Tennessee, prior to it being removed to the Bankruptcy Court as Adversary Proceeding No. 16-90151. This matter will be revested in the Debtor on the Effective Date. If the Debtor is not successful in litigating the matters regarding this property, the \$10,063.21 paid by the Debtor pursuant to its redemption will be available for distribution by the Trustee under the Plan.

7. 1725 Mitchell Avenue, Chattanooga, TN 37408. The Debtor attempted to redeem this property after it was sold to Carl Ditto at a delinquent tax sale in Hamilton County, Tennessee. The tax payer, Cherilyn Bryant filed a chapter 13 petition in the United States Bankruptcy Court for the Eastern District of Tennessee (the "Eastern District Bankruptcy Court") and attempted to redeem this property. Following Cherilyn Bryant's bankruptcy filing, she initiated an adversary proceeding against Carl Ditto and the City of Chattanooga and Hamilton County, but not the Debtor, seeking a declaratory judgment that her redemption was proper. The Eastern District Bankruptcy Court ruled in favor of Cherilyn Bryant. However, this ruling does not bind the Debtor, who was not a party or in privity with Carl Ditto, the City of Chattanooga or Hamilton County. As a result, the Debtor's redemption remained pending in the Chancery Court for Hamilton County, Tennessee prior the Trustee's removal to the Eastern District Bankruptcy Court as Adversary Proceeding No. 16-01036. This matter will be revested in the Debtor on the Effective Date. If the Debtor is not successful in litigating the matters regarding this property, the \$3,377.88 paid by the Debtor pursuant to its redemption will be available for distribution by the Trustee under the Plan.

8. 1907 Duncan Avenue, Chattanooga, TN 37404 (\$25,000). The Debtor's redemption of this property is disputed and no final order of redemption has been entered. It is also subject to contested expense claims by Hisham Elasmer ("Mr. Elasmer") for \$820.00, plus interest that remains pending. Upon the resolution of the Debtor's redemption and Mr. Elasmer's claims, the Trustee anticipates that the PCDA will file a petition to quiet title and then liquidate this property

The Trustee is continuing to analyze and investigate potential claims and causes of action. Any additional claims to be preserved shall be disclosed in conjunction with confirmation of the Plan. Upon Effective Date, the Debtor shall have standing to pursue any causes of action or preserved under the Plan.

### **III. ESTATE LIABILITIES**

The bar date for filing proofs of claim in this Case was November 7, 2016. As of June 7, 2017, the filed claims consist of \$300,791.31 of secured claims, \$3,703.00 of priority unsecured claims, and \$51,019,013.68 of general unsecured claims. A further \$27,420.04 of general unsecured claims were listed by the Debtor as neither unliquidated, disputed nor contingent on its Schedule F and Amended Schedule F. The Trustee and the PCDA shall be responsible for reviewing the filed proofs of claim and scheduled claims and filing any appropriate objections thereto, with the exception of claims divested to the Debtor (the "Divested Claims").

The Trustee is in the process of reviewing the filed claims to ensure that the amounts claimed are valid and are consistent with the Debtor's books and records. The Trustee intends to object to any such claims that are materially different from the amounts shown to be owed to such creditors in the Debtor's books and records.

The Trustee estimates that the current amount of professional fees accrued and outstanding relating to the administration of the Estate totals approximately \$215,000.00. Additional professional fees shall be incurred during the confirmation process as well as post-confirmation.

### **IV. LIQUIDATION ANALYSIS**

The Trustee's Liquidation Analysis, attached as **Exhibit B**, provides an overview of the assets of the Debtor's estate (the "Estate") and the Trustee's projected market values of the same.

### **V. PLAN OVERVIEW**

#### **A. Purpose of Plan**

The purpose of this Plan is to provide for the reorganization of the Debtor's affairs through a sale of the debtor's real property assets by Eva M. Lemeh in her capacity as the Post-Confirmation Disbursement Agent (the "PCDA").

#### **B. Summary of Plan Treatment**

The following is a summary of the classification and treatment of claims under the Plan:

	<u>Treatment</u>
Administrative Claims	<p>Subject to the provisions of 11 U.S.C. §§ 330 and 331, each holder of an Administrative Claim that has been allowed by the Court prior to the confirmation of the Plan will be paid the allowed amount of its claim in full on the Effective Date or as otherwise agreed to by the parties. Any Administrative Claims allowed after the confirmation of the Plan shall be paid in full upon the later of: (i) the Effective Date, (ii) thirty (30) days after allowance by the Court, or (iii) as otherwise agreed to by the parties. Any Administrative Claim, other than claims allowed under 11 U.S.C. § 330 or 28 U.S.C. § 1930, for which a motion to approve such claim is not filed by the Administrative Claims Bar Date, shall be disallowed. In no event shall the PCDA be required to pay an Administrative Claim not allowed by the Bankruptcy Court.</p> <p>The total of all Administrative Claims to be paid under this provision of the Plan is estimated to be \$215,000.00.</p>
Priority Tax Claims	<p>All allowed Priority Tax Claims owing to the IRS, the Tennessee Department of Revenue and Metropolitan Government of Nashville will be paid in full on the Effective Date or as otherwise agreed to by the parties</p> <p>The total of all Priority Tax Claims to be paid under the Plan is estimated to be \$3,700 consisting of the priority tax claims of the Tennessee Department of Revenue.</p>



<p>Class 1A – CitiFinancial Servicing, LLC</p>	<p>Class 1A consists of the alleged secured claim of CitiFinancial Servicing, LLC in the amount of \$110,865.30 on 725 Heritage Drive, Madison, Tennessee 37115 (the “Heritage Property”).</p> <p>The Class 1A Claim is subject to dispute currently pending in Adversary Proceeding No. 16-90150. The Debtor is not liable for Class 1A Claim on an <i>in personam</i> basis as it is only enforceable against the Heritage Property. After Adversary Proceeding No. 16-90150 has been remanded to the Chancery Court for Davidson County, Tennessee following the Effective Date of the Plan in accordance with Section IV.C. of the Plan, the allowed amount of CitiFinancial Servicing, LLC’s Class 1A claim will be determined by (a) a non-appealable order or (b) an agreement between the Debtor and CitiFinancial Servicing, LLC. Such order or agreement shall govern the allowance of the Class 1A Claim. The Debtor shall have 60 days following the allowance of the Class 1A Claim to either pay the Class 1A Claim in full or abandon the Heritage Property to CitiFinancial Servicing, LLC in full satisfaction of the Class 1A Claim.</p> <p>The total of all Class 1A Claims to be paid under the Plan is estimated to be unknown.</p>
<p>Class 1B – James Brett</p>	<p>Class 1B consists of the alleged secured claim of James Brett in the amount of \$180,730.59 arising from a trust agreement executed by Mr. Brett and Debtor concerning cash transferred by Mr. Brett to the Debtor for purposes of purchasing real property interests at the Hamilton County, Tennessee delinquent tax sale in 2015.</p> <p>The Class 1B Claim shall be paid in full, without interest, on the date six months after the Effective Date, unless such date is rescheduled by the PCDA (the “Distribution Date”).</p>

Class 1C – Wells Fargo Bank N.A.	<p>Class 1C consists of the alleged secured claim of Wells Fargo Bank N.A. in the amount of \$88,449.25 on 301 Neely’s Bend Road G64, Madison, TN 37115 (the “Neely’s Bend Property”).</p> <p>The Class 1C Claim is subject to dispute currently pending in Adversary Proceeding No. 16-90152. The Debtor is not liable for Class 1C Claim on an <i>in personam</i> basis as it is only enforceable against the Neely’s Bend Property. After Adversary Proceeding No. 16-90152 has been remanded to the Chancery Court for Davidson County, Tennessee following the Effective Date of the Plan in accordance with Section IV.C. of the Plan, the allowed amount of Wells Fargo Bank, N.A.’s Class 1C claim will be determined by (a) a non-appealable order or (b) an agreement between the Debtor and Wells Fargo Bank, N.A. Such order or agreement shall govern the allowance of the Class 1C Claim. The Debtor shall have 60 days following the allowance of the Class 1C Claim to either pay the Class 1C Claim in full or abandon the Neely’s Bend Property to Wells Fargo Bank, N.A. in full satisfaction of the Class 1C Claim.</p> <p>The total of all Class 1C Claims to be paid under the Plan is estimated to be unknown.</p>
Class 1D – Metropolitan Government of Nashville, Tennessee	<p>Class 1D consists of the alleged secured claims of the Metropolitan Government of Nashville, Tennessee on the following properties: 4988 Bull Run Road, Ashland City, Tennessee; 1301 Neely’s Bend Road, Madison, Tennessee; 3908 Augusta Drive, Nashville, Tennessee; 6166 North New Hope Road, Hermitage, Tennessee in the amount of \$2,251.11.</p> <p>The Class 1D Claim shall be paid in full, at 12% interest on the Effective Date of the Plan if the Class 1D Claim has not already been satisfied in full through the liquidations of the encumbered properties by the Trustee.</p>
Class 2 – Other Priority Claims (Non-Tax)	<p>The Class 2 Claim shall be paid in full, in equal monthly installments over 6 months from the Effective Date, with interest at the annual rate of 3%.</p> <p>The total of all Class 2 Claims to be paid under the Plan is \$0.00.</p>

Class 3A – Allowed Litigation Claim	<p>Class 3A consists of the allowed general unsecured claim of Billy Gregory, Regal Homes Company, Steven Reigle, John Sherrod and Family Trust Services, LLC in the amount of \$362,500.00 pursuant to the Settlement Agreement dated February 14, 2017, among the Trustee, John C. McLemore, the Chapter 11 Trustee of the Charles E. Walker Bankruptcy Estate, Family Trust Services, LLC, Steve Reigle, Regal Homes Company, Billy Gregory, John Sherrod, Charles E. Walker and Jon Paul Johnson, which was approved by the Bankruptcy Court on May 1, 2017 [Dkt Entry No. 293].</p> <p>The Class 3A Claim shall be paid in full, without interest, on the Distribution Date.</p>
Class 3B – Felicia Litigation Claims	<p>Class 3B consists of the unsecured claims filed by Family Trust Services, LLC in the amount of \$100,000, and Andrea Hays in the amount of \$488,000.00.</p> <p>The Class 3B Claims are subject to dispute currently pending in the Felicia Litigation. The allowed amount of Class 3B Claims will be determined by: (a) a non-appealable order and/or (b) an agreement among the Debtor and the Holders of the Class 3B Claims. If allowed, the Class 3B Claims shall be paid in full, without interest, before the later of: (a) 30 days after of the entry of such order or execution of such agreement or (b) the Distribution Date.</p> <p>The total of all Class 3B Claims to be paid under the Plan is estimated to be unknown.</p>
Class 3C – Allowed General Unsecured Claims	<p>Class 3C consists of all allowed general unsecured claims, with the exception of the Allowed Litigation Claim classified as Class 3A.</p> <p>The holders of the Class 3C Claims shall be paid in full, without interest by the Distribution Date.</p> <p>The total of all Class 3C Claims to be paid under the Plan is estimated to be \$58,433.72.</p>
Class 4 – Membership Interests	<p>Upon the Effective Date, the Holders of Class 4 Interests shall retain all ownership rights in the Debtor, subject to the continuing authority of the PCDA as outlined in Section IV.A. of the Plan, until all payments required by this Plan are made.</p>

### C. Post-Confirmation Activities

On the Effective Date, Eva M. Lemeh will be appointed as the PCDA. In this capacity, she will be vested with the sole authority to: (a) file and prosecute to conclusion all quiet title actions regarding: the real property listed on Schedule B to the Plan, to the extent such real property has not been sold by the Trustee prior to the Effective Date, plus any real property owned by the Debtor to which prepetition civil litigation is resolved, by settlement or final non-appealable order, prior to the discharge of the PCDA (the “Saleable Real Estate Assets”); (b) market and sell the Debtor’s Saleable Real Estate Assets to satisfy the claims to be paid pursuant to the Plan; (c) hold any funds to be distributed under the Plan in a segregated account; (d) make distributions to pay allowed claims pursuant to the Plan, with the exception of Disputed *In Rem* Claims; (e) object to any claims against the Estate, including Administrative Claims, with the exception of the Divested Claims; and (f) receive any Property on account the entry of a final non-appealable order or agreement resolving any Divested Claims or Prepetition Civil Litigation.

On the Effective Date, the Debtor shall be vested with authority to object to any Divested Claims to the Debtor and prosecute any civil litigation involving the Debtor that was pending prepetition.

The PCDA will be discharged from her obligations under the Plan, without further order of the Bankruptcy Court, upon the distribution of payments sufficient to pay the Administrative Claims, the Class 1B Claim, the Class 1D Claim, the Class 3A Claim, the Class 3B Claims, and the Class 3C Claims.

All fees and expenses of the PCDA and the PCDA’s professionals shall be obligations of the Debtor paid from funds held by the PCDA. The PCDA shall not be required to file fee applications with the Bankruptcy Court. The Bankruptcy Court shall, however, retain jurisdiction to resolve any disputes regarding the fees and expenses of the PCDA and the PCDA’s professionals.

The sale of the Saleable Real Estate Assets will be completed as soon as practicable, as determined by the PCDA. The PCDA, in consultation with the Members, will solely determine the order and timing of sale of the Real Estate Assets.

Upon the Effective Date of the Plan, the Debtor shall be vested with authority to litigate any pending civil actions involving the Debtor listed on Schedule A to the Plan. Prior to the Effective Date, the Trustee will move to remand all the litigation listed on Schedule A of the Plan pending in the Bankruptcy Court or the United States Bankruptcy Court for the Eastern District of Tennessee to the relevant Tennessee state court.

### V. **RECOMMENDATION**

The Trustee strongly recommends that all creditors vote in favor of the Plan. The Plan provides for a return to creditors at least equal to the return such creditors would obtain through a liquidation of all of the Debtor’s non-exempt assets under chapter 7 of the Bankruptcy Code.

## **VI. CONFIRMATION OF THE PLAN**

### **A. Requirements for Confirmation**

In order to achieve confirmation of the Plan, at least one impaired class of creditors must accept the Plan. In order for a class of claims to accept the Plan, of the ballots received for a particular class, at least two-thirds in amount and more than one-half in number must accept the Plan. If at least one but not all impaired classes accept the Plan, the Plan may be confirmed under the provisions of 11 U.S.C. § 1129(b), despite rejection of the Plan by one or more impaired classes. The Trustee believes that the Plan satisfies the requisites of 11 U.S.C. § 1129(b) and that the Plan is confirmable even if all classes do not vote to accept the Plan.

The Plan provides for a payment of all allowed claims against the Debtor and the return of substantial property to the Debtor. Although a chapter 7 liquidation could have potentially paid all allowed claims against the Debtor, the significant stakeholders in this Case, including the Members of the Debtor, preferred an orderly reorganization of the Debtor by liquidating sufficient assets to pay allowed claims rather than the wholesale liquidation of the Debtor. The Plan, if successfully executed, will accomplish these goals.

### **B. The Confirmation Hearing**

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan to be held on \_\_\_\_\_, at \_\_\_\_ AM in Courtroom 1 of the U.S. Bankruptcy Court located at 701 Broadway, Nashville, Tennessee 37203. The Confirmation Hearing may be adjourned from time to time, with notice of such adjournment provided to those attending the originally scheduled hearing date.

### **C. Objections to Confirmation**

Any responses or objections to confirmation of the Plan must be in writing, filed with the Clerk of the Bankruptcy Court, and served on the Trustee, Michael E. Collins and Robert W. Miller, Manier & Herod, P.C., Special Counsel for the Trustee and the United States Trustee so as to be received no later than \_\_\_\_\_, 2017.

### **D. Feasibility of the Plan, the Best Interests Test and Cram Down**

In addition to reviewing the voting results, at the hearing on confirmation of the Plan, the Bankruptcy Court will determine whether the Plan satisfies the requirements of 11 U.S.C. § 1129. If so, the Bankruptcy Court will enter an order confirming the Plan. The Trustee believes that the Plan satisfies all of the requirements of 11 U.S.C. § 1129.

Two of the more significant requirements for Plan confirmation are that the Plan must be feasible and that the Plan must satisfy the “Best Interests of Creditors” test. To be feasible, the proponent of the Plan must demonstrate that confirmation of the Plan is not likely to be followed by the need for further restructuring under chapter 11. As demonstrated by the Amended

Liquidation Analysis, the sale of the Debtor's Saleable Real Estate Assets and other property should be sufficient to fund all of the payments required under the Plan.

The Best Interests of Creditors test is also satisfied because the Plan provides for the payment to all creditors in an amount that is greater or equal to that which such creditors would receive if the Case were liquidated under chapter 7 of the Bankruptcy Code. Attached as **Exhibit B** is the Amended Liquidation Analysis, which shows that unsecured creditors would likely be the same distributions if this Case were converted to a case under chapter 7 of the Bankruptcy Code.

In the event that all requirements of 11 U.S.C. § 1129(a) are met except the requirements that all classes of claims vote in favor of the Plan, the Plan can still be confirmed under the "cram down" provisions of 11 U.S.C. § 1129(b). The Trustee believes that the Plan meets the requirements of 11 U.S.C. § 1129(b) and can be confirmed even if all classes do not vote in favor of the Plan.

#### E. Risks Associated with the Plan

The risks faced by creditors under this Plan are that the PCDA will not have sufficient proceeds from liquidation of the Saleable Real Estate Assets and the Debtor's other property to fund the payments required by the Plan. As illustrated in the Amended Liquidation Analysis, the Trustee believes that the liquidation of the Saleable Real Estate Assets and the Debtor's other property will be more than sufficient to fund the payments required by the Plan. However, it is also possible that an unforeseen event or events, such as natural disasters, terrorist acts, etc., could occur that affect the Debtor and/or the Debtor's property. Accordingly, it is possible that the Debtor could default in payment of the secured or unsecured obligations. The Trustee believes that, even if an adverse event occurs, the Debtor will be able to find other replacement sources of income in order to meet its obligations under the Plan. The Trustee further believes that the possibility of an adverse event does not outweigh the expected benefits to all creditors under the Plan, especially since the secured creditors would still be able to proceed against their collateral.

### VII. EFFECTS OF CONFIRMATION

The confirmation of the Plan will bind the Debtor, all creditors, and other parties in interest to the provisions of the Plan, regardless of whether such creditors are impaired under the Plan or whether such creditors have voted against confirmation of the Plan.

Except as otherwise provided in the Plan, and after confirmation of the Plan, all property of the Estate will vest in the Debtor on the Effective Date, subject to the rights of the PCDA.

Except with respect to the payments and payment schedules provided under the Plan, all Holders of Claims will be permanently enjoined after the Effective Date from (1) commencing or continuing any action or other proceeding of any kind with respect to such Claims against the Debtor, (2) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order against the Debtor, and (3) creating, perfecting or enforcing any encumbrance of any kind against the Debtor's property. The injunction shall remain in effect

unless or until there has been an order of the Bankruptcy Court determining that there has been a default under the Plan and that the injunction provided hereunder should be lifted.

## **VIII. MISCELLANEOUS PROVISIONS**

### **A. Executory Contracts**

Unless specifically rejected under the terms of the Plan, all outstanding executory contracts are being assumed. Any creditor having a cure claim resulting from the assumption of a contract or lease by this provision shall have thirty (30) days from the Effective Date to file a proof of claim for such cure amount.

### **B. Sources of Information and Disclaimer**

Except as otherwise expressly indicated, the information contained in this Disclosure Statement has been provided by the Trustee and the Trustee's special counsel, based *inter alia* upon the Debtor's Schedules and Statement of Affairs, books and records of the Debtor, and certain pleadings, reports, papers and other documents filed in this Case. This Disclosure Statement may not be relied upon for any purpose other than determining how to vote with respect to the Plan. The Bankruptcy Court has approved no representations concerning the Estate or the Plan other than those representations set forth in this Disclosure Statement. Any representations or inducements made to secure a creditor's acceptance or rejection of the Plan, which are not contained in the Disclosure Statement, should not be relied upon in voting to accept or reject the Plan.

### **C. Retention of Causes of Action and Jurisdiction**

All Property, rights and causes of action, including the Prepetition Civil Litigation, existing as of the Petition Date and held by the Debtor prior to the entry of the Confirmation Order, shall be transferred to the Reorganized Debtor, as successor in interest, subject to the authority of the PCDA. All Property, rights and causes of action that accrued after the Petition Date and held by the Debtor prior to confirmation of the Plan shall be transferred to the Reorganized Debtor, as successor in interest, subject to the authority of the PCDA. The failure to list any specific cause of action as being preserved in the Plan shall not be deemed to bar the future prosecution of such claims on the basis of judicial estoppel, collateral estoppel, res judicata, waiver, or similar legal theory.

Dated: July 31, 2017

Respectfully submitted,

/s/ Eva M. Lemeh

Eva M. Lemeh  
4300 Kings Lane,  
Nashville, TN 37218

Chapter 11 Trustee of the Debtor

and

MANIER & HEROD, P.C.

/s/ Michael E. Collins

Michael E. Collins (BPR No. 16036)  
Robert W. Miller (BPR No. 31918)  
1201 Demonbreun Street, Suite 900  
Nashville, TN 37203  
Tel: 615-244-0030  
Fax: 615-242-4203  
mcollins@manierherod.com

Special Counsel for Chapter 11 Trustee  
Eva M. Lemeh