

In re Donald R Sweat

Debtor(s)

Case No. 16-10107

Chapter 11

DONALD R SWEATS DISCLOSURE STATEMENT, DATED OCTOBER 17, 2016

I. INTRODUCTION

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of Donald R Sweat (the "Debtor"). This Disclosure Statement contains information about the Debtor and describes the **Plan of Reorganization** (the "Plan") filed by Donald R Sweat on October 17th, 2016. A full copy of the Plan is attached to this Disclosure Statement as Exhibit A. *Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

The proposed distributions under the Plan are discussed at pages 2 of this Disclosure Statement. [General unsecured creditors are classified in Class 2, and will receive a distribution of 10% of their allowed claims, to be distributed per the treatment set out in the Plan.]

A. Purpose of This Document

This Disclosure Statement describes:

The Debtor and significant events during the bankruptcy case,
How the Plan proposes to treat claims or equity interests of the type you hold (i.e., what you will receive on your claim or equity interest if the plan is confirmed),
Who can vote on or object to the Plan,
What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
Why Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. *Time and Place of the Hearing to [Finally Approve This Disclosure Statement and] Confirm the Plan*

The hearing at which the Court will determine whether to [finally approve this Disclosure Statement and] confirm the Plan will take place on the date determined by the Court, at the United States Bankruptcy Court, Western District, Eastern Division, 111 South Highland Avenue, Jackson, TN 38301.

2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot in the enclosed envelope to Strawn & Edwards, PLLC, 314 North Church Avenue, Dyersburg, TN 38024. See section IV.A. below for a discussion of voting eligibility requirements.

Your ballot must be received by the date set by the Court or it will not be counted.

3. *Deadline For Objecting to the [Adequacy of Disclosure and] Confirmation of the Plan*

Objections to [this Disclosure Statement or to] the confirmation of the Plan must be filed with the Court and served upon all interested parties listed on the Courts mailing matrix by the date set by the Court.

4. *Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact Strawn & Edwards, PLLC, 314 North Church Avenue, Dyersburg, TN 38024.

C. Disclaimer

The Court has [conditionally] approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms. The Court has not yet determined whether the Plan meets the legal requirements for confirmation, and the fact that the Court has approved this Disclosure Statement does not constitute an endorsement of the Plan by the Court, or a recommendation that it be accepted.

II. BACKGROUND

A. Description and History of the Debtor's Business

The Debtor is an **Individual**. Since 2010 the Debtor has operated a mowing operation that mows state right of ways along with other miscellaneous mowing.

B. Insiders of the Debtor

There are currently no insiders employed by the Debtor.

C. Management of the Debtor Before and During the Bankruptcy

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, managers or other persons in control of the Debtor (collectively the "Managers") were Donald R Sweat.

The Managers of the Debtor during the Debtor's chapter 11 case have been: Donald R Sweat

After the effective date of the order confirming the Plan, the directors, officers, and voting trustees of the Debtor, any affiliate of the Debtor participating in a joint Plan with the Debtor, or successor of the Debtor under the Plan (collectively the "Post Confirmation Managers"), will be: Donald R Sweat

D. Events Leading to Chapter 11 Filing

The debtor operates a mowing service called Right of Way Mowing. He mows state right away and other miscellaneous areas. In order for the Debtor to bid on state jobs he must be bonded. The debtor suffered a house fire in 2015 that resulted in a total loss and has since been working with Shelter insurance to have the claim paid in full. Due to the hesitance of Shelter to pay the claim, the Debtor has had some resistance from banks to issue bonds resulting in a snow ball effect that led up to the filing of the Chapter 11 bankruptcy.

E. Significant Events During the Bankruptcy Case

Debtor has entered into Adequate Protection Agreements with Farm Credit Mid-America and Deere & Company.

F. Projected Recovery of Avoidable Transfers

The Debtor does not intend to pursue preference, fraudulent conveyance, or other avoidance actions at this time. The Debtor will amend its Plan and Disclosure at a later date if Debtor's intentions change.

G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets are listed in Exhibit B.

The most recent post-petition operating report filed since the commencement of the Debtor's bankruptcy case is set forth in Exhibit C.

III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places claims and equity interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has not placed the following claims in any class:

1. *Administrative Expenses*

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The following chart lists the Debtor's estimated administrative expenses, and their proposed treatment under the Plan:

<u>Type</u>	<u>Estimated Amount Owed</u>	<u>Proposed Treatment</u>
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$2,500.00	Paid in full on monthly.
Professional Fees, as approved by the Court.	No fees approved at this time. We estimate the attorney fees to be \$10,000.	Paid in full on the effective date of the Plan, or according to separate written agreement, or according to court order if such fees have not been approved by the Court on the effective date of the Plan.
Office of the U.S. Trustee Fees	\$325.00 quarterly	Paid in full quarterly.
TOTAL	\$12,825.00	

2. *Priority Tax Claims*

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtor's estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Date of Assessment	Treatment
Internal Revenue Service PO Box 7346 Philadelphia, PA 19101	\$37,983.89	03/22/2016	Payment Amount = \$633.06 Paid monthly for 60 months.
TN Dept of Labor and Workforce PO Box 20207 Nashville, TN 37202	\$1,621.17	05/11/2016	Payment Amount = \$207.20 Paid monthly for 6 months with the first payment being on the effective date of the Plan.

C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. *Classes of Secured Claims*

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will [be classified as a general unsecured claim].

The following chart lists all classes containing Debtor's secured prepetition claims and their proposed treatment under the Plan:

<u>Class #</u>	<u>Description</u>	<u>Insider ? (Yes or No)</u>	<u>Impairment</u>	<u>Treatment</u>
1	<i>Santander Consumer USA</i> Balance of \$26,765.82 Collateral: 2015 Chevrolet Silverado	No	unimpaired	Total Payout: \$26,765.82 Terms: 60 months Interest Rate: 10.99% Monthly Payment: \$549.83 Monthly Payments to begin on the effective date of the plan. After a 60 month period, balance will balloon and become due immediately.

Class #	Description	Insider ? (Yes or No)	Impairment	Treatment
1	Farm Credit Mid-America, FLCA Balance of \$418,233.34 Collateral: Real Estate and Acreage	No	unimpaired	\$328.92 per month 9% Interest Rate To be paid in full in Sixty (60) months.
1	Clayton Bank & Trust Balance of \$60,190.85 Collateral: 2588 Walter Taylor Road Friendship, TN 38034	No	unimpaired	Payments to be paid per the terms of the adequate protection agreement. (Doc No. 40)
1	Wells Fargo Bank N.A. Balance: \$14,779.95 Collateral: 2013 Chevrolet Camaro	No	unimpaired	Total Payout: \$14,779.95 Terms: 32 months Interest Rate: 11.99% Monthly Payment: \$469.15 Monthly Payments to begin on the effective date of the plan.
1	Deere & Company Balance: \$391,106.19 Collateral: 13 John Deere Mower/Tractors and 1 Case Mower/Tractor	No	unimpaired	Payments to be paid per the terms of the adequate protection agreement. (Doc No. 67)
1	Lauderdale County Bank Balance: \$171,844.74 Collateral: Real Estate	No	unimpaired	Total Payout: \$171,844.74 Terms: 60 months Interest Rate: 6.25% Monthly Payment: \$2,000.00 Monthly Payments to begin on the effective date of the plan. After a 60 month period, balance will balloon and become due immediately.

2. *Classes of Priority Unsecured Claims*

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

The following chart identifies the Plan's proposed treatment of Class 2, which contain general unsecured claims against the Debtor:

Class #	Description	Impairment	Treatment
2	General Unsecured Class	Impaired	Total Payout: \$2,705.15 Term: 5 years Annual Payments: 541.03

D. Means of Implementing the Plan1. *Source of Payments*

Payments and distributions under the Plan will be funded by the following:

Revenues generated through Debtors mowing operation.

2. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor, and their compensation, shall be as follows:

Name	Affiliations	Insider (yes or no)?	Position	Compensation
Donald R Sweat		Yes	owner	

E. Risk Factors

The proposed Plan has the following risks:

There is a very low risk that Debtor will not be able to be bonded resulting in his inability to big on state funded jobs.

F. Executory Contracts and Unexpired Leases

Debtor does not have any executory contract or unexpired leases to assume or reject under the Plan.

G. Tax Consequences of Plan

Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, And/Or Advisors.

IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor and equity interest holder at least as much as the creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor or equity interest holder has a right to vote for or against the Plan only if that creditor or equity interest holder has a claim or equity interest that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that class 2 is impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that class 1 is unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

1. *What Is an Allowed Claim or an Allowed Equity Interest?*

Only a creditor or equity interest holder with an allowed claim or an allowed equity interest has the right to vote on the Plan. Generally, a claim or equity interest is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim or equity interest, unless an objection has been filed to such proof of claim or equity interest. When a claim or equity interest is not allowed, the creditor or equity interest holder holding the claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

2. *What Is an Impaired Claim or Impaired Equity Interest?*

As noted above, the holder of an allowed claim or equity interest has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. *Who is **Not** Entitled to Vote*

The holders of the following five types of claims and equity interests are *not* entitled to vote:

holders of claims and equity interests that have been disallowed by an order of the Court;

holders of other claims or equity interests that are not "allowed claims" or "allowed equity interests" (as discussed above), unless they have been "allowed" for voting purposes.

holders of claims or equity interests in unimpaired classes;

holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code; and

holders of claims or equity interests in classes that do not receive or retain any value under the Plan;

administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan [and to the Adequacy of the Disclosure Statement].

4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

B. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting classes, as discussed later in Section [B.2.].

1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

A class of equity interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the allowed equity interests in the class, who vote, cast their votes to accept the Plan.

2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind nonaccepting classes of claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

You should consult your own attorney if a "cramdown" confirmation will affect your claim or equity interest, as the variations on this general rule are numerous and complex.

C. Liquidation Analysis

To confirm the Plan, the Court must find that all creditors and equity interest holders who do not accept the Plan will receive at least as much under the Plan as such claim and equity interest holders would receive in a chapter 7 liquidation. A liquidation analysis is attached to this Disclosure Statement as Exhibit D.

D. Feasibility

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan.

1. Ability to Initially Fund Plan

The Plan Proponent believes that the Debtor will have enough cash on hand on the effective date of the Plan to pay all the claims and expenses that are entitled to be paid on that date

2. Ability to Make Future Plan Payments And Operate Without Further Reorganization

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent's financial projections show that the Debtor will have an aggregate annual average cash flow, after paying operating expenses and post-confirmation taxes, of \$ 100,000.00 .

You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.

V. EFFECT OF CONFIRMATION OF PLAN

A. DISCHARGE OF DEBTOR

Discharge. Confirmation of the Plan does not discharge any debt provided for in the Plan until the court grants a discharge on completion of all payments under the Plan, or as otherwise provided in § 1141(d)(5) of the Code. Debtor will not be discharged from any debt excepted from discharge under § 523 of the Code, except as provided in Rule 4007(c) of the Federal Rules of Bankruptcy Procedure.

B. Modification of Plan

The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

The Plan Proponent may also seek to modify the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated and (2) the Court authorizes the proposed modifications after notice and a hearing.

C. **Final Decree**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.

/s/ Donald R Sweat

Donald R Sweat

The Plan Proponent

Strawn & Edwards, PLLC

By: /s/ Thomas H. Strawn

THOMAS H. STRAWN BOPR # 002710

314 NORTH CHURCH AVE

DYERSBURG, TN 38024

Counsel to the Debtor and Debtor in Possession

CERTIFICATE OF SERVICE

A true and correct copy of the foregoing was served, via U.S. mail, postage prepaid upon:

MATRIX

OFFICE OF THE US TRUSTEE

200 Jefferson Ave

Suite 400

Memphis, TN 38103

this 17th day of October, 2016.

/s/ Thomas H. Strawn

Thomas. H. Strawn