

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

IN RE:)	
)	Case No. 3:16-bk-03837
SWORDS GROUP, LLC,)	Chapter 11
)	Judge Harrison
Debtor.)	

**DISCLOSURE STATEMENT TO ACCOMPANY DEBTOR’S
PLAN OF REORGANIZATION**

Swords Group, LLC (“**Swords Group**” or the “**Debtor**”) submits this Disclosure Statement for use in soliciting acceptances of its Plan of Reorganization (the “**Plan**”). All capitalized terms not defined in this Disclosure Statement are defined in Debtor’s Plan.

INTRODUCTION

Swords Group is a Tennessee limited liability company owned and operated by members of the Swords family. Debtor’s case is simple – as of the Petition Date, Swords owned five parcels of real property, four of which are encumbered by a Deed of Trust issued to Debtor’s only secured creditor, Simmons Bank. Debtor has substantial equity in each of its properties. Debtor has some Pre-Petition tax liability, but few unsecured creditors.

On May 26, 2016, Debtor filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. The commencement of a Chapter 11 case creates an “estate” comprised of all the legal and equitable interests of Debtor. Sections 1101, 1107 and 1108 of the Bankruptcy Code provide that a debtor may remain in possession of its property and continue to operate as a “debtor in possession.” Formulation of a plan of reorganization is the principal purpose of a Chapter 11 case. The plan is the vehicle for satisfying the holders of claims against and equity interests in a debtor.

The Disclosure Statement describes Debtor’s assets and liabilities, current business, and various transactions contemplated under the Plan. The purpose of this Disclosure Statement is to enable Holders of Impaired Claims against Debtor who are entitled to vote under the Plan to make an informed decision with respect to the Plan before exercising their rights to vote to accept or reject the Plan. The Bankruptcy Court’s approval of this Disclosure Statement does not constitute either a guarantee of the accuracy or completeness of the information contained herein or an endorsement of any of the information contained in this Disclosure Statement or the Plan.

Holders of Claims should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No solicitation of votes with respect to the Plan may be made except pursuant to this Disclosure Statement. No statement or information concerning Debtor (particularly as to results of operations or financial condition, or with respect to distributions to be made under the Plan) or any of the assets or properties of Debtor that is given for the purpose of soliciting acceptances or

rejections of the Plan is authorized, other than as set forth in this Disclosure Statement. In the event of any inconsistencies between the provisions of the Plan and this Disclosure Statement, the provisions of the Plan shall control.

ARTICLE I. PROGRESS OF THE CHAPTER 11 CASE

1.01 Description of Debtor's Business

Swords Group is a Tennessee limited liability company with a principal address at 646 Davis Road, Lebanon, Tennessee 37087. Jerry Swords and his wife, Joyce Swords, formed the Swords Group on October 7, 1998. Mr. Swords currently owns 72% of Debtor, and Mrs. Swords owns the remaining 28%. Swords Group is a real estate holding company. As of the Petition Date, Swords Group owned five parcels of real property – four of these properties include warehouses or industrial buildings, which are leased to related entities, and the fifth is an undeveloped lot. The four operating parcels secure a cross-collateralized promissory note payable to Simmons Bank. Debtor's real estate holdings (the "**Properties**") are as follows:

- (a) 1720 Pleasant Grove Road, Westmoreland, TN 37186 (the "**Pleasant Grove Property**");
- (b) 704 Briskin Lane, Lebanon, TN 37087 (the "**Briskin Property**");
- (c) 207 Hartmann Drive, Lebanon, TN 37087 (the "**Hartmann Property**");
- (d) 492 Industrial Drive, Mt. Juliet, TN 37122 (the "**Industrial Property**"); and
- (e) Undeveloped lot on Academy Road, Lebanon, TN 37087 (the "**Academy Property**").

During the course of this Bankruptcy, Debtor obtained the Court's permission to sell the Academy Property, which sale closed on September 1, 2016. Swords Group leases the remaining Properties to four different businesses that are either solely owned by Jerry Swords or jointly owned by Jerry and Joyce Swords (the "**Operating Affiliates**"), including:

- (a) Southern Debindery Services, Inc. Southern Debindery Services, Inc. ("**Southern Debindery**") is owned 100% by Jerry Swords and occupies the Briskin Property. It is a paper shredding and recycling company that purchases books and paper products from publishers, such as old books or misprints, shreds them, then sells the shredded paper to pulping mills. Kimberly Clarke is one of Southern Debindery's largest accounts. Southern Debindery has three part-time employees.
 - i. Southern Debindery's balance sheet and financial statement for year-end 2015 showed a net operating loss of \$153,647.76.
 - ii. For the first six months of 2016, Southern Debindery had revenues of \$174,435.09, a gross profit of \$111,187.36 and a net operating loss of \$17,303.13.

- (b) Nash Trading Company, LLC. Nash Trading Company, LLC (“**Nash Trading**”) is a wholesale book distribution company that is owned 100% by Jerry Swords. It purchases books in bulk from other companies, including Southern Debindery, or at auction, and resells them on Amazon or to other retailers. It has three part-time and two full-time employees, and it occupies the Pleasant Grove Property, the Hartmann Property, and the Industrial Property. Its main assets are inventory and equipment, including a forklift and a cardboard bailer. Nash Trading anticipates revenues of roughly \$300,000 in 2016.
- i. Nash Trading’s balance sheet and financial statement for year-end 2015 showed a net income of \$29,120.85.
 - ii. For the first six months of 2016, Nash Trading had revenues of \$274,746.00, gross profits of \$164,665.91, and a net operating loss of \$2,434.36.
- (c) Bass Book Deals, LLC and Design Fulfillment, LLC. Both Bass Book Deals, LLC (“**Bass**”) and Design Fulfillment, LLC (“**Design Fulfillment**”) are wholesale book distribution companies. Basss Books is owned 100% by Jerry Swords, while Design Fulfillment is owned 99% by Jerry Swords and 1% by Joyce Swords. Basss and Design Fulfillment occupy the Pleasant Grove Property and the Industrial Property. Like Nash Trading, Basss and Design Fulfillment are strictly internet businesses that purchase and resell books online. Basss does not have any employees. Design Fulfillment has three full-time employees. The main assets of these businesses are the book inventory that they keep at the various Properties.
- i. Basss’ balance sheet and financial statement for year-end 2015 showed a net income of \$3,367.98.
 - ii. Design Fulfillment’s balance sheet and financial statement for year-end 2015 showed a net operating loss of \$62,701.22.
 - iii. For the first six months of 2016, Basss had revenues of \$132,314.75, gross profits of \$54,895.22, and a net operating loss of \$6,390.58.
 - iv. For the first six months of 2016, Design Fulfillment had revenues of \$134,086.18, gross profits of \$46,477.33, and a net operating loss of \$45,649.60.

Although the Operating Affiliates lease space at all but the Academy Property, the Briskin Property is the primary location for the Operating Affiliates’ business operations. The Hartmann Property and the Pleasant Grove Property are primarily storage locations for books and paper products to be shredded by Southern Debindery or sold by Nash Trading, Basss, or Design Fulfillment. The Industrial Property is used as the primary office location for all of the Operating Affiliates’ internet sales operation. In addition, the main assets of each of the Operating Affiliates are notes payable and/or accounts receivable from Debtor, which Debtor incurred in purchasing the Properties.

Swords Group creates a balance sheet and financial statement on a monthly and yearly basis. The most recent yearly balance sheet and financial statement was prepared for year-end 2015. Assets at that time totaled \$4,563,654.48. This value included depreciation. Liabilities at that time were \$4,544,323.96. Any party in interest is directed to review Debtor's monthly operating reports to assess any change to Debtor's assets and liabilities since the Petition Date.

1.02 History of Debtor

The Debtor managed its own affairs prior to the bankruptcy and will continue to manage its affairs after the bankruptcy. Debtor's majority owner, Jerry Swords, oversees Debtor's day-to-day operations with the assistance of his family members, including Julie Young, who maintains Debtor's books and records.

Jerry Swords founded Southern Debinery in the early 1980s, which originally operated in Nashville. Mr. Swords purchased the Hartmann Property in 1988 and the Industrial Property in 2004, as Mr. Swords sought to expand into internet sales. In 2005, Mr. Swords – looking to expand the operations of his companies – explored purchasing the Briskin Property. Rather than purchase the Briskin Property himself, Mr. Swords decided to form a partnership with Billy E. Lowe, calling the partnership J&B Investments, LLC (“**J&B**”). Mr. Lowe helped Mr. Swords create Southern Debinery, which would lease the Briskin Property from J&B and use it as its primary office location. After the initial success of J&B and Southern Debinery, Mr. Swords caused the Swords Group to transfer the Hartmann and Industrial Properties to J&B. Building on their successes, J&B decided to purchase another building and grow another business. In 2008, J&B purchased the Pleasant Grove Property. To finance this purchase, J&B executed a promissory note in the amount of \$4,000,000.00 to First State Bank, which was secured by a Deed of Trust encumbering all of the Properties. Mr. Swords and Mr. Lowe guaranteed this note.

Due to disagreement between Mr. Lowe and Mr. Swords, J&B dissolved. As part of J&B's winding up, J&B agreed to transfer all of the Properties to Swords Group. In exchange, Swords Group assumed all liability on the Note pursuant to an Assumption Agreement with Release, while J&B was released from all such liability. Swords Group was also substituted as the grantor on the Deed of Trust, and Mr. Lowe was released from his guaranty of the Note. Mr. Swords then executed a new guaranty of the liability assumed by Swords Group. Swords Group also agreed to pay J&B an additional \$1.2 million for the Properties, which was distributed evenly to Mr. Swords and Mr. Lowe.

1.03 Events Leading to Chapter 11 Filings

Since Swords Group took ownership of the Properties and exclusive control over the operations, business has suffered. Southern Debinery, the major income-producing tenant of Swords Group, has had reduced revenues in recent years due to overpayment for shredding inventory and expensive shredding equipment. Moreover, Nash Trading, Basss, and Design Fulfillment have not optimized their use of the Properties for their online resale business.

Due to the financial difficulties faced by Swords Group's Operating Affiliates, from whom Swords Group's rental income is derived, Swords Group fell behind on their property tax payments for

2014 and 2015 and its obligations to Simmons Bank. In early 2016, Swords Group began efforts to restructure its business operations, including contracting with real estate brokers to market and sell some of the Properties. However, this restructuring proved untimely, and Simmons Bank commenced foreclosure proceedings in April 2016. In addition, Debtor was faced with potential tax sales of the Properties in the Sumner County Chancery Court (No. 2016-DT-1) and the Wilson County Chancery Court (No. 2015-CV-128). Unable to secure alternative financing or generate sufficient revenue from the sale of its Properties, Swords Group filed for relief under Chapter 11 in order to avoid the foreclosure, restructure its debts, and preserve the value of its business as a going concern.

At the present time, all value has been lost. Swords Group's liabilities greatly exceed its assets and it suffers from serious cash-flow deficits. Swords Group filed for Chapter 11 relief in order to reorganize its operations and emerge a stronger, more efficient, and more profitable company.

1.04 Post-Petition Operations

Debtor has remained Debtor-in-Possession and in control of its affairs since the Petition Date. There has been no examiner, restructuring officer, or other professional appointed to control Debtor's affairs. Debtor has filed all monthly operating reports, which are available electronically to any party in interest. These reports indicate the cash flow of Debtor and its Properties relative to Debtor's costs, expenses, and debt service obligations under the Plan. In connection with filing this Chapter 11, Debtor has continued its efforts to market and sell its properties with the assistance of real estate professionals.

ARTICLE II. PROGRESS OF THE CHAPTER 11 CASE

2.01 Filing of Petition.

On May 26, 2016 (the "**Petition Date**"), Debtor filed a voluntary petition seeking relief under Chapter 11, Title 11 of the Bankruptcy Code.

2.02 Summary of Relevant Proceedings

On June 15, 2016, Simmons Bank filed a Motion for Relief from the Automatic Stay (Docket No. 15), through which Simmons Bank sought to obtain adequate protection payments, resume foreclosure proceedings, or limit Debtor's use of Simmons Bank's cash collateral – Debtor's rental income. Debtor filed a timely response to this motion on July 6, 2016 (Doc. No. 21). By an Agreed Order entered by the Court on September 6, 2016 (Doc. No. 55), Debtor agreed to make adequate protection payments totaling \$22,500 in exchange for use of Simmons' cash collateral. Simmons Bank's motion is set for final hearing concurrently with the hearing on Debtor's Plan and this Disclosure Statement on November 1, 2016.

On August 16, 2016, Debtor filed expedited motions for authority to sell the Academy Property (Doc. No. 36) and for authority to employ Vision Realty Partners, LLC as Debtor's real estate

broker (Doc. No. 34). The Court granted Debtor's expedited motions on August 25, 2016 (Doc. Nos. 46 & 47).

2.03 Schedules of Assets and Liabilities and Monthly Operating Reports

Pursuant to the Bankruptcy Rules and the requirements of the United States Trustee's Office, Debtor filed on June 13, 2016 its Schedules of Assets and Liabilities and the Statement of Financial Affairs (Doc. No. 13). Debtor has filed Monthly Operating Reports for July and August 2016, but not June 2016, the month in which Debtor filed its Statements and Schedules. In addition to the information provided herein, the Schedules, Statements and Monthly Operating Reports may be consulted and inspected by all interested persons. Copies of these and other filings in this Case may be obtained electronically by those authorized to participate in the PACER program by accessing the Bankruptcy Court's website, www.tnmb.uscourts.gov, or by writing to Debtor's counsel.

ARTICLE III. DEBTOR'S ASSETS AND OPERATIONS

The identity and value of the estate's assets are contained in Debtor's schedules of assets. (*See* Docket No. 13). Please also refer to Debtor's financial history set forth in the monthly operating reports. Based on this operating history and Debtor's plan to sell all but one of its Properties, Debtor anticipates that it will be able to successfully complete its obligations under the Plan and that the Plan is feasible.¹

3.01 Cash

As of August 31, 2016, Debtor's Operating Debtor-in-Possession account with SunTrust Bank had an ending book balance of \$769.24. Debtor's Pre-Petition bank account with Simmons Bank, to which Debtor transfers funds for the limited purpose of insurance premium automatic withdrawals, had an ending book balance of \$83.44. In addition, as of the Petition Date, Debtor had a pre-paid Tennessee Franchise & Excise Tax credit of \$3,400.

On September 1, 2016, Debtor's sale of the Academy Property closed, through which Debtor realized net proceeds of \$60,449. Debtor is distributing \$22,500 of that amount in adequate protection payments to Simmons Bank. The rest has been deposited in Debtor's Debtor-in-Possession account with SunTrust Bank.

3.02 Real Property

Debtor's Real Estate holdings consist of the following, which are encumbered by priority tax liens in favor of the Sumner County Clerk and Master, Sumner County Trustee, and Wilson County Tax Assessor, as well as a security interest in favor of Simmons Bank.

¹ The following are based on Debtor's Monthly Operating Report, filed with the Court for the month ending August 31, 2016, as well as Debtor's Statements and Schedules.

- (a) 1720 Pleasant Grove Road, Westmoreland, TN 37186. Debtor is currently listing the Pleasant Grove Property for \$1.5 million;
- (b) 704 Briskin Lane, Lebanon, TN 37087. Debtor is currently listing the Briskin Property for \$2.2 million;
- (c) 207 Hartmann Drive, Lebanon, TN 37087. Debtor is currently listing the Hartmann Property for \$1.6 million; and
- (d) 492 Industrial Drive, Mt. Juliet, TN 37122. Debtor contends that the reasonable, fair market value of the Industrial Property is \$1.5 million. Debtor plans to retain the Industrial Property in connection with the Plan.
- (e) During the course of this Case, Debtor sold its undeveloped, unencumbered lot on Academy Road in Lebanon, TN 37087 to an unrelated third party for \$65,000.

Debtor understands, based on its conversations with real estate professionals, that the maximum value for the properties will result from a marketing period of six to eighteen months. A forced liquidation sale or auction would result in a much lower sales price and potential distribution to Claimants.

3.03 Receivables

Debtor is owed various amounts by its related third party tenants for unpaid rents. Debtor believes that the collectability of these amounts is dubious at best, given the precarious financial condition of the Operating Affiliates and the likely offset rights to which each Operating Affiliates is entitled based on Debtor's outstanding liabilities to each.

3.04 Equipment

Debtor owns one piece of equipment, a Husqvarna lawnmower, valued at a replacement value of \$3,100.

3.05 Insurance Policies.

Debtor has the following insurance policies currently in effect, as of August 31, 2016:

1. A Commercial Umbrella Liability Insurance Policy and a Commercial Property Coverage Policy through Auto-Owners Mutual Insurance Company. These policies, which commenced coverage on April 26, 2016, are effective through April 26, 2017. The total combined monthly premium on these policies is \$3,296.27.
2. A Life Insurance Policy on Jerry Swords, which proceeds are pledged to the benefit of Simmons Bank. This Policy is issued by Auto-Owners Mutual Insurance Company, commenced coverage on April 26, 2016, and is effective through April 26, 2017. The monthly premium on this policy is \$3,111.75.

3.06 Executory Contracts and Leases.

As of the Petition Date, Debtor had rights and duties pursuant to the executory contracts and unexpired leases listed below. All executory contracts and unexpired leases are intended to be assumed under the Plan unless specifically rejected by Debtor by the deadline set in the Plan, regardless of whether the leases are identified in this Disclosure Statement.

(a) Real Estate Leases:

1. **Basss Books** – Pursuant to a written lease commencing October 2013, Debtor leases the Industrial Property and the Hartmann Property to Basss Books for the rental amount of \$20,000 per month. The Basss Books lease is for a term of five (5) years, and expires on September 30, 2018. Basss Books has an additional five (5) year option upon expiration of the original lease term.
2. **Southern Debindery** – Pursuant to a written lease commencing October 2013, Debtor leases the Briskin Property to Southern Debindery for the rental amount of \$5,000 per month. The Southern Debindery lease is for a term of five (5) years, and expires on September 30, 2018. Southern Debindery has an additional five (5) year option upon expiration of the original lease term.
3. **Nash Trading** – Pursuant to a written lease commencing October 2013, Debtor leases the Pleasant Grove Property to Nash Trading for the rental amount of \$20,000 per month. The Nash Trading lease is for a term of five (5) years, and expires on September 30, 2018. Nash Trading has an additional five (5) year option upon expiration of the original lease term.
4. **Design Fulfillment** – Design Fulfillment does not have a formal lease with Debtor and does not make rental payments, pursuant to its agreement with Basss Books, whereby Basss is primarily responsible for the companies' overhead and operating expenses. Design Fulfillment occupies space and operates at the Industrial Property and the Hartmann Property.

(b) Listing Agreements:

1. **Chas. Hawking Company, Inc.** – Exclusive Listing and Agency Agreement for the Briskin Property for the period from June 13, 2016 through December 31, 2016. This agreement entitles the agent to a 5% commission upon closing a sale of the Briskin Property.
2. **Charter Development Company** – Exclusive Listing and Agency Agreement for the Hartmann Property, dated February 26, 2016. This agreement is terminable with 60 days written notice, and entitles the agent to a 6% commission upon closing a sale of the Hartmann Property.
3. **Vision Realty Partners** – Exclusive Listing and Agency Agreement for the Pleasant Grove Property for the period from February 7, 2016 through February 7,

2017. This agreement entitles the agent to a 10% commission upon closing a sale of the Pleasant Grove Property.

3.07 Causes of Action.

Debtor reserves the right to pursue all available Causes of Action, including Avoidance Actions under the Plan. Debtor has identified one potential avoidance action that will result in material recovery, as identified below.

Section 547 of the Bankruptcy Code creates a cause of action for avoidance of preferential transfers, i.e. transfers to or on behalf of a creditor on account of antecedent debt to the extent such transfer was made in the 90 days before the Petition Date or, if made to or on behalf of an insider, in the one year prior to the Petition Date. There are additional elements to be proven in order to avoid a transfer, and there are several defenses available to creditors to prevent avoidance.

In this case, substantially all payments made by Debtor during the 90-day period prior to the Petition Date were made to Debtor's on account of Debtor's debt servicing requirements, were made to vendors for property maintenance or service, were made on account of existing or anticipated tax liability, or were insurance premium payments for policies required by and pledged as collateral to Simmons Bank. To the extent any payment or other transfer of an interest in property by Debtor on account of antecedent debt in the 90-day period prior to the Petition Date constitutes a preferential transfer under § 547(b) of the Bankruptcy Code, Debtor anticipates that creditors will possess multiple defenses under § 547(c) of the Bankruptcy Code, including without limitation, ordinary course of business, contemporaneous exchange for new value, and/or subsequent new value. Please refer to Debtor's Statements and Schedules for a full discussion of amounts paid to recipients of transfers during this period.

Notwithstanding the foregoing, all recipients or beneficiaries of a potentially avoidable transfer under § 547 of the Bankruptcy Code and all immediate or mediate transferees of such transfers are on notice that Debtor may seek to avoid and recover such transfers from them pursuant to §§ 547 and 550 of the Bankruptcy Code.

Debtor also reserve the right to pursue any fraudulent conveyances recoverable under the Bankruptcy Code or state law. Debtor is not currently aware of any payments that qualify as fraudulent conveyances under the Bankruptcy Code, but will continue to investigate all possible causes of action.

Debtor reserves and retains all causes of action. For clarity and without limitation of the scope of reserved Section 547 claims, (i) all creditors who received payment or payments on account of antecedent debt from Debtor in the 90-day period prior to the Petition Date that aggregated at least \$6,225 and (ii) all insiders receiving payments on account of antecedent debt from Debtor in the year prior to the Petition Date that aggregated at least \$6,225 should take notice that such payments may be subject to avoidance and recovery. Recipients of such payments known by Debtor, if any, were identified in response to Form 207 to Debtor's Statements and Schedules. Debtor reserves its

right to amend the lists and identify additional transfers to the identified creditors or to identify additional creditors who received potentially avoidable transfers.

Debtor will continue its analysis of potential preferences and fraudulent conveyances, and specifically reserves the right to pursue such actions. A discussion of the potential recovery value of these actions is set forth in **Article XI, Liquidation Analysis**.

ARTICLE IV. DEBTOR'S LIABILITIES

4.01 Administrative Expenses.

Administrative Claims are any claim that is defined in § 503(b) of the Bankruptcy Code as being an “administrative expense” and granted priority under § 507(a)(2) of the Code, including:

1. a Claim for any cost or expense of administration in connection with the Case, including any actual, necessary cost or expense of preserving Debtor’s estate and of operating the business of Debtor incurred on or before the Effective Date;
 2. the full amount of all Allowed Claims for compensation for legal, accounting and other services or reimbursement of costs under §§ 330, 331 or 503 of the Bankruptcy Code;
 3. all fees and charges assessed against Debtor’s estate under Chapter 123 of Title 28 of the United States Code; and
 4. any allowed post-petition taxes and related items, including any interest and penalties on such post-petition taxes.
- (a) **United States Trustee Quarterly Fees.** Debtor is current, and will remain current, with payments to the United States Trustee through the entry of a final decree closing the bankruptcy case.
- (b) **Ordinary Course Expenses.** All amounts incurred by Debtor for services provided or materials or goods purchased in the ordinary course of Debtor’s business are entitled to administrative expense priority. Debtor pays these amounts on a regular basis in the ordinary course of their business. Debtor will continue to pay ordinary course business expense claims after the Effective Date, unless disputed by Debtor.
- (c) **Payments to Professionals.** Debtor will pay all professional fees owed on the Effective Date of the Plan, or otherwise as required by Court order pursuant to an approved application for payment.

4.02 Priority Claims.

- (a) **Sumner County Clerk and Master.** The Sumner County Clerk and Master has secured, priority claims pursuant to 11 U.S.C. § 507(a)(8) for unpaid 2014 city and county real property taxes. The Sumner County Clerk and Master’s Allowed Claim totals \$56,600.67.

- (b) **Sumner County Trustee.** The Sumner County Trustee has secured, priority claims pursuant to 11 U.S.C. § 507(a)(8) for unpaid 2015 city and county real property taxes. The Sumner County Trustee's Allowed Claim totals \$28,357.24.
- (c) **Wilson County Tax Assessor.** The Wilson County Tax Assessor has secured, priority claims pursuant to 11 U.S.C. § 507(a)(8) for unpaid 2014 and 2015 city and county real property taxes. The Wilson County Tax Assessor's Allowed Claims total \$88,513.94.

4.03 Claims Subject to a Security Interest.

Simmons Bank holds a secured claim in the amount of \$3,438,992.00, secured by a first priority lien on the all of Debtor's Properties, other than the Academy Property. The Simmons Bank Claim arises from that certain *Promissory Note* assumed by Debtor in favor of First State Bank, predecessor in interest to Simmons Bank.

4.04 Unsecured Claims.

A detailed listing of Debtor's unsecured claims, together with the amount in which unsecured claim is proposed to be Allowed, is attached hereto as **Exhibit A**. The Debtor has eight non-priority unsecured claims totaling \$1,561,952.02. For the purposes of the Plan, these claims are considered Allowed in the amount of \$1,561,952.02. Of these unsecured claims, a total of three claims in the aggregate amount of \$5,933.93 are owed to non-insiders and unaffiliated entities of Debtor.

If an asserted Unsecured Claim is not contained on this list, or if a creditor believes the amount is inaccurate, Debtor shall be considered to either object to the allowance of, or the amount of, the Claim. The hearing on the objection will be consolidated with the Plan confirmation hearing.

ARTICLE V. FINANCIAL INFORMATION AND FUTURE OPERATIONS

5.01 Disclaimer.

The financial information described below was compiled by Debtor. This financial information has not been subjected to an audit. The financial projections are forward-looking projections and are based upon numerous assumptions, including business, economic, and other market conditions. Many of these assumptions are beyond Debtor's control and are inherently subject to uncertainty. Such assumptions involve elements of subjective judgment that may or may not prove to be accurate, and consequently, no assurances can be made regarding the analyses or conclusions derived from analyses based upon such assumptions.

5.02 Historical and Post-Petition Financial Information and Results of Operations.

Debtor prepares and maintains internal financial statements on an annual basis. Debtor's most recent financial reports reflect that in 2014, Debtor had rental income of \$325,450.00 and net income of \$55,276.82 and in 2014, Debtor had rental income of \$478,000.00 and suffered a net loss of \$4,763.52.

Debtor's monthly operating reports reflect the results of Debtor's operations since the Petition Date and are available for review. Debtor's monthly operating report for month ending August 31, 2016, show that Swords Group has collected rental revenues of \$20,250.00 from the Petition Date, with a net income of \$674.99. Debtor collected \$7,150 in revenues in August 2016, and anticipates a similar level of rental income for the coming months. Further, on September 1, 2016, Debtor closed its sale of the Academy Property for \$65,000, generating net proceeds to Debtor's estate of \$60,444.39.

Debtor's non-debt servicing expenses are relatively certain. Debtor pays approximately \$6,408.02 in insurance premiums on a monthly basis. Debtor budgets approximately \$500 per month in maintenance and miscellaneous office-related expenses. Debtor has no other ongoing obligations, aside from property taxes, franchise and excise taxes, and income tax.

5.03 Debtor's Future Operations.

Attached as **Exhibit B** to this Disclosure Statement are certain financial projections of Debtor's future performance. Debtor believes that this Exhibit B reflects a fair and reasonable representation of its anticipated future operations, but there can be no guarantee that the projections will prove accurate. Exhibit B reflects Debtor's anticipation that substantially all of its cash flow will be required to pay regular business expenses and make the payments due under the Plan.

As demonstrated in Exhibit B, the success of Debtor's reorganization is largely contingent on its success in selling the Properties within the first two years of the life of the Plan. Debtor plans to sell all Properties other than the Industrial Property and consolidate the Operating Affiliates at the Industrial Property. Debtor anticipates that consolidating its real estate holdings will maximize efficiencies for the Operating Affiliates and increase Debtor's rental income. This return to a higher level of rental income, together with the proceeds from a sale of the Properties, will enable Debtor to make all payments called for by the Plan.

Debtor based its projections on historical trends and current business models, and Debtor's best estimate of anticipated future property sales, based on Debtor's conversations with real estate professionals. In the event that Debtor is successful in selling the Properties on favorable terms more quickly than currently anticipated, Debtor may be able to complete Plan payments earlier than scheduled.

ARTICLE VI. SUMMARY OF PLAN CLASSIFICATIONS

6.01 Class 1 consists of all Allowed Priority Claims against Debtor, excluding Priority Tax Claims and any such Claims paid prior to the Effective Date. This Class is not impaired under the Plan.

6.02 Class 2 consists of the Secured Claim of Simmons Bank. Simmons Bank holds an Allowed Claim in the amount of \$3,438,992.00, secured by a first priority lien on the Encumbered Properties. This Class is impaired under the Plan.

6.03 Class 3 consists of the Allowed Unsecured Claims not entitled to priority, not owed to Debtor's insiders or affiliated entities, and not expressly included in any other class. The Class 3 Claims total \$5,933.93. This Class is impaired under the Plan.

6.04 Class 4 consists of the Allowed Unsecured Claims owed to Debtor's insiders and affiliated entities. The Class 4 Claims total \$1,556,018. This Class is impaired under the Plan.

6.05 Class 5 consists of Debtor's ownership interests in all property retained and other property acquired after the Petition Date, including the ownership interests held by Debtor's insiders.

ARTICLE VII. TREATMENT OF CLAIMS

Classes 1 and 5 are not Impaired as determined pursuant to 11 U.S.C. § 1124. All other classes are Impaired. The following is a summary of the treatment provided in the Plan to each Class of Claims and Interests:

7.01 Unclassified Claims.

Under the Bankruptcy Code, the payment of certain types of Claims is accomplished without the requirement of classification of those Claims into Classes. Administrative Claims, which include professional fees and fees to the Office of the U.S. Trustee, and Priority Tax Claims are not classified under Section 1123(a)(1) of the Bankruptcy Code for purposes of voting or receiving distributions under the Plan. The procedures for payment of Administrative Claims and Priority Tax Claims are discussed later in this Disclosure Statement and are detailed in the Plan.

(a) Administrative Claims.

1. General Allowed Administrative Claims. Each holder of an Administrative Claim, except as otherwise set forth in subsections (2) through (5) below shall receive either: (i) with respect to Administrative Claims which are Allowed Claims on the Effective Date, the amount of such holder's Allowed Claim in cash on the Effective Date; (ii) with respect to Administrative Claims which become Allowed Claims after the Effective Date, the amount of such holder's Allowed Claim in one cash payment as soon as practicable after such claim becomes an Allowed Administrative Claim; or (iii) such other treatment agreed upon by Debtor and such holder; provided that any such Administrative Claim representing a liability incurred in the ordinary course of business by any of Debtor shall be paid in accordance with the terms and conditions of the particular transaction giving rise to such liability and any agreements relating thereto. Any person or Entity that asserts an Administrative Claim that is not paid on the Effective Date shall be required to file with the Court an application for payment of such asserted Administrative Claim and to serve notice thereof on all parties entitled to such notice. Any such claims must be filed within 90 days from the Effective Date. The failure to file timely the application as required under section 2.1(a) of the Plan shall result in the Claim being forever barred and discharged. An Administrative Claim with respect to which an application has been properly Filed pursuant to section 2.1(d) of the Plan and to which no objection has been filed or an objection

has been filed but overruled by the Court, shall become an Allowed Administrative Claim to the extent such claim is allowed by Final Order.

2. Fee Claims of Professionals. Unless otherwise excepted by authorization of the Court, each professional person whose retention with respect to this Case has been approved by the Bankruptcy Court or who holds, or asserts, an Administrative Claim that is a Fee Claim may file with the Bankruptcy Court a final fee application within ninety (90) days after the Effective Date and to serve notice thereof on all parties entitled to such notice pursuant to applicable Bankruptcy Rules and in accordance with any orders entered in these cases regarding the compensation of professionals. Payments of Court-approved compensation shall be made promptly after the order approving such compensation becomes a Final Order.
3. Post-Effective Date Expenses. Debtor shall have the right to pay Post-Effective Date Expenses in the ordinary course of business, without the necessity of any Court approval. In the event that Debtor notifies a person demanding payment of a Post-Effective Date Expense that the creditor's demand is Disputed, then the Person seeking payment must file and serve a motion or application for allowance of such expense in accordance with L.B.R. 9013-1 within thirty (30) days after the date on which written notice of the dispute is served by Debtor, or that Post-Effective Date Expense shall be deemed disallowed. Payment of any such expense shall be made promptly after a Final Order resolving the motion and determining the appropriate amount of the Post-Effective Date Expense.
4. Administrative Tax Claims. Each holder of an Administrative Claim for Taxes for which Debtor is responsible and any other Taxes of Debtor payable pursuant to Section 507(a)(1) of the Bankruptcy Code shall be paid the Allowed Amount of such holder's Claim in cash, in full, on the latest of: (i) the Effective Date, (ii) if Contested or unknown to Debtor, the date such Claim is Allowed by Final Order, or (iii) the date such payment is due under applicable law. Any person or Entity that asserts an Administrative Claim for Taxes that is not paid on the Effective Date shall be file with the Court an application for payment of such asserted Administrative Claim and to serve notice thereof on all parties entitled to such notice. Any such claims must be filed within ninety (90) days from the Effective Date. The failure to file timely the application as required under the Plan shall result in the Claim being forever barred and discharged. An Administrative Claim for Taxes with respect to which an application has been properly filed pursuant to the Plan and to which no objection has been filed or an objection has been Filed but overruled by the Court, shall become an Allowed Administrative Claim to the extent such claim is allowed by Final Order.
5. Payment of Fees to U.S. Trustee. All fees payable under 28 U.S.C. § 1930 shall be paid in cash in full when due.

(b) Secured *ad valorem* Tax Claims. Unless otherwise agreed to by Debtor and any taxing authority, Debtor shall pay in full all Allowed Tax Claims over a period ending not later

than five years after Petition Date. Debtor may, in its sole discretion, choose to make partial payments on Allowed Tax Claims, which payments shall be applied as indicated by Debtor. Any unpaid portion of such Allowed Claims shall bear interest from the Effective Date until the date of payment at the minimum rate required by the Bankruptcy Code.

1. Tax Liens. All pre-petition liens arising from Secured Tax Claims and Priority Tax Claims shall continue until such Claims are paid in full.
 2. Penalties and Allowed Claims. Except as provided herein, no Governmental Authority shall be entitled to receive any penalties for any period of time after the Petition Date nor shall any Allowed Tax Claim include any post-petition interest or pre-petition or post-petition penalties except as provided herein. Each Contested Tax Claim shall become an Allowed Tax Claim only upon entry of, and only to the extent such claim is allowed by, a Final Order or agreement of Debtor.
 3. Claim Treatment. Debtor shall pay in full the amount of the Allowed secured priority Tax Claims on the retained properties within five (5) years of the Petition Date, as required by 11 U.S.C. § 1129(a)(9)(c). Upon the sale of any Property, Debtor shall first pay any Proceeds to satisfy any existing Allowed secured priority Tax Claim. In the event any Allowed secured priority Tax Claims remain on the first business day of the sixth month following the Effective Date, Debtor shall pay these Claims in thirty-six (36) monthly installments of principal and interest, and subsequent payments being due on the first business day of each month thereafter. The Allowed secured priority Tax Claimants shall be paid in full with interest at ten percent (10%) per annum. After the Effective Date, Debtor may also in its sole discretion choose to prepay, in whole or in part, Allowed secured priority Tax Claims, which payments shall be applied as indicated by Debtor.
 4. Sale Proceeds and Priority Distribution. For each parcel of real property sold by Debtor under the Plan, Debtor shall first apply the Proceeds from the sale of such Property to the remaining amounts due for property taxes on such sold property prior to any other Distribution provided for under the Plan.
- (c) **Priority Tax Claims.** Debtor shall pay in full all other Allowed Priority Tax Claims arising from its operations or ownership of retained property over a period ending not later than five years after Petition Date. Debtor may, in its sole discretion, choose to make partial payments on Allowed Priority Tax Claims, which payments shall be applied as indicated by Debtor. If any Allowed Tax Claim is not paid in cash in full on the latest of (i) the Effective Date; (ii) the date a Contested Tax Claim is Allowed in whole or in part by Final Order; or (iii) the date such payment is due under applicable law, then the unpaid portion of such Allowed Tax Claims shall bear interest after the Effective Date until the date of payment at the at the applicable non-bankruptcy interest rate charged on delinquent taxes, but no Governmental Authority shall be entitled to receive any penalties for any period of time after the Petition Date; provided, however, that no Allowed Priority Tax Claim shall include any post-petition interest or penalties, all of which interest and penalties shall be (i) deemed disallowed and (ii) fully discharged on the Confirmation Date. Each Contested

Priority Tax Claim shall become an Allowed Priority Tax Claim only upon entry of, and only to the extent such claim is allowed by, a Final Order. All pre-petition liens arising from Priority Tax Claims shall continue until such Claims are paid in full.

7.02 Class 1 – Priority Claims Other Than Priority Tax Claims. Each person or entity holding a Class 1 Claim shall be paid the Allowed Amount of such Claim in cash, in full, on the latest of: (i) the Effective Date; (ii) the date such Claim is allowed by Final Order; or (iii) the date such payment is due under applicable law. Each Contested Priority Claim shall become an Allowed Priority Claim only upon entry of, and only to the extent such claim is allowed by, a Final Order. If any Allowed Priority Claims are not paid in cash in full on the latest of the dates set forth above, then the unpaid portion of such Allowed Priority Claims shall bear interest from the Effective Date until the date of payment at the Legal Rate.

7.03 Class 2 – Allowed Secured Claim of Simmons Bank. The Class 2 Claim arises from a Promissory Note in the original amount of \$4,000,000 payable to First State Bank, predecessor in interest to Simmons Bank, as assumed by Debtor. The Promissory Note is secured by a Deed of Trust and Absolute Assignment of Rents on the Encumbered Properties.

The Class 2 Claim shall be satisfied by Debtor's resumption of monthly payments to Simmons Bank pursuant to the parties' pre-petition loan agreements, subject to the modifications in this Plan. The principal amount of Debtor's note payable to Simmons Bank shall be equal to the amount of Simmons Bank's Allowed Secured Claim. Beginning on the first business day of the fourth month after the Effective Date, and for the first day of each month thereafter, Debtor shall make equal monthly payments of interest-only on the Class 2 Claim.

In the event the Class 2 Claim is not paid in full as of eighteen (18) months from the Effective Date, Debtor shall make equal monthly payments of principal and interest sufficient to pay the Class 2 Claimant in full over fifteen years beginning on the first day of the eighteenth month after the Effective Date. The principal balance of Debtor's obligations to Simmons Bank shall bear interest from the Effective Date at a rate of six percent (6%) per annum and shall be due and payable in full on the second (2nd) anniversary of the Effective Date.

As security, the Class 2 Claimant shall retain all Liens held as of the Petition Date, without the need for the execution of any new guaranties, deeds of trust, mortgages, financing statements or security agreements. Provided Debtor is not in default of its obligations to the Class 2 Claimant, Debtor shall have the right to sell any of the collateral securing the Class 2 claim to unaffiliated third parties for fair market value; provided however, that Debtor shall pay to Simmons Bank the Net Proceeds remaining after payment of reasonable sale costs, including any commission related to the sale and the payments due on Allowed secured priority Tax Claims, up to the remaining balance owed to Simmons Bank, less any amounts necessary for Debtor to retain to pay any anticipated taxes, including capital gains taxes. Debtor shall not require the permission of Simmons Bank to sell any of the Properties, provided that Simmons Bank receives at least the following payoff amounts associated with each of the Properties: (a) for 704 Briskin Lane, Lebanon, Tennessee, \$1.95 million; (b) for 207 Hartmann Drive, Lebanon, Tennessee, \$1.1 million; (c) for 1720 Pleasant Grove Road, Westmoreland, Tennessee, \$1 million; and (d) for 492 Industrial Drive, Mt. Juliet, Tennessee, \$1.9 million. Notwithstanding the foregoing, in the event Debtor's

outstanding principal obligation at the time of the sale of any of the Properties does not exceed the sale price, Debtor's sole obligation shall be to pay off any remaining amount owed to the Class 2 Claimant. Any such payment received by the Class 2 Claimant shall be applied to reduce the outstanding principal due, provided that Debtor is not in default on its obligations. Except as modified herein, all remaining terms of Debtor's pre-petition agreements with Simmons Bank shall remain in full force and effect.

7.04 Class 3 – General Unsecured Claims. This Class consists of all Allowed Unsecured Claims against Debtor, other than those creditors holding a Class 4 Claim. The Class 3 Claims shall be Allowed in the full amount scheduled by Debtor. Beginning on the first business day of the fourth month after the Effective Date, and for the first day of each month thereafter, the Class 3 Unsecured Claims shall be paid in full with three and one half percent interest (3.5%) by way of twenty-four (24) consecutive monthly installments of principal and interest. The Debtor may, in its sole discretion, elect to prepay, without penalty, any or all Class 3 Claims.

7.05 Class 4 – Insider Unsecured Claims. This Class consists of all Allowed Unsecured Claims against Debtor asserted by Debtor's Insiders and entities owned or controlled by Debtor's Insiders. Each holder of a Class 4 Claim shall be entitled to a Pro Rata distribution of fifty percent (50%) of the Net Proceeds of any sale of any of Debtor's Properties during the life of the Plan, but provided that such distributions shall only be made upon payment in full of the Class 2 Claim, the Class 3 Claims, and the Allowed secured *ad valorem* Tax Claims.

7.06 Class 5 – Ownership Interests. The Class 5 Claims shall consist of the ownership interests of and in Debtor. Because the Plan proposes to pay all of Debtor's non-insider creditors in full, the owners of Debtor shall retain their respective ownership interests in the reorganized Debtor, and Debtor shall retain its ownership interest in all assets owned by Debtor prior to the Petition Date, except as transferred pursuant to the provisions of the Plan.

ARTICLE VIII. MEANS FOR PLAN EXECUTION AND IMPLEMENTATION

8.01 Effective Date Status. The Debtor has remained Debtor-in-Possession and in control of its affairs since the Petition Date. There has been no examiner, restructuring officer, or other professional appointed to control Debtor's affairs. The identity and book value of the estate's assets are listed in **Article III** of this Disclosure Statement, as well as Debtor's Statements and Schedules, as amended. Please also refer to Debtor's financial history set forth in the monthly operating reports. Debtor anticipates that it will be able to successfully complete its obligations under the Plan and that the Plan is feasible.

8.02 Payments Funded by Ongoing Operations. During the term of the Plan, additional cash will be generated from the sale of real property owned by Debtor and pledged to the Class 2 Claimant. Debtor plans to continue and consolidate its business operations after the Effective Date, including the development of commercial projects to the extent deemed prudent. Debtor intends to continue leasing warehouse and commercial space to related operating entities on similar terms, although Debtor anticipates reducing its current real estate leasing portfolio into one or two leased properties, depending on which properties are sold during this Case. At present, Debtor anticipates retaining and consolidating the Operating Affiliates' operations at the Industrial Property.

Cash generated from Debtor's continued leasing of real property and the sale of Debtor's Properties after the Effective Date will generate sufficient cash flow to make all payments due under the Plan, except for the final payments due the Class 2 Claimant on the second anniversary of the Effective Date. Debtor believes that the maximum value of all of the assets being retained by Debtor under the Plan will be realized with a six to twelve-month marketing period, and anticipates that the value of the Properties will increase in value over time. Debtor believes that this appreciation in value will enable Debtor to sell its real estate and consolidate operations, generating revenue sufficient to pay in full Debtor's non-insider Claims. By the due date of the Class 2 Claimant's note, the amount owed will be reduced materially by the payments made under the Plan and sales of Debtor's Properties, other than the Industrial Property, and Debtor will be able to refinance that debt and/or raise cash through a sale of any remaining real estate to pay the outstanding balance on this obligation on or before its due date.

8.03 Sale of Real Property. Post-Confirmation Date sales of Debtor's real estate shall not require Court approval and shall be sold on terms and conditions acceptable to Debtor, subject to the provisions of the Plan. The Net Proceeds from the sale of Debtor's real estate shall be distributed in accordance with the terms set forth in the Plan.

8.04 Employment of Professionals. In the period after the Confirmation Date but before closing of the case, Debtor may continue to utilize the services of professional persons whose employment was approved at or prior to the Confirmation Date in completing administration of the case and in the consummation and performance of the Plan. Debtor may also, if necessary, employ additional professional persons to render services in and in connection with the case. In addition, Debtor is authorized, without further order of the Court, to retain professionals to assist Debtor in marketing and selling its real estate and consolidate its operations upon terms not inconsistent with the Plan. Debtor is authorized to pay these Post-Effective Date expenses, including the fees of any accountants, real estate agents, employees, or agents, as such expenses come due without approval of the Court.

8.05 Assumption of Leases. All leases of real property and executory contracts to which Debtor is a party that have not, as of ten (10) days following the Effective Date, been specifically rejected shall be deemed contracts that Debtor intends to assume. Any party to an unexpired lease or executory contract that is assumed in connection with the Plan that asserts that Debtor has defaulted under that contract and whose cure amount is not stated by Debtor or who disagrees with Debtor's proposed cure amount shall file with the Court an application for allowance and payment of Cure Claim, identifying the amount allegedly due to cure any such defaults in accordance with Section 365(b)(1)(A) of the Code. Any such application must be filed prior to the Effective Date. The failure to file timely the application shall be deemed a full waiver of any rights available to the affected Claimant pursuant to Section 365(b)(1)(A) of the Code. All Cure Claims asserted pursuant to the Plan to which no objection is Filed or to which an objection is Filed but overruled by a Final Order of the Court shall become Allowed Cure Claims, unless Debtor timely files a Notice of Rejection Pursuant to the Plan. Notwithstanding anything in this section to the contrary, Debtor may reject any executory contract in the event Debtor determines that any Allowed Cure Claim renders assumption of that contract not in Debtor's best interest, and the other party to the contract shall be entitled to file a Class 9 Claim for damages arising from the rejection.

8.06 Causes of Action. Debtor will be responsible for evaluating, funding and pursuing any or none of the Causes of Action based on its reasonable business judgment and shall fund such amounts as Debtor, in its discretion, shall deem appropriate and reasonable. After the Effective Date, Debtor shall, in its sole and absolute discretion, be authorized to compromise and settle any of the Causes of Action, without Court approval or notice to any party, at any time, and for any consideration that Debtor believes to be in its best interest. Any recovery from any Cause of Action, including Avoidance Actions, either from litigation or settlement, will be used by Debtor or Reorganized Debtor for operations and/or to fund the payments due under the Plan.

ARTICLE IX. TREATMENT OF CLAIMS AND DISTRIBUTIONS ON CLAIMS

9.01 No Distributions Pending Allowance or Estimation of Claims. No payments or distributions shall be made with respect to all or any portion of a Contested Claim unless and until such Claim becomes an Allowed Claim as determined by Final Order.

9.02 Deadline for Objections to Claims. Debtor or any other party in interest may file with the Bankruptcy Court, within 90 days after the Effective Date, which date may be extended by Bankruptcy Court order, a written objection to the allowance or classification of any Claim in any Class, which objection shall be served upon the Claimant and any other known parties in interest. The failure to object to or to examine any Claim shall not be deemed a waiver of such party's right to object to, or re-examine, the Claim in whole or in part within the above-described time period.

9.03 Objections to Claims. Debtor's Plan expressly objects to the Claims filed by any creditor not referenced in the Plan or this Disclosure Statement, including Exhibit A hereto. Debtor's Plan expressly objects to the amount of any Claim in excess of any amount identified in the Plan or this Disclosure Statement, including Exhibit A hereto. Debtor proposes to resolve any claim objections, if disputed by such alleged Claimants, in connection with the confirmation hearing of the Plan. Debtor or any party in interest may file an objection to any Claim in any class on or before the Claims Objection Deadline. Objections not filed within such time will be deemed waived. If any Claim or portion thereof is challenged by an objection or otherwise, distribution may, in Debtor's sole discretion, be made on any portion of such disputed Claim which is undisputed pending resolution of the Claim allowance as a whole.

9.04 Distribution Address and Mailing Method. Any distribution or payment to a creditor shall be sent by first class mail to the creditor's address indicated on the proof of claim filed by that creditor in the Case or, if no proof of claim has been filed, to that creditor's most recent address indicated on Debtor's Schedules or known to Debtor. If a creditor holds an Allowed Claim by virtue of a transfer of such Claim pursuant to Rule 3001 of the Federal Rules of Bankruptcy Procedure, then distributions to the holder of such Claim shall be sent to the address set forth in evidence of the transfer filed with the Bankruptcy Court. Creditors may change the address to which distributions are sent through amendment of their proof of claim or written notice delivered to Debtor's counsel. Creditors are responsible for keeping Debtor informed of their current address for receipt of distributions or other payments under the Plan.

9.05 Unclaimed Property/Forfeit Distributions. If any distribution remains unclaimed and/or uncashed for a period of ninety (90) days after it is sent by Debtor, then the creditor to whom such

distribution was sent will be deemed to have forfeited the distribution and all future distributions, and such creditor's Claim shall no longer be deemed to be Allowed, but rather, such Claim shall be deemed disallowed and expunged for all purposes, and such person shall be deemed to have no further Claim in respect of such distribution and shall not participate in any further distributions under the Plan. Any undeliverable or forfeit distribution shall be returned to Debtor.

9.06 Automatically Disallowed Claims. With respect to any Claim for which Debtor has insurance coverage, the Claim will be treated as an Allowed Claim only to the extent that the Holder of the Claim can establish that such Claim is not recoverable to any extent under Debtor's insurance. Unless the Holder obtains a Final Order establishing that the Claim is not recoverable to any extent under Debtor's insurance, such Claim is automatically disallowed and will be entitled to no distribution.

9.07 Precluded Distributions. No distribution shall be made in violation of Bankruptcy Code § 502(d) to an Entity or transferee liable for recoverable property for an avoidable transfer. Debtor shall notify each affected creditor of any contention that Bankruptcy Code § 502(d) prohibits any distribution to such creditor. If such notice is given, the Claim held by such creditor will be treated as a Disputed Claim hereunder.

9.08 Treatment of Contingent or Unliquidated Claims. Until such time as a contingent Claim becomes fixed and Allowed, such Claim shall be treated as a Contested Claim for purposes related to voting, allowance, and distributions under the Plan. Upon request of Debtor or any other party in interest, the Bankruptcy Court shall, in a summary proceeding for each such contingent Claim or unliquidated Claim, by estimation determine the allowance of each such contingent or unliquidated Claim for purposes of voting on the Plan. This paragraph does not apply to payments made pursuant to Class 6.

9.09 Payment Dates. Whenever any payment or distribution to be made under the Plan shall be due on a day other than a Business Day, such payment or distribution shall instead be made, without interest, on the next business day.

9.10 No Tax or Filing Fee. No governmental entity may tax any transfer of property pursuant to or in furtherance of the Plan, or charge any tax or fee for the recording of, any release, deed, transaction or other document executed pursuant to or in furtherance of the Plan.

9.11 No Interest or Attorney's Fees. Except as expressly provided for in the Plan, or allowed by the Court, no interest, penalty, late charge or attorney's fees is to be Allowed on any Claim subsequent to the Filing Date.

9.12 Setoff. Except as specifically provided in the Plan, no creditor shall retain any contractual or statutory right to setoff any asset in which Debtor has an interest in satisfaction of that Claim.

9.13 Suspension of Payments. Upon motion and for cause shown, Debtor may at any time move the Court to grant a moratorium or extension of distributions to Claimants in any of the classes set out herein for a reasonable period of time. Additionally, Debtor may propose amendments to or modifications of the Plan at any time prior to Confirmation of the Plan. After

Confirmation of the Plan, Debtor, with approval of the Court, and so long as it does not materially or adversely affect the interests of Claimants, may remedy any defect or reconcile any inconsistencies in the Plan or in the Confirmation Order in such manner as may be necessary to carry out the purposes and effect of the Plan.

9.14 Prepayment of Plan Obligations. Debtor shall be permitted without penalty to prepay any obligation under the Plan prior to the due date or maturity date of such obligation. There shall be no penalty for any such prepayment.

9.15 Payments Due Only on Business Days. Whenever any payment or distribution to be made under the Plan shall be due on a day other than a business day, such payment or distribution shall instead be made, without interest, on the next business day.

9.16 Security Deposits. To the extent Debtor has posted security deposits (with utilities or otherwise) pre-petition, those amounts may be set off against Allowed Claims only upon the written consent of Debtor or upon entry of a Final Order authorizing such offset. To the extent Debtor has posted security deposits (with utilities or otherwise) post-petition, the deposit shall be returned to Debtor or otherwise applied as directed by Debtor.

ARTICLE X. SUMMARY OF OTHER PROVISIONS OF PLAN

10.01 Vesting of Property, Free and Clear. On the Effective Date, all of Debtor's property shall vest in Debtor, free and clear of all Liens, claims and encumbrances except for those Liens created or preserved as provided in the treatment of creditors under the Plan. There are no restrictions in the Plan on Debtor's use of cash generated from the operation of Debtor's business. The Plan provides Debtor with the flexibility to use cash from operations to maximize the value of its business and to use proceeds from the sale of Debtor's real estate to pay past due taxes, on-going property taxes on other retained properties, and its secured debt.

10.02 Pre-Petition Security Agreements. This Plan provides that Simmons Bank shall retain its security interests in the same priority as existed prior to the Petition Date without the need for execution of new security agreements or financing statements, and as of the Confirmation Date, existing security and other agreements between Debtor and creditors holding Claims in Class 2 shall be superseded by the terms of this Plan to the extent modified by this Plan.

10.03 Legal Binding Effect; Release of Claims. Confirmation of the Plan will bind Debtor and all creditors and interest holders, whether or not they accept the Plan. The Distributions provided for in the Plan will be in exchange for and in complete settlement and satisfaction of all Claims and Interests, including any Claim for interest after the Petition Date. On the Confirmation Date, all creditors shall be precluded from asserting any Claim against Debtor or its property based upon any transaction or other activity of any kind that occurred prior to the Confirmation Date.

10.04 Modification of the Plan. Debtor may propose amendments to or modifications of the Plan at any time prior to the Confirmation Date, provided that the amended Plan satisfies the requirements of the Code. If the circumstances warrant, after the Confirmation Date and before Consummation of the Plan, Debtor may modify the Plan, provided that the Plan, as modified, meets the requirements of the Code, and the Court, after a hearing, confirms the Plan as modified.

Unless, within the time fixed by the Court, a creditor changes its previous acceptance or rejection of the Plan, such previous election shall be deemed applicable to the amended Plan.

10.05 Request for Relief under Section 1129(b). In the event any Impaired Class of Claims shall fail to accept the Plan in accordance with Section 1129(a) of the Bankruptcy Code, Debtor requests the Bankruptcy Court to confirm the Plan in accordance with the provisions of Section 1129(b) of the Bankruptcy Code.

10.06 Effect on Third Parties. Nothing contained in this Plan or in the documents to be executed in connection with this Plan shall affect any Claimant's or party in interest's rights against any third party, except as otherwise expressly provided in this Plan, and except that any creditor or party in interest may only recover from any third-party guarantor or co-obligor the amount owed to it in excess of the amount to be paid on the underlying obligation pursuant to this Plan.

- (a) **Forbearance.** Notwithstanding anything herein to the contrary, Simmons Bank shall forbear from pursuing or enforcing any claims, to specifically include exercising any rights to an absolute assignment of rents against Debtor with respect to Debtor's leases of real property to Bass Books, Design Fulfillment, Nash Trading and/or Southern Debinery, so long as Simmons Bank is paid the amounts each is owed pursuant to this Plan.

10.07 Permanent Injunction. Except as otherwise expressly provided in, or permitted under, the Plan, the Confirmation Order shall provide, among other things, that all creditors and persons who have held, hold or may hold Claims that existed prior to the Effective Date, are permanently enjoined on and after the Effective Date against the: (i) commencement or continuation of any judicial, administrative, or other action or proceeding against Debtor or any of its owned entities on account of Claims against Debtor, or on account of claims released pursuant to the Plan; (ii) enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order against either of Debtor or any assets or property of same; or (iii) creation, perfection or enforcement of any encumbrance of any kind against either of Debtor arising from a Claim. This provision does not enjoin the prosecution of any claims that arise on or after the Effective Date nor does it enjoin the determination in the Bankruptcy Court of the Allowed Amount of any Claims that arose prior to the Effective Date. Parties asserting entitlement to payment of Administrative Expenses incurred Prior to the Confirmation Date and Holders of Claims shall be permanently enjoined from asserting any Claim against Debtor or its Retained Assets based upon any act or omission, transaction or other activity that occurred prior to the Confirmation Date, except as otherwise provided in the Plan, whether or not a proof of claim or interest was filed and whether or not such Claim or Interest is allowed under Section 502 of the Bankruptcy Code.

10.08 Exculpation. Except as otherwise provided in the Plan or Confirmation Order, Debtor, its officers and directors, and the professionals for all of the foregoing shall neither have nor incur any liability to any Entity for any act taken or omitted to be taken (exclusive of an act constituting fraud, gross negligence or intentional misconduct) in connection with or related to this Chapter 11 Case, including without limitation actions related to the formulation, preparation, dissemination, implementation, administration, Confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered

into in connection with the Plan. Notwithstanding anything herein to the contrary, neither the Plan nor the Confirmation Order affects any claims or causes of action against current or former officers, directors, shareholders or employees of Debtor arising prior to or as of the Petition Date under 11 U.S.C. §§ 544, 547, 548, 549 or 550.

10.09 Quarterly Fees. All fees payable under 28 U.S.C. § 1930, for quarters ending prior to the entry of the Final Decree shall be paid in full by the Reorganized Debtor.

10.10 Confirmation Order and Plan Control. To the extent the Confirmation Order and/or the Plan is inconsistent with the Disclosure Statement, any other agreement entered into between or among Debtor and any third party, the Plan controls the Disclosure Statement and any such agreements and the Confirmation Order (and any other Orders of the Court) shall be construed together and consistent with the terms of the Plan.

10.11 Post-Confirmation Notice. After the Confirmation Date, no creditor or other party-in-interest shall be entitled to general notice of pleadings filed in the Chapter 11 Case or other notices required by the Bankruptcy Code or Bankruptcy Rules, unless such party already receives notice through the Court's CM/ECF system or such party requests post-confirmation notice by filing a request with the Court and serving same on Debtor's counsel. All pre-Confirmation requests for notice and orders requiring or limiting notice shall have no effect post-Confirmation, except with regard to continued service through the Court's CM/ECF system.

10.12 Case Closing. Debtor shall be responsible for preparing and filing any required motion to close the Chapter 11 Case. Debtor intends to seek closure of their Chapter 11 Case as soon as possible after the Effective Date, and this Chapter 11 Case may be closed notwithstanding the pendency of any claims objections, other contested motions, Causes of Action or Avoidance Actions, over which the Court shall retain jurisdiction.

10.13 Destruction of Records. After the Effective Date, and in accordance with applicable law, Debtor shall have the right to destroy or cause to be destroyed records that they determine to no longer be needed. Any objection to the destruction of such records must be raised as an objection to confirmation of the Plan or shall be deemed to be waived.

10.14 Headings. All heading utilized in the Plan for convenience and reference only, and shall not constitute a part of the Plan for any other purpose.

10.15 Due Authorization. Each Claimant electing to participate in the distributions provided for herein warrants that such Claimant is authorized to accept, in consideration of such Claim against Debtor, the distributions provided for in the Plan and that there are not outstanding commitments, agreements, or understandings, expressed or implied, that may or can in any way defeat or modify the rights conveyed or obligations undertaken by such Claimant under the Plan.

10.16 Further Acts, Assurances and Authorizations. Debtor may, but shall not be obligated to, take any action or commit any act that they determine to be necessary to facilitate the consummation, implementation, effectuation and execution of the Plan. Debtor, if and to the extent necessary, shall seek such orders, judgments, injunctions, and rulings that may be required to carry

out further the intentions and purposes, and to give full effect to the provisions, of the Plan. All terms and provisions of the Plan shall be construed in favor of Debtor.

10.17 Notice of Default; Cure. In the event of any alleged default under the Plan, any creditor or party-in-interest must give a written default notice to Debtor, with copies to counsel of record for Debtor, specifying the nature of the default. Upon receipt of the default notice, Debtor shall have ten (10) days to cure such default from the time of receipt of the default notice. If such default has not been cured within the applicable time period, the default may be brought to the attention of the Court or any other court of competent jurisdiction.

10.18 Applicable Law. Except to the extent that the Bankruptcy Code or other federal law is applicable, the rights, duties and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the internal laws of the State of Tennessee without reference to the laws of other jurisdictions.

10.19 Severability. Should any provisions in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any other provisions of the Plan.

10.20 Notices. All notices, requests, elections or demands in connection with the Plan shall be in writing and shall be deemed to have been given when received or, if mailed, five (5) days after the date of mailing provided such writing shall have been sent by registered or certified mail, postage prepaid, return receipt requested.

10.21 Retention of Jurisdiction. The Court shall retain exclusive jurisdiction over this Chapter 11 case for the purpose of determining any matters pertaining to the Plan or the Confirmation Order, as well as determining all disputes, suits or controversies arising out of the Plan and its interpretation, enforcement or consummation. Persons reading this Disclosure Statement should refer to the Plan for a more detailed discussion of the Court's continuing jurisdiction over Debtor and this case.

10.22 Consent to Jurisdiction. By accepting any distribution or payment under or in connection with the Plan, by filing any Proof of Claim, by filing any Cure Claim or objection to the assumption or assignment of any assumed contract, by voting on the Plan, or by entering an appearance in the Case, all creditors and other parties in interest have consented, and will be deemed to have expressly consented to the jurisdiction of the Bankruptcy Court for all purposes with respect to any and all matters relating to, arising under or in connection with the Plan or the Case, including the matters and purposes set forth in the Plan.

10.23 Post-Confirmation Reporting. All post-confirmation reporting shall be made by Debtor in accordance with the Local Rules of Court.

ARTICLE XI. LIQUIDATION ANALYSIS

If any Holder of an Allowed Claim in any impaired Class does not accept the Plan, then Debtor must establish that the Plan affords that Class of creditors an amount that is not less than the amount that would be received by that creditor if Debtor were liquidated under Chapter 7 of the Bankruptcy

Code. Because the Plan offers the potential for the greatest realization from its assets, the greatest of which is the goodwill and reputation maximized by Debtor's ongoing operations, Debtor is confident that this test is met and that the Plan, therefore, is in the best interests of creditors. Debtor does not believe that liquidation in the context of a Chapter 7 case would afford the holders of Claims a return as great as may be achieved under the Plan.

The starting point in determining the amount which creditors of each class of unsecured claims and interest would receive in a Chapter 7 case is to estimate the amount that would be generated from a forced liquidation of Debtor (the "**Liquidation Proceeds**").

The Liquidation Proceeds of Debtor would consist of the proceeds from the sale of all of the Property owned by Debtor, plus cash held by Debtor, collection of Debtor's receivables, and recoveries on any Causes of Action. The Liquidation Proceeds would first be used to pay Priority tax claims, then Allowed Secured Claims, then be reduced by the cost of the liquidation. Costs of liquidation of Debtor would likely include the fees of the Chapter 7 Trustee, as well as those of counsel and other professionals that would be retained by the Trustee, actual selling expenses, any unpaid expenses incurred by Debtor during its reorganization under this Chapter 11 (such as fees for attorneys and accountants), and any claims arising by reason of the Trustee's rejection of any contractual or lease obligations of Debtor. These claims, and such other claims which are likely to arise during the liquidation process under Chapter 7, will result in a diminution of the Liquidation Proceeds available to pay unsecured creditors. If there are any proceeds from the liquidation of Debtor's assets after payment of the Secured Claims and Chapter 7 administrative expenses, those proceeds would be applied to any administrative expenses of the Chapter 11 case, then to priority claims, before any distribution to unsecured creditors.

The Debtor asserts that the present value of the distributions which could be anticipated from the net Liquidation Proceeds should be compared with the present value offered to each of the classes of unsecured claims and interests under the Plan. Debtor contends that it currently has substantial equity in the Properties, but notes that each is subject to priority tax liens and the Allowed Secured Claim of Simmons Bank. Debtor does not have any other assets, and its ability to continue collecting rental income depends, in its entirety, on its continued ownership of the Properties and leasing to the Operating Affiliates. In the event of a forced liquidation, any further collection from the Operating Affiliates would be highly unlikely, as each is currently in a precarious financial condition. Debtor does not anticipate any material recovery from any Cause of Action.

Most importantly, Debtor understands, based on its conversations with real estate professionals, that the maximum value to Debtor's estate will be realized by a marketing period of six to eighteen months for the Properties. In the event the Properties are liquidated or sold on a more aggressive timeline, the probable sale prices will be reduced and will decrease the amounts available for distribution to Debtor's creditors.

If Debtor's assets were liquidated by a Chapter 7 Trustee, the costs of liquidation and the lesser proceeds that might be obtained in a liquidation sale will result in most, if not all, of the Liquidation Proceeds satisfying the outstanding Allowed *ad valorem* Priority Tax Claims and possibly the Class 2 Claim. There is a possibility, depending on the discount arising from a forced liquidation, that a forced liquidation will result in Simmons Bank having a deficiency claim, increasing and

diluting the unsecured claim pool and reducing, if not eliminating, the amounts that unsecured creditors would receive. In fact, based on the high amount of Secured Claims in this case, unsecured creditors will be unlikely to recover the full amounts of their claims in the event of a liquidation. In contrast, under the Plan, all of Debtor's non-insider creditors will be paid in full.

Because a creditor cannot receive more than it is owed, the payment of 100% of the claims necessarily provides each creditor with a return of at least what it would receive in a Chapter 7 case. For these reasons, Debtor believes that all creditors of Debtor will receive as much or more under the Plan than they would receive in a Chapter 7 case. In support of this analysis, Debtor has attached hereto as **Exhibit C** a hypothetical liquidation analysis, which reflects an estimated forty percent (40%) discount on Debtor's estimated values of the Properties in the event of a Chapter 7 liquidation sale, which sale would result in a substantially shortened marketing time, estimated at 90 days. In the event the marketing and sale time is shortened, it is possible that the net recovery to Debtor's estate and Debtor's creditors would be even less.

ARTICLE XII. FEASIBILITY

Another requirement for confirmation involves the feasibility of the Plan, which means that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further reorganization, of Debtor or any successor to Debtor under the Plan. There are at least two important aspects of a feasibility analysis. The first aspect considers whether Debtor will have enough cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. Debtor asserts that this aspect of feasibility is satisfied because its cash on hand, including the Net Proceeds of the Academy Property sale, will be sufficient to pay all fees or expenses due on the Effective Date.

The second aspect of feasibility concerns whether Debtor will have enough cash over the life of the Plan to make the required Plan payments. Debtor has provided projections that demonstrate Debtor's anticipated cash flow, and monthly operating reports in this case demonstrate Debtor's typical monthly income and operating expenses. Debtor anticipates selling the Properties on a timely basis, such that Debtor will be able to pay in full the Allowed *ad valorem* Priority Tax Claims and the Class 2 Claim well before the date of final payment called for by the Plan. To the extent Debtor is unable to sell all of the Properties, Debtor anticipates a sell of some of the Properties will enable it to refinance its secured debt on or before the third anniversary of the Effective Date.

Please refer to the monthly operating reports filed in this case for Debtor's relevant financial statements and Debtor's projected budget, filed as **Exhibit B** hereto. YOU ARE ADVISED TO CONSULT WITH YOUR ACCOUNTANT OR FINANCIAL ADVISOR IF YOU HAVE ANY QUESTIONS PERTAINING TO THESE FINANCIAL STATEMENTS.

ARTICLE XIII. REQUEST FOR RELIEF UNDER SECTION 1129(B)

13.01 Requirements for "Cramdown." Section 1129(b) of the Bankruptcy Code provides that the Bankruptcy 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” provisions set forth in that Section. The “cramdown” provisions require that the Bankruptcy Court find that a plan “does not discriminate unfairly” and is “fair and equitable” with respect to each non-accepting impaired Class. In the event that all impaired Classes do not vote to accept the Plan, Debtor will request that the Bankruptcy Court confirm the Plan pursuant to the provisions of § 1129(b) of the Code.

The Bankruptcy Court may find that the Plan is “fair and equitable” with respect to a Class of non-accepting Secured Claims, only if, under the Plan, (a) the holder of each Secured Claim in such Class retains such holder’s lien and receives deferred cash payments totaling at least the Allowed amount of such Secured Claim and having a value, as of the Effective Date of the Plan, equal to or in excess of the value of such holder’s interest in the estate’s interest in the collateral for the Secured Claim, (b) the collateral for such Secured Claim is sold, the lien securing such Claims attached to the proceeds, and such liens on proceeds are afforded the treatment described under clause (a) or (c) of this sentence, or (c) the holders of such Secured Claims realize the “indubitable equivalent” of their claims.

Debtor asserts that the rate of interest proposed to be paid on Secured Claims provides secured creditors with a future payment stream having a present value equal to each creditor’s Allowed Secured Claim.

The Bankruptcy Court may find that the Plan is “fair and equitable” with respect to a Class of non-accepting impaired Unsecured Claims only if (a) each impaired unsecured creditor receives or retains under the Plan property of a value as of the Effective Date of such Plan equal to the amount of its Allowed Claim, or (b) the holder of any Claim or Interest that is junior to the Claims of the dissenting Class will not receive or retain any property under the Plan.

If all of the provisions of Section 1129(b) of the Code are met, the Bankruptcy Court may enter an order confirming the Plan.

13.02 The Plan is Confirmable Under Section 1129(b) of the Bankruptcy Code. Debtor asserts that the Plan also meets the “best interest of creditors” test and is “feasible”. In addition, if any Class of Claims rejects the Plan, the Plan can nevertheless be confirmed because it meets the “cramdown” standard with respect to such Class.

- (a) The Plan Meets the “Best Interests of Creditors” Test.** The “Best Interests of Creditors” test requires that the Bankruptcy Court find that the Plan provides to each non-accepting holder of a Claim treated under the Plan a recovery which has a present value at least equal to the present value of the distribution that such person would receive if Debtor’s assets were liquidated under Chapter 7 of the Code. An analysis of the likely recoveries and effect on creditors in the event of liquidation under Chapter 7 of the Code is contained in Article XI of this Disclosure Statement and Exhibit C hereto. Debtor submits that, in a Chapter 7 liquidation, recovery by Debtor’s unsecured creditors is unlikely, and that Debtor’s secured creditor is unlikely to receive the full amount of its claim. As such, Debtor believes that this test is easily satisfied.

- (b) **The Plan is Feasible.** As a condition to Confirmation of a plan, the Bankruptcy Court must find that Confirmation is not likely to be followed by a liquidation or a need for further financial reorganization except as proposed in that plan. Debtor has proven their ability to pay the amounts that will be due under the Plan on the Effective Date and thereafter, as verified in Debtor's projected budget, attached as Exhibit B to this Disclosure Statement. Debtor believes that the information contained in Debtor's projected budget realistically reflects anticipated operations, and provides creditors with a reasonable snapshot from which to evaluate the prospects for Debtor's long-term success. Exhibit B is based on historical revenues, expenses, and operating trends, as adjusted for changes and improvements made to Debtor's operations. Information about Debtor's operations during the pendency of this case may be found in Debtor's monthly operating reports, which are available electronically through the Court's website.
- (c) **The Plan Meets the Cramdown Standard with Respect to Any Impaired Class of Claims Rejecting the Plan.** In the event any impaired Class of Claims rejects the Plan, the Plan can be confirmed. The Plan satisfies the provisions for cramdown under § 1129(b)(2) of the Bankruptcy Code. Secured creditors are either retaining their liens and receiving the value of their interest in Debtor's property in deferred cash payments totaling the allowed amount of their Claims or receiving all property secured by their Liens. Priority and Unsecured creditors are receiving more than they would receive if this Case were a Chapter 7 liquidation. In the event an impaired Class rejects the Plan, the Plan shall be deemed a motion for cramdown of such Class under the Bankruptcy Code.

ARTICLE XIV. TAX CONSEQUENCES

The following discussion summarizes certain anticipated federal income tax consequences of implementation of the Plan to Holders of Claims and to Debtor. It does not address all federal income tax consequences of the Plan nor does it address the state or local income tax or other state or local tax consequences of implementation of the Plan to Holders of Claims or to Debtor.

PERSONS READING THIS DISCLOSURE STATEMENT SHOULD BE AWARE THAT NEITHER DEBTOR NOR THEIR COUNSEL HAVE INTENDED TO ANSWER THE ABOVE TAX-RELATED ISSUES BUT RATHER ARE ONLY ATTEMPTING TO IDENTIFY SOME, BUT NOT ALL, OF THE TAX-RELATED ISSUES WHICH SHOULD BE CONSIDERED BY CREDITORS IN VOTING ON THE PLAN. FURTHERMORE, CREDITORS SHOULD CONSULT WITH THEIR OWN INDEPENDENT TAX ADVISOR WITH RESPECT TO ANY TAX IMPACT THAT MAY RESULT THROUGH THE IMPLEMENTATION OF THE PLAN.

The description of the federal income tax consequences of implementing the Plan is based on the Internal Revenue Code of 1986 (the "Tax Code"), the existing Treasury Regulations and Proposed Regulations thereunder, judicial decisions and current published administrative rulings generally available prior to the date of the filing of the Plan, all of which are subject to change at any time. Any such change may have a retroactive effect. DEBTOR HAS NOT RECEIVED, NOR WILL THEY REQUEST, A RULING FROM THE IRS AS TO ANY OF THE TAX CONSEQUENCES OF THE PROPOSED PLAN WITH RESPECT TO HOLDERS OF CLAIMS. NO ASSURANCE

IS OR CAN BE GIVEN THAT THE IRS WILL CONCUR WITH, NOR IS THE IRS BOUND BY, THIS DISCUSSION. Debtor has not obtained an opinion of counsel with respect to any of these matters. The discussion below is general in nature and is not directed to the specific tax situation of any particular interested taxpayer. FOR THESE REASONS, ALL HOLDERS OF CLAIMS SHOULD CONSULT WITH THEIR OWN ADVISORS AS TO THE TAX CONSEQUENCES OF IMPLEMENTATION OF THE PLAN TO THEM UNDER APPLICABLE FEDERAL, STATE AND LOCAL TAX LAWS.

14.01 Tax Consequences to Debtor. Confirmation of the Plan is not expected to have any material tax consequence for Debtor. Debtor may face potential capital gains tax liability, but anticipates that the Net Proceeds from the sales of the Properties will be able to satisfy any potential liability.

14.02 Tax Consequences to Claimants. Generally, bad debts arising from a taxpayer's trade or business may be deducted from gross income to the extent of their worthlessness when such debts become partially or totally worthless. A cash basis taxpayer can deduct a bad debt only if an actual cash loss has been sustained or if the amount deducted was included in income. All accrual-basis taxpayers must use the specific charge-off method to deduct business bad debts.

Holders of Claims may be required to report income or entitled to a tax deduction as a result of implementation of the Plan. The exact tax treatment depends on, among other things, each Claim Holder's method of accounting, the nature of each Claim Holder's Claim, and whether and to what extent such Claim Holder has taken a bad debt deduction in prior taxable years with respect to the particular debt owed to them by Debtor. EACH HOLDER OF A CLAIM IS URGED TO CONSULT WITH HIS OR ITS OWN TAX ADVISOR REGARDING THE PARTICULAR TAX CONSEQUENCES OF THE TREATMENT OF HIS OR ITS CLAIM UNDER THE PLAN. DEBTOR HAS NO MEANS TO DETERMINE THE POTENTIAL INDIVIDUALIZED TAX CONSEQUENCES TO ANY HOLDER OF CLAIMS.

ARTICLE XV. CONFIRMATION PROCEDURES

The Plan cannot be consummated unless it is confirmed by the Court. Confirmation of the Plan requires that, among other things, either (i) each Class of Claims or Interests that is impaired by the Plan has voted to accept the Plan by the requisite majority, or (ii) the Plan is determined by the Court to be fair and equitable, as defined by the Bankruptcy Code, with respect to Classes of Claims or Interests that have rejected the Plan. The Bankruptcy Code also requires that the confirmation of the Plan be in the "best interests" of all holders of Claims and Interests. Debtor believes that the Plan meets the Confirmation requirements of the Bankruptcy Code.

15.01 Creditors Eligible to Vote. Only the votes of Classes whose Claims or Interests are impaired by the Plan will be counted in connection with the Confirmation of the Plan. Generally, and subject to the specific provisions of § 1124 of the Bankruptcy Code, a Class is "impaired" if its legal, equitable or contractual rights attaching to the Claims or Interests of that Class are modified by the Plan. In determining acceptance of the Plan, votes will be counted only if submitted by a holder of an Allowed Claim or Allowed Interest. Claims or Interests may be

Allowed by the Court for voting purposes only. Classes 1 and 5 of the Plan include Claims or Interests that are not impaired under the Plan. All other Classes of Claims or Interests are impaired.

15.02 Acceptance Necessary to Confirm the Plan. For the Plan to be accepted and thereafter confirmed, it must be accepted by at least one Class of Claims which is impaired by the Plan. Under § 1126 of the Code, the impaired Class is deemed to have accepted the Plan if: (i) with respect to a Class of Claims, votes representing at least two-thirds (2/3) in amount and more than one-half (1/2) in number of Allowed Claims that have voted in that Class have accepted the Plan, and (ii) with respect to a Class of Interests, votes representing at least two-thirds (2/3) in amount of those Allowed Interests that have voted have accepted the Plan; provided that the vote of any holder of an Allowed Claim or Allowed Interest whose acceptance or rejection of the Plan was not made in good faith, as determined by the Court, will not be counted.

If a Class of Claims has been impaired by the Plan, the impaired Class must accept the Plan. Otherwise, the Court, in order to confirm the Plan, must independently determine that the Plan provides to each holder of a Claim or Interest, as the case may be, of such Class a recovery which has a value, as of the Effective Date, at least equal to the value of the distribution which such holder would receive or retain if Debtor was liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date.

15.03 Manner of Voting. In voting for or against the Plan, please use only the ballot sent to you with this Disclosure Statement. If a creditor has an Allowed Claim or Allowed Interest in more than one Class, such creditor may vote multiple ballots. Holders of Allowed Claims or Allowed Interests entitled to vote to accept or reject the Plan may vote by completing, dating, signing and transmitting the ballot to: Dunham Hildebrand, PLLC, 2510 Franklin Pike, Suite 210, Nashville, Tennessee, 37204, Email: alex@dhnashville.com.

To be counted, a ballot must be received at the above address on or before the date and time set forth in the ballot. A ballot, once submitted, cannot be withdrawn or modified except as provided under the Bankruptcy Code. If a creditor fails to submit a ballot on or before the date set forth in the ballot, such creditor shall be deemed to have accepted the Plan.

15.04 Confirmation Without Unanimous Acceptance. Section 1129(b) of the Bankruptcy Code provides that the Plan may be confirmed by the Court despite not being accepted by every impaired Class if: (i) at least one impaired Class of Claims, excluding the Claims of insiders, has accepted the Plan; and (ii) the Court finds that the Plan does not discriminate unfairly and is fair and equitable to the rejected Classes. Among other things, such a finding would require a determination by the Court that the Plan provides that no holder of an Allowed Claim or Allowed Interest junior to the rejecting Class will receive or retain property or payment under the Plan until or unless such rejecting Class is paid in full.

The Debtor reserves the right pursuant to § 1129(b) of the Code to request the Court to confirm the Plan if all of the applicable requirements of § 1129(a) of the Code have been met. In addition, Debtor reserves the right pursuant to § 1126(e) of the Code to request the Court to strike any ballot rejecting the Plan cast by any holder of a Claim or Interest which was not cast in good faith.

15.05 Hearing on Confirmation of the Plan. The Court will set a hearing on Confirmation of the Plan to determine whether the Plan has been accepted by the requisite number of holders of Claims and Interests and whether the other standards for Confirmation of the Plan have been satisfied. The hearing may be adjourned from time to time without further written notice other than an announcement in open Court.

DATED: September 16, 2016

Respectfully Submitted,

SWORDS GROUP, LLC

/s/ Jerry Swords

By: Jerry Swords

Its: President

/s/ Alex Payne

Griffin S. Dunham

Alex Payne

DUNHAM HILDEBRAND, PLLC

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Attorneys for Swords Group, LLC

EXHIBIT A – SWORDS GROUP UNSECURED CREDITORS

Jerry Swords	\$689,034.01
Bass Books	\$486,218.11
Design Fulfillment	\$286,500.00
Southern Debindery	\$85,000.00
Nash Trading	\$9,265.97
Lowe's	\$3,053.04
Capitol Motor Freight	\$1,642.50
Pye Barker	\$1,238.39
<u>Total Class</u>	<u>\$1,561,952.02</u>

EXHIBIT B – PROJECTED BUDGET

Swords Group, LLC
Estimated Cash Flow Statement to Accompany Disclosure Statement for Plan of Reorganization

	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Plan Year 2	Plan Year 3
Revenues															
Rental Income*	\$ 7,150.00	\$ 7,150.00	\$ 7,150.00	\$ 7,150.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 150,000.00	\$ 150,000.00
Sale of Real Property**	\$ 60,444.39	\$ -	\$ -	\$ 2,100,000.00	\$ -	\$ -	\$ -	\$ 1,250,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,200,000.00	\$ -
Total Revenues	\$ 67,594.39	\$ 7,150.00	\$ 7,150.00	\$ 2,107,150.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 1,260,000.00	\$ 10,000.00	\$ 10,000.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 1,350,000.00	\$ 150,000.00
Cost of Sales															
Total Cost of Sales	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Profit	\$ 67,594.39	\$ 7,150.00	\$ 7,150.00	\$ 2,107,150.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 1,260,000.00	\$ 10,000.00	\$ 10,000.00	\$ 12,500.00	\$ 12,500.00	\$ 12,500.00	\$ 1,350,000.00	\$ 150,000.00
Expenses															
Bank Charges	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 36.00	\$ 36.00
Franchise & Excise Tax Expense (Est)	\$ -	\$ -	\$ -	\$ -	\$ 3,400.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,400.00	\$ 3,400.00
Tax Expense (Est. Income & Cap Gains)	\$ 6,750.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 141,823.33	\$ 166,125.00
Insurance Expense (Property)	\$ 3,296.27	\$ 3,296.27	\$ 3,296.27	\$ 3,296.27	\$ 3,131.46	\$ 3,131.46	\$ 3,131.46	\$ 3,131.46	\$ 2,974.89	\$ 2,974.89	\$ 2,974.89	\$ 2,974.89	\$ 2,974.89	\$ 35,698.68	\$ 37,483.61
Insurance Expense (Life Ins.)	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 3,111.75	\$ 39,208.05	\$ 41,168.45
Interest Payments to Simmons Bank	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,444.96	\$ 7,444.96	\$ 1,944.96	\$ 1,944.96	\$ 1,944.96	\$ 1,944.96	\$ 1,944.96	\$ 1,944.96	\$ 7,779.84	\$ -
Legal and Professional Expense	\$ 500.00	\$ -	\$ -	\$ 120,000.00	\$ -	\$ -	\$ -	\$ 80,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,000.00	\$ 1,000.00
Maintenance & Office Expense	\$ -	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 500.00	\$ 6,300.00	\$ 6,615.00
Real Estate Taxes (Est)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,134.45	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,134.45	\$ 12,777.00
Trustees' Fees	\$ -	\$ 650.00	\$ -	\$ -	\$ 9,750.00	\$ -	\$ -	\$ 650.00	\$ -	\$ -	\$ 9,750.00	\$ -	\$ -	\$ 10,725.00	\$ 2,600.00
Total Expenses	\$ 13,661.02	\$ 7,561.02	\$ 6,911.02	\$ 126,911.02	\$ 19,896.21	\$ 6,746.21	\$ 14,191.17	\$ 135,975.62	\$ 8,534.60	\$ 8,534.60	\$ 18,284.60	\$ 8,534.60	\$ 8,534.60	\$ 358,105.35	\$ 271,205.07
Net Income	\$ 53,933.37	\$ (411.02)	\$ 238.98	\$ 1,980,238.98	\$ (9,896.21)	\$ 3,253.79	\$ (4,191.17)	\$ 1,124,024.38	\$ 1,465.40	\$ 1,465.40	\$ (5,784.60)	\$ 3,965.40	\$ 3,965.40	\$ 991,894.65	\$ (121,205.07)
Plan Payments															
Priority Tax Claims	\$ -	\$ -	\$ -	\$ (38,092.28)	\$ -	\$ -	\$ -	\$ (18,884.75)	\$ (3,759.55)	\$ (3,759.55)	\$ (3,759.55)	\$ (3,759.55)	\$ (3,759.55)	\$ (90,024.06)	\$ -
Unsecured Non-Insider Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (256.00)	\$ (256.00)	\$ (256.00)	\$ (256.00)	\$ (256.00)	\$ (256.00)	\$ (256.00)	\$ (2,304.00)	\$ -
Unsecured Insider Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (327,310.71)	\$ -
Principal Payments to Simmons Bank**	\$ (15,000.00)	\$ (7,500.00)	\$ -	\$ (1,950,000.00)	\$ -	\$ -	\$ -	\$ (1,100,000.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (400,000.00)	\$ -
Ending Cash Balance (estimated)	\$ 39,786.05	\$ 31,875.03	\$ 32,114.01	\$ 24,260.71	\$ 14,364.50	\$ 17,618.29	\$ 13,171.12	\$ 18,054.75	\$ 15,504.61	\$ 12,954.46	\$ 3,154.31	\$ 3,104.17	\$ 3,054.02	\$ 175,309.90	\$ 54,104.83

Notes:

*This Budget assumes Debtor's rental income will increase to \$10,000 per month beginning in January 2017 and \$12,500 per month beginning in July 2017.

**This Budget assumes Debtor's sale of the Briskin Property in December 2016, the sale of the Hartmann Property in April 2017, and the Pleasant Grove Property twelve to fifteen months from the Effective Date. In the event the sale dates change, Debtor will submit an amended budget accordingly.

The Legal and Professional Expense Line Item includes Real Estate Agent Compensation

EXHIBIT C – HYPOTHETICAL LIQUIDATION ANALYSIS

Current Assets	
Cash on hand as of 8/31/16	\$852.68
Net Proceeds of Academy Sale, Less AP Payments	\$37,949.00
Total Current Assets	\$38,062.70
Fixed Assets	
Equipment and Tools	\$3,100.00
Real Property	\$6,800,000.00
Total Fixed Assets	\$6,803,100.00
Other Assets	
Customer lists	\$0.00
Other intangibles	\$0.00
Total Other Assets	\$0.00
Total Assets	\$6,841,162.70
90-day Liquidation Sale Discount (40%)	(\$2,244,000.00)
Less secured creditor's recovery	(\$3,438,922.00)
Less Chapter 7 trustee fees and expenses	(\$75,000.00)
Less Chapter 11 administrative expenses	(\$15,000.00)
Less priority claims, excluding administrative expense claims	(\$173,472.06)
Less Commissions Due from Sale of Real Estate – (6%)	(\$244,800)
Less Debtor's claimed exemptions	(\$0.00)
Balance available to pay unsecured claims	\$173,968.64
Total amount of unsecured claims	\$1,561,952.93
Net Recovery to Unsecured Creditors	11.14%