UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION

In re:

Bluff City Sheet Metal, Inc.	Case No. 16-24627-PJD
Debtor.	Chapter 11

AMENDED DISCLOSURE STATEMENT ACCOMPANYING CHAPTER 11 PLAN OF REORGANIZATION FOR BLUFF CITY SHEET METAL, INC.

NOTE: THE DEBTOR BELIEVES THAT ACCEPTANCE OF THE PLAN DESCRIBED IN THIS DOCUMENT IS IN THE BEST INTERESTS OF THE DEBTOR'S ESTATE, ITS CREDITORS AND ALL OTHER PARTIES IN INTEREST. ACCORDINGLY, THE DEBTOR RECOMMENDS THAT YOU **VOTE IN FAVOR OF THE PLAN**.

Dated: March 17, 2017

This Disclosure Statement (the "Disclosure Statement") is being distributed for the purpose of soliciting acceptances of the Plan. The Disclosure Statement has been prepared by the Debtor in good faith and in compliance with the applicable provisions of the Bankruptcy Code. No representations by any person or entity concerning the debtor, its operations, future sales, profitability, values or otherwise, other than as set forth in this Disclosure Statement, have been authorized.

The Debtor intends to seek to confirm the Plan and to cause the Effective Date of the Plan to occur promptly after confirmation of the Plan. However, there can be no assurance as to whether or when the confirmation or the Effective Date of the Plan actually will occur.

The information contained in this Disclosure Statement is believed to be correct at the time of the filing of this Disclosure Statement. Any information, representation, or inducement made to secure or obtain acceptances or rejections of the Plan which are, other than, or inconsistent with, the information contained in this Disclosure Statement or other materials authorized to be transmitted by the bankruptcy court should not be relied upon by any person in arriving at a decision to vote for or against the Plan. Any such additional information, representations, and inducements should be immediately reported to the attention of the Debtor and the bankruptcy court.

This Disclosure Statement has been prepared in accordance with section 1125 of the Bankruptcy Code and Bankruptcy Rule 3016(b) and not necessarily in accordance with federal or state securities laws, tax laws, or other non-bankruptcy law.

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain related documents, certain events, and certain financial information. While the Debtor believes that the Plan and related document summaries are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents or statutory provisions. Except as otherwise specifically noted, factual information contained in this Disclosure Statement has been provided by a review of the certain parts of the record in the case and by certain persons having a familiarity with the Debtor's business. Certain of the financial information contained herein has not been subject to an audit. Neither the Debtor nor counsel for the Debtor is able to warrant or represent that the information contained herein, including the financial information, is without any inaccuracy or omission.

A copy of the Plan is attached as Exhibit A hereto. All holders of claims against or equity interests in the Debtor are advised and encouraged to read this Disclosure Statement and the Plan in their entirety before voting to accept or reject the Plan. Unless otherwise specified herein, the statements contained in this Disclosure Statement are made only as of the date hereof, and there can be no assurance that the statements contained in this Disclosure Statement will be correct at any later date. In the event of any conflict between this Disclosure Statement and the terms of the Plan, the terms of the Plan shall govern.

As to contested matters, adversary proceedings and other Actions or threatened actions, this Disclosure Statement will not constitute or be construed as an admission of any fact or liability, or as a stipulation or waiver, but rather as a statement made in settlement negotiations. This Disclosure Statement will not be admissible in any bankruptcy or non-bankruptcy proceeding involving the Debtor or any other party (other than in connection with approval of this Disclosure Statement or confirmation of the Plan), nor will it be construed to be conclusive advice on the tax, securities, or other legal effects of the Plan as to holders of claims against or equity interests in the Debtor. You are advised to obtain independent expert advice on such subjects.

IRS circular 230 notice: to ensure compliance with IRS circular 230, holders of claims and equity interests are hereby notified that: (a) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of claims or interests for purposes of avoiding penalties that may be imposed on them under the internal revenue code; (b) such discussion is written in connection with the promotion or marketing by the Debtor of the transactions or matters addressed herein; and (c) holders of claims and interests should seek advice based on their particular circumstances from an independent tax advisor.

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I. INTRODUCTION

Bluff City Sheet Metal, Inc. as Debtor and debtor in possession (hereinafter referred to as the "Debtor"), pursuant to 11 U.S.C. § 1125, submits this Disclosure Statement to all known creditors and interest holders to disclose information deemed by the Debtor to be material, important, and necessary for its creditors to arrive at a reasonably informed decision in exercising their right to vote for acceptance of the Plan of Reorganization (the "Plan"). The Plan sets forth how Administrative Expenses, Claims, BOTH Secured And Unsecured, and Equity Interests in the Debtor will be treated upon the Debtor's emergence from chapter 11 if the Plan is confirmed by the Bankruptcy Court and is thereafter consummated. This Disclosure Statement describes certain aspects of the Plan, the Debtor's business operations, significant events leading to the Chapter 11 Case, and related matters. **FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THIS DISCLOSURE STATEMENT, THE PLAN, AND ALL OF THEIR RELATED EXHIBITS AND SCHEDULES IN THEIR ENTIRETY.**

Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- **Exhibit A** **The Plan**
- **Exhibit B** **Projected Financial Information**
- **Exhibit C** **Liquidation Analysis**

A. Purpose Limitations and Structure of this Disclosure Statement

The purpose of this Disclosure Statement is to provide the holders of Claims against the Debtor with adequate information to make an informed decision as to whether to accept or reject the Plan. The information in this Disclosure Statement may not be relied upon for any other purpose, and nothing contained in this Disclosure Statement shall constitute an admission of any fact or liability or as a stipulation or waiver by any party, or be admissible in any other case or any bankruptcy or non-bankruptcy proceeding involving any of the Debtors or any other party, or be deemed conclusive advice on the tax, securities or other legal effects of the Plan.

Neither the Debtor nor the Bankruptcy Court has authorized the communication of any information about the Plan other than the information contained in this Disclosure Statement and

the related materials transmitted herewith or filed with the Bankruptcy Court. No solicitation of votes on the Plan from a Creditor in an impaired class or interest holder may be made, unless, at the time of or before such solicitation, this Disclosure Statement, in the form approved by the Bankruptcy Court for dissemination, is transmitted to such persons.

Except with respect to the projections and except as otherwise specifically and expressly indicated herein, this Disclosure Statement does not reflect any events that may occur subsequent to the date hereof and that may have a material impact on the information contained in this Disclosure Statement. The Debtor does not intend to update the Projections. Nor does the Debtor anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences, unless otherwise ordered by the Bankruptcy Court. Accordingly, the delivery of this Disclosure Statement shall not under any circumstance imply that the information contained therein is correct or complete as of any time subsequent to the date hereof.

After notice and a hearing to be held at a time fixed by the Bankruptcy Court, the Court may enter an order approving this Disclosure Statement as containing adequate information (as defined in 11 U.S.C. § 1125) and authorizing the Debtor to transmit this Disclosure Statement along with the Plan, an approved Ballot, and a copy of such approval order to the holders of claims and interests. In that Order, the Court may also (i) approve the solicitation materials and the procedures for distributing such materials, (ii) approve the form and manner of notice of the Confirmation Hearing, (iii) establish the Voting Record Date, (iv) approve the forms of ballots, (v) establish the deadline for submitting ballots on the Plan, (vi) approve the procedures for the tabulation of votes, and (vii) schedule a hearing on the Confirmation of the Debtor's Plan in courtroom 630, 200 Jefferson, Memphis, Tennessee.

B. Voting Prerequisites and Procedures

As a creditor or interest holder, your vote is important. The following procedures for voting on the Plan from holders of Claims against and Equity Interests in the Debtor are set forth below:

1. *Classes Entitled to Vote*

Pursuant to the provisions of the Bankruptcy Code, only holders of claims or interests that are members of a class that: (a) is "impaired" within the meaning of section 1124 of the Bankruptcy Code (an "Impaired Class") and (b) is not deemed to have rejected a Plan under section 1126(g) of the Bankruptcy Code, are entitled to vote to accept or reject a plan of reorganization. Classes of claims or interests that are not impaired under section 1124 of the Bankruptcy Code are conclusively presumed to have accepted a Plan and are not entitled to vote to accept or reject the Plan. Impaired Classes of which the members will receive no recovery under a Plan are deemed to have rejected the Plan under section 1126(g) of the Bankruptcy Code and are not entitled to vote to accept or reject the Plan.

The Classes of Claims and their status as impaired or not impaired are shown below:

Class	Description	Voting Status
1	Administrative Claims	Deemed Not Impaired
2	Secured Claim of Triumph Bank	Impaired
3	Secured Claim of Can Capital	Impaired
4	Tax claims	Impaired
5	Small Unsecured Claims Class	Impaired
6	General Unsecured claims	Impaired
7	Equity Interests	Deemed Not Impaired

Any holder of a Claim in an Impaired Class at 5:00 p.m. CDT on **_____ __, 2017,** the Voting Record Date, whose Claim has not previously been disallowed by the Bankruptcy Court is entitled to vote if and only if either (i) such holder's Claim has been Scheduled by the Debtor and is not a Disputed, Contingent or Unliquidated Claim or (ii) a proof of claim was filed and neither the Debtor nor any other party in interest has filed an objection to such asserted Claim or such asserted Claim has been Allowed by a Final Order. Accordingly, any Claim as to which an objection has been filed is not entitled to vote unless the Bankruptcy Court, after notice and a hearing, temporarily allows such Claim pursuant to 11 U.S.C. § 502 and FED. R. BANKR. P. 3018 in an amount that Bankruptcy Court deems proper for the purpose of voting to accept or reject the Plan. Thus, although the holders of Disputed Claims may receive ballots, these ballots

will not be counted unless such Disputed Claims are allowed temporarily for voting purposes by the Bankruptcy Court.

Only holders of Allowed Claims or Allowed Interests in Impaired Classes as of the Voting Record Date are eligible to vote on the Plan. Entities that acquire Allowed Claims after the Voting Record Date will not be entitled to vote on the Plan, but, if they hold such Claims on the Distribution Record Date (or are otherwise lawfully entitled to receive distributions under the Plan in respect of such Claims) they will be entitled to receive distributions under the Plan.

2. *Votes Required for Acceptance of the Plan by a Class*

Pursuant to the Bankruptcy Code, a class of claims is considered to have accepted a proposed plan of reorganization if ballots are cast accepting the Plan by more than one-half of the class members that voting on the Plan, holding at least two-thirds in dollar amount of the claims in that class voting on the Plan.

3. *Tabulation of Votes*

A vote to accept or reject the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not cast in good faith or was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. A Ballot that does not indicate the acceptance or rejection of the Plan or that indicates both acceptance and rejection of the Plan will be counted as a vote for acceptance of the Plan. If the holder of a Claim or Equity Interest otherwise does not properly submit its Ballot, or that holder's vote is disregarded, that holder and that holder's Claim or Equity Interest will not be counted in deciding whether the requisite number of Class members and amount of Claims or Equity Interests voted to accept or reject the Plan. If a Class is entitled to vote and no properly submitted Ballots are returned from such Class, the Class will be deemed to have accepted the Plan.

If one or more of the Classes of Claims or Equity Interests entitled to vote on the Plan rejects the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both, without providing further notice to the holders of any Claim or Equity Interest. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan of reorganization notwithstanding the non-acceptance of the Plan by one or more Impaired Classes of claims or interests. Under that section, a Plan may be

confirmed if it does not "discriminate unfairly" and is "fair and equitable" with respect to each non-accepting class. Holders of Claims and Equity Interests should assume that, if one or more of the Classes of Claims or Equity Interests entitled to vote on the Plan reject the Plan, the Debtors will amend the Plan, as required, and request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both, at the subsequently scheduled Confirmation Hearing.

4. *Voting Instructions*

A Ballot to be used for voting to accept or reject the Plan is enclosed with all copies of this Disclosure Statement that are transmitted to Creditors in Impaired Classes. A Ballot shall not constitute and shall not be deemed to constitute a filed proof of claim or proof of interest or an amendment to a filed proof of claim or proof of interest. **The Debtor recommends that you vote in favor of the Plan.**

In order to be counted for voting purposes, Ballots indicating acceptance or rejection of the Plan must be marked, signed, dated and returned so that they are stamped as having been received by no later than five o'clock (5:00) p.m., central standard time on _____ __, 2017, at the following address:

ATTENTION: JOHN L. RYDER

HARRIS SHELTON HANOVER WALSH PLLC
ONE COMMERCE SQUARE
40 S. MAIN STREET
SUITE 2700
MEMPHIS, TENNESSEE 38103

Creditors in impaired classes are required to mark their Ballot to indicate their votes. Before completing a Ballot, creditors in impaired classes eligible to vote on the Plan are advised to read carefully the instruction sheet that accompanies the Ballot. If the Ballot is not properly completed, marked, signed, dated, returned and timely received, it may not be counted. Creditors must vote all claims in a particular class in the same way (*i.e.* all "accept" or all "reject").

If a Ballot is damaged or lost, or the recipient thereof has any questions concerning voting procedures, such recipient should contact the attorney for the debtor: John L. Ryder, Harris Shelton Hanover Walsh PLLC, One Commerce Square, Suite 2700, Memphis, Tennessee, 38103. Once submitted, a Ballot accepting the Plan cannot be changed or withdrawn except for cause

shown to the bankruptcy court within the time set for voting on the Plan. Ballots of creditors in impaired classes that are signed and returned but that do not expressly provide a vote either for acceptance or rejection of the Plan shall be counted as acceptances. Facsimile Ballots will not be accepted.

C. Overview of Chapter 11 Process

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize its business for the benefit of itself, its creditors, and its equity interest holders. In addition to permitting rehabilitation of a debtor, another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of the debtor's assets.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor in property as of the commencement date. The Bankruptcy Code provides that a debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the terms for satisfying claims against and equity interests in a debtor. Upon confirmation of a Plan of reorganization, it is binding on the debtor, any issuer of securities under the Plan, and any creditor or equity interest holder of the debtor. Subject to certain limited exceptions, the confirmation order discharges the reorganizing debtor from any debts that arose prior to the date of confirmation of the Plan and substitutes therefor the obligations specified under the confirmed Plan.

II. THE CHAPTER 11 CASE

A. General Information.

Debtor is a commercial HVAC contractor, working as a sub-contractor to General Contractors and occasionally directly for Owners.

Prior to the commencement of Debtor's chapter 11 bankruptcy, Debtor had three loans with Triumph Bank.

1) Building loan secured by land and building located at 1989 Vanderhorn Drive, Memphis, Tn. The balance as of the date of filing was: $387,876.63.

2) Truck loan secured by a first lien on 11 trucks; at the time of filing the balance was $18,923.00

3) Line of Credit, secured by Equipment, inventory and accounts receivable. As of the date of filing, the balance was $640,310.00

All three loans are cross-collateralized. All are guaranteed by the personal guaranty of Ricky Morgan and his wife, Pamela Morgan. The guaranty is further secured by a first mortgage on the Morgan's farm in Hardeman County.

During the pendency of the bankruptcy, the court entered an order allowing debtor to use cash collateral. Pursuant to that order, the Debtor has made certain payments to the Bank on the Building Loan and the Truck Loan and has pledged as additional collateral three additional motor vehicles.

Debtor also incurred secured debt in favor of Can Capital, a short term lender to small business. The balance as of the date of filing is $169,000 and the lender is secured by a second lien on the Debtor's accounts receivable.

B. Corporate Structure and Organization

The Debtor, Bluff City Sheet Metal, Inc., is a corporation, organized under the laws of the State of Tennessee. The Debtor's equity is held 50% by Ricky Morgan and 50% by Pamela Morgan. Ricky Morgan is President of the corporation and Pamela Morgan is Secretary.

C. Events Leading to Commencement of Chapter 11

The Debtor's decision to commence this Chapter 11 reorganization case was based on several factors and only after careful deliberations of all alternatives. In 2011, Debtor discovered that an employee had embezzled approximately $500,000, which adversely affected cash flow. Although insurance covered some of the loss, it did not fully cover the loss. Furthermore, the matter was not settled until 2015 and cash flow remained tight throughout 2015 and 2016. Debtor attempted to restructure its debt obligations, but was unable to do so. Finally, an

exceptionally wet spring in 2016 led to delays in construction projects, which further impacted cash flow.

D. Commencement of Chapter 11 Case and Initial Relief Sought

On May 17, 2016, (the "Commencement Date"), the Debtor filed a voluntary petition in the United States Bankruptcy Court for the Western District of Tennessee for relief under Chapter 11 of the Bankruptcy Code. Pursuant to Sections 1107 and 1108 of the Bankruptcy Code, the Debtor is continuing to operate its business as debtor-in-possession.

E. Operations Since Commencement of Case

A summary of the Debtor's receipts and expenditures since the commencement of the Chapter 11 case is attached hereto as **Exhibit D**.

III. SUMMARY OF PLAN OF REORGANIZATION

A. Debtor's Intent

Through enormous effort by Debtor's management, Debtor has been able to control costs and increase its contracts.

In contrast, Debtor believes that if the Debtor is liquidated, the value of the assets would plummet. This is particularly true of the accounts receivable, which are susceptible to dispute unless Mr. Morgan is available to service the underlying contract.

The Debtor expects the Plan to be funded in whole by the revenues derived from operations of the Business. The Debtor intends to use funds it receives from net cash flow for entity related administrative, tax, accounting, and general expenses, and to ensure compliance with the terms of the Plan. The Plan and all costs associated are to be funded by the operation of the Business.

B. General Overview

The Debtor, pursuant to 11 U.S.C. § 1121, 1123 and 1127 and related applicable sections of the Bankruptcy Code, is proposing a plan of reorganization (the "Plan"). The Plan is based upon the Debtor's belief that the interests of the Debtor's creditors and interest holders will be best served if the Plan is approved and repayment of its debts are as set forth in this Plan.

The following summary is a general overview and is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information and financial statements and notes appearing elsewhere in this Disclosure Statement and the Plan. All capitalized terms not defined in this Disclosure Statement have the meaning subscribed to such terms in the Plan, or applicable provisions of the Bankruptcy Code. A copy of the Plan is attached hereto as **Exhibit A.**

This Disclosure Statement contains, among other things, descriptions and summaries of the provisions of the Plan being proposed by the Debtor as originally filed on January 12, 2017, with the United States Bankruptcy Court for the Western District of Tennessee. Certain provisions of the Plan, and thus the descriptions and summaries contained herein, may be the subject of continuing negotiations among the Debtor and various parties have not been fully agreed upon and may be modified. Such modifications, however, will not have a material affect on the distributions contemplated by the Plan.

C. General Structure of the Plan.

BLUFF CITY SHEET METAL, INC. as the Debtor and Debtor-in-Possession, is the proponent of the Plan within the meaning of 11 U.S.C. § 1129. The Plan contains separate classes and proposes recoveries for holders of claims against and interest in the Debtor. After careful review of the Debtor's current business operations, estimated recoveries in liquidation, and the prospects of ongoing business, the Debtor has concluded that the recovery to its creditors will be maximized by the reorganization of the Debtor as contemplated by the Plan. Specifically, the Debtor believes that its business and assets have a significant value that would not be realized in a quick liquidation, such as in a chapter 7 bankruptcy case. According to the valuation analysis prepared by the Debtor, the Debtor believes that the value of its estate is significantly greater in the proposed reorganization Plan than in liquidation. A pro forma setting forth the projected financial information of Debtor's business and Debtor's source of funding of the Plan for 2017-2024 is attached as **Exhibit B**.

D. Means for Implementation

Debtor will fund the plan through on-going business operations. Payments to Class 2C will be paid over five years. Classes 3, and 6 will be made over seven years, or until paid in full, whichever comes first. Class 4 will be paid over 60 months. Payments to Classes 1 and 5 will be made on or shortly after the Effective Date. Classes 2A and 2B will be paid in accordance with the terms of the underlying notes.

E. Classification and Treatment of Holders of Claims and Equity Interests

The following summarizes the classification and treatment of the principal prepetition claims and interests addressed in the Plan. Classification and treatment for all classes is described in more detail in the Plan and reference is made thereto. The following also sets forth the Debtor's estimate of the amount of claims that will ultimately be allowed in each class based upon a review by the Debtor of the claims scheduled by the Debtor, consideration of the provisions of the Plan that affect the allowance of certain claims, and a general estimate of the amount by which allowed claims may ultimately exceed the amount of claims scheduled by the Debtor. The following also includes estimated recoveries for the holders of claim in each class. For purposes of estimating the percentage of recoveries set forth below, the Debtor has analyzed the assets and liabilities of the Debtor based upon the liquidation value of the assets. No representation can be or is being made with respect to whether the estimated percentage of recoveries shown below will actually be realized by the holders of allowed claims in a particular class.

The claims of Creditors and Interest Holders are divided in the following classes:

1. **CLASS 1. Administrative Claims**. Class 1 includes all administrative expenses allowed pursuant to 11 USC § 507(a)(1), including, all fees and allowances to attorneys and other professionals for Debtor approved by the Court, and all unpaid fees due and owing to the United States Trustee.

2. **CLASS 2. Secured Claims of Triumph Bank** Class 2 includes the claims of the Triumph Bank ("Bank"), secured by a first lien security interest in all assets of the Debtor. The claim arises from three separate promissory notes:

   Note 1, in the approximate amount of $387,876.63 secured by the land and building situated at 1989 Vanderhorn Dr., Memphis Tn. The value of the collateral is approximately $450,000.00 (Class 2A)

   Note 2, in the approximate amount of $18,923.00 secured by certain trucks owned and operated by the Debtor. The value of the collateral is approximately $85,000 (Class 2B)

   Note 3, a Line of Credit note, in the approximate amount of $640,310.00 secured by inventory, equipment and accounts receivable. The value of the collateral is approximately $870,000 (Class 2C)

3. **CLASS 3. Secured Claim of Can Capital.** Class 3 includes the claim of Can Capital in the approximate amount of $168,477 secured by a second lien security interest in accounts receivable.

4. **Class 4. Tax Claims.** Class 4A includes the claims of the Shelby County Trustee for property taxes due to the City of Memphis and Shelby County and claims of the Tennessee Department of Revenue; Class 4B includes the claims of the Arkansas Department of Revenue and the Mississippi Revenue Department both of which are less than $1,500.00.

5. **Class 5. Administrative convenience Class**. This class includes the claims of all creditors holding claims of less than $1,000.00 or who have agreed to reduce their claim to $1,000.00.

6. **CLASS 6. General Unsecured Claims**. Class 6 includes all finally allowed General Unsecured Claims and Rejection Claims of the Debtor. The total in this claim is believed to be approximately $1,250,000.00

7. **CLASS 7. Equity Interests**. Class 7 includes the equity interests of the owners of the Debtor.

Treatment of Claims and Interests.

All claims and interests are impaired under this Plan.

1. **CLASS 1. Administrative Claims**. Unless otherwise agreed by the holders of such claims, Debtor will pay these claims in cash on, or as soon as is reasonably practicable after, the later of (i) the Effective Date, (ii) the date such Administrative Expense otherwise would become due in the ordinary course of business.

2. **CLASS 2. Secured Claims of Triumph Bank**. Bank's claims will be allowed as fully secured and will be paid as follows:

Class 2A: Class 2A will be paid over seven years, with payments of $10,885 per quarter for six years and three quarter and a balloon payment of $66,620 to be paid in the final quarter..

Class 2B: Note 2 will be paid on a monthly basis in accordance with its terms.

Class 2C: Note 3 will be paid from gross operating revenue, with the Bank receiving Quarterly payments amortized at 5% interest over five years until the Note is paid in full. The first payment will be due

on the 30th day after the conclusion of the quarter in which the Effective Date occurs.

As provided in the Debtor's Disclosure Statement, there will be no release of the personal Guarantees of Ricky and Pamela Morgan or the collateral securing the Notes to Triumph Bank until the obligations to Triumph Bank are paid in full.

3. **CLASS 3. Secured Claim of Can Capital.** This class will be treated as fully secured. This claim will be repaid by payments of $1,000 per month, paid quarterly, after Triumph is paid, for five years. The first payment will be due on the 30th day after the conclusion of the quarter in which the Effective Date occurs. The balance shall be paid in eight equal quarterly payments in Plan Years 6 and 7.

4. **CLASS 4. Tax Claims.**

Class 4A--Claims in this class will be repaid in accordance with 11 USC §1129(a)(9)(C) in 60 equal monthly installments beginning 60 days after the Effective Date. All existing lien rights as of the commencement of the case shall be preserved until the claims in this class are satisfied.

Class 4B—Claims in this class will be paid in full on the Effective Date of the Plan.

5. **Class 5, Administrative Convenience Class**. This class will be paid in full on the Effective Date, without interest.

6. **CLASS 6. General Unsecured Claims**. This class will be paid from available net operating revenue, after payments to Classes 1 through 5.. The first payment

will be due on the 30th day after the conclusion of the quarter following the Quarter in which the Effective Date occurs. Class 6 will continue to receive payments until the claims in this class are paid in full.

7. **CLASS 7. Equity Interests**. Equity interest holders will retain their equity interest in the Debtor, but will receive no distribution on account of that ownership interest until all other classes are paid in full.

IV. CONFIRMATION OF THE PLAN OF REORGANIZATION

To confirm the Plan, the Court must, after notice, hold a hearing on the question of confirmation. A party in interest may vote for or against the Plan and otherwise support or oppose the reorganization effort. Also, a party in interest may object to confirmation of the Plan and appear at the confirmation hearing to prosecute such objection. Requirements for confirmation of a Chapter 11 Plan are set forth in 11 U.S.C. § 1129. The following is a summary of some of those requirements:

- **Acceptance by Impaired Classes**. Each class of creditors and each class of interests must accept the Plan, or must be unimpaired under the Plan. In general, a class of claims accepts the Plan if the Plan has been accepted by creditors that hold at least two-thirds (2/3) in amount and more than one-half (1/2) the number of allowed claims of such class held by the creditors that have voted. A class or interest has accepted a plan if such plan has been accepted by holders of such interest that hold at least two-thirds (2/3) in amount of the allowed interest of such class held by the holders or interest that have accepted or rejected the Plan.

- **Feasibility**. The Court is required to find that the confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization of the business, unless liquidation is part of this Plan. The Court must determine that the Plan adequately addresses the business's need for reorganization if that is required, and that the company is likely to be able to perform under the Plan. It is to be emphasized that a finding by the Court that the Plan meets these requirements is not a guarantee that the Plan will be fully performed.

  In order to determine whether the Plan satisfies the feasibility requirements of the Bankruptcy Code, the Debtor has analyzed its ability to meet its obligations under the Plan. As part of this analysis, the Debtors have prepared the projections set forth in

Exhibit B hereto (the "Financial Projections"). Based upon the Financial Projections, the Debtor believes that the Reorganized Debtor will become a viable operation following the Chapter 11 Case thus; the Plan will meet the feasibility requirements of the Bankruptcy Code.

- **Best Interest Test.** Often referred to as the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires the Bankruptcy Court to find, as a condition to confirmation of the Plan, that each holder of a Claim or Equity Interest either: (i) has accepted the Plan; or (ii) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

  The starting point in determining whether the Plan meets the "best interests" test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors' assets in the context of a chapter 7 liquidation (such amount, the "Liquidation Proceeds"). The Liquidation Proceeds must then be reduced by the costs of such liquidation, including costs incurred during the Chapter 11 Cases and allowed under chapter 7 of the Bankruptcy Code (such as professionals' fees and expenses, a chapter 7 trustee's fees, and the fees and expenses of professionals retained by the chapter 7 trustee). The potential chapter 7 liquidation distribution in respect of each Class must be reduced further by costs imposed by the delay caused by conversion to chapter 7. In addition, inefficiencies in the claims resolution process in a chapter 7 would negatively impact the recoveries of creditors. The net present value of a hypothetical chapter 7 liquidation distribution in respect of an impaired claim is then compared to the recovery provided by the Plan for such impaired claim.

- **Compelled Acceptance or "Cram Down" Provisions.** Under circumstances which are set forth in detail in 11 U.S.C. § 1129(b), the Court may confirm a Plan even though a class of claims or interest has rejected the Plan. The Debtor will attempt to invoke these "cram down" provisions should any class of claims or interest whose acceptance of the Plan is required fail to accept the Plan since the Debtor believes that with respect to each class, the Plan is fair and equitable within the meaning of the 11 U.S.C. § 1129(b) and does not discriminate unfairly. Among other things, 11 U.S.C. § 1141 provides that except as otherwise provided in the Plan or in the order confirming the Plan, the confirmation vests the property of the estate in the Debtor, and such property is free and clear of all claims and interests of the Debtor and equity security holders. Generally, confirmation of the Plan operates to discharge the Debtor from any debt that arose before the confirmation whether or not the holder of such claim has accepted the Plan.

V. ALTERNATIVES TO CONFIRMATION OF THE PLAN

The Debtor believes that the Plan affords the holders of Claims and Interests the potential for the greatest realization of value from the Debtor's assets and, therefore, is in the best interest

of such holders. If the Plan is not confirmed, however, the theoretical alternatives include (a) continuation of the pending Chapter 11 case; (b) an alternative plan or plans of reorganization; or (c) the liquidation of the Debtor under Chapter 7 or Chapter 11 of the Bankruptcy Code.

A. Continuation of the Bankruptcy Case.

If the Debtor remains in Chapter 11, it could continue to operate its business and manage its properties as debtor-in-possession; however, its assets would remain subject to the jurisdiction of the Bankruptcy Court and provisions of the Bankruptcy Code. It is unlikely that the Debtor could survive operating as a Chapter 11 debtor.

B. Alternative Plans of Reorganization.

If the Debtor's Plan is not confirmed, the Debtor or, after the expiration of the Debtor's exclusive period in which to propose and solicit a reorganization plan, any other party in interest of the Chapter 11 case could propose a different plan or plans. Such plans might involve either a reorganization or continuation of the Debtor's business or an orderly liquidation of its assets or a combination of both.

C. Liquidation under Chapter 7.

If no Plan is confirmed, the Debtor's Chapter 11 case may be converted to a case under Chapter 7 of the Bankruptcy Code. In a Chapter 7 case, a Trustee would be appointed to liquidate the assets of the Debtor. It is impossible to predict the funds that would be received from a liquidation of the Debtor's assets or to predict a distribution to the respective holders of Claims against or Interests in the Debtor. The Debtor does, however, believe that creditors would lose substantially higher value if the Debtor is forced to liquidate in Chapter 7 which is reflected in the preliminary liquidation analysis set forth as **Exhibit C** hereto ("Liquidation Analysis").

To calculate the probable distribution to members in an impaired class of holders of claims and interests if the Debtor were liquidated under Chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtor's assets if its Chapter 11 case were converted to a Chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtor's assets by a Chapter 7 trustee.

The amount of liquidation value available to secured creditors would be reduced, first, by the claims of those entities that provided the Debtor post-petition funding to the extent of the

value of their collateral. In turn, the amount of liquidation value available to unsecured creditors would be reduced by the claims of secured creditors to the extent of the value of their collateral, and, second, by the costs and expenses of liquidation as well as by other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 case.

As a general matter, liquidation under Chapter 7 will not affect the rights of certain sureties who posted bonds that the Debtor purchased for various business litigation and other reasons. As mentioned, cost of liquidation under Chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the Debtor in its bankruptcy case (such as compensation of attorneys, financial advisors and accountants) that are allowed in the Chapter 7 case, the litigation costs, and claims arising from the operations of the Debtor during the pendency of the bankruptcy case. The liquidation itself would trigger certain priority payments which otherwise would be due in the ordinary course of business. These priority claims would be paid in full from the liquidation proceeds before the balance would be made to pay the general unsecured claims or to make any distribution in respect to equity interests. Liquidation also would prompt the rejection of executory contracts and unexpired leases in connection with the cessation of operations and thereby creating a significantly higher number of unsecured claims.

Once the Court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to unsecured creditors and equity security holders from their remaining available proceeds in liquidation. If such probable distribution in liquidation has a higher value than the distributions to be received by such creditors and equity security holders under a debtor's Plan, then such plan of reorganization is not in the best interest of creditors and equity security holders.

The Debtor has prepared a Liquidation Analysis which is premised upon a hypothetical liquidation in a Chapter 7 case and is attached hereto as **Exhibit C**. Based on this analysis, it is likely that a Chapter 7 liquidation of the Debtor's assets would produce less value for distribution to creditors than that recoverable in each instance under the Plan. The Debtor believes that any Liquidation Analysis is speculative. For example, the Liquidation Analysis necessarily contains an estimate amount of claims which ultimately will become allowed claims.

In preparing the Liquidation Analysis, the Debtors have projected the amount of claims based upon a review of their scheduled and filed proofs of claim. No order or finding has been entered by the Bankruptcy Court estimating or otherwise fixing the amount of claims at the projected amount of claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Debtor has projected a range for the amount of the allowed claims with the low end of the range the lowest reasonable amount of claims and the high end of the range the highest reasonable amount of the claims, thus allowing assessment of the most likely range of Chapter 7 liquidation dividends to the holders of allowed claims. The estimate of the amount of allowed claims as set forth in the Liquidation Analysis should not be relied upon for any other purpose, including without limitation, any determination of the value of any distribution to be made on account of allowed claims and interests under the Plan. In addition, as noted above, the Liquidation Analysis contains numerous estimates and assumptions.

VI. EFFECT OF CONFIRMATION OF PLAN

A. Discharge of Debt

Except as otherwise expressly provided in the Plan or in the confirmation order, the confirmation order shall operate as a discharge, pursuant to Section 1141(d) of the Bankruptcy Code, to the fullest extent permitted by applicable law, as of the Effective Date of the Plan, of any and all debts of, and claims of any nature whatsoever against the Debtor that arose at any time prior to the confirmation date, including any and all claims for principal and interest, whether accrued before, on or after the Petition Date.

B. Modification of Plan

The Debtor may modify the Plan at any time before confirmation of the Plan. The Debtor 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.

VII. INJUNCTION, EXCULPATION AND RELEASE PROVISIONS

A. General Injunction

Pursuant to Sections 105, 1123, 1129, and 1141 of the Bankruptcy Code, in order to preserve and implement the various transactions contemplated and provided for in the Plan, as of the confirmation date, except as otherwise provided in the Plan or in the confirmation order, all persons or entities that have held, currently hold or may hold a claim or other debt or liability, that is discharged pursuant to the terms of the Plan are and shall be permanently enjoined and forever barred to the fullest extent permitted by law from taking any of the following actions on account of any such discharged claims, debts or liabilities, other than actions brought to enforce any rights or obligations under the Plan or the Plan documents: (a) commencing or continuing in any manner any action or other proceeding against the Debtor, the reorganized Debtor, or its respective property; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order against the Debtor, the reorganized Debtor or its assets; (c) creating, perfecting, or enforcing any lien or encumbrance against the Debtor, the reorganized Debtor or its assets; (d) asserting a setoff, right of subrogation, or recoupment of any kind against any debt, liability or obligation due to the Debtor or reorganized Debtor; (e) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the confirmation order. The Debtor and the reorganized Debtor shall have the right to independently seek enforcement of this general injunction provision. This general injunction provision is an integral part of the Plan and is essential to its implementation.

B. Exculpation from Liability

The Debtor, the reorganized Debtor, its officers and directors, its respective agents, representatives, accountants, attorneys, and professionals (acting in such capacity) and their respective heirs, executors, administrators, successors, and assigns, will neither have nor incur any liability whatsoever to any person or other entity for any act taken or omitted to be taken in good faith in connection with or related to the formulation, preparation, dissemination, implementation, confirmation, or consummation of the Plan, the Disclosure Statement, any Plan document, or any contract, instrument, release, or other agreement or document created or entered into, or any other act taken or omitted to be taken, in connection with the Plan or the reorganization case. The rights granted herein are cumulative with (and not restrictive of) any and all rights, and remedies, and benefits that the Debtor, the reorganized Debtor, and its

respective agents have or obtain pursuant to any provision of the Bankruptcy Code. This exculpation from liability provision is an integral part of the Plan and is essential to its implementation.

C. Release

To the extent permitted under the Bankruptcy Code, on the Effective Date of the Plan, the post confirmation Debtor shall be deemed to be unconditionally released from any and all claims, obligations, suits, judgments, damages, rights, remedies, causes of action, charges, costs, debts, indebtedness, or liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising in law, equity, or otherwise, based in whole or in part upon any act or omission, transaction, event or other occurrence taking place between the Petition Date and the Effective Date, which is in any way relating to the Debtor, this reorganization case, any assets of the Debtor, the business or operations of the Debtor, the Plan, or any of the transactions contemplated thereby. The confirmation order shall enjoin the prosecution by any person or entity, whether directly, derivatively or otherwise, of any such claim, obligation, suit judgment, damage, right, remedy, cause of action, charge, cost, debt, indebtedness, or liability which arose or accrued during such period or was or could have been asserted against the Debtor except as otherwise provided in the Plan, the Plan documents or the confirmation order. This release provision is an integral part of the Plan and is essential to its implementation. Nothing herein is intended to effect a release of the personal guarantees of Ricky and Pamela Morgan, or the collateral securing the same, to Triumph Bank, until the obligations to Triumph Bank are paid in full.

D. Terms of Certain Injunctions and Automatic Stay

All injunctions and automatic stays provided for in the reorganization case pursuant to Sections 105, 362, or other applicable provisions of the Bankruptcy Code, or otherwise, and in existence on the confirmation date, shall remain in full force and effect until the Effective Date. Any preliminary or permanent injunction entered by the Bankruptcy Court shall continue in full force and effect following the confirmation date and the final decree date, unless otherwise ordered by the Bankruptcy Court.

E. Title to Property

Upon the Effective Date, property of Debtor shall revest in the Debtor and be free and clear of all claims and interest of Creditors and equity security holders except as set forth herein.

VIII. MISCELLANEOUS PROVISIONS

A. Avoidance Actions

Pursuant to Bankruptcy Code §§ 547 and 550, transfers made to or for the benefit of a creditor for or on account of an antecedent debt on or within ninety (90) days before the petition date (or within one year of the petition date in the case of an insider of the Debtor) may be avoided as preferential transfers and recovered by the Debtor subject to certain defenses available to such creditor (or insider) under the Bankruptcy Code. Additionally, the fixing of a lien against property of the Debtor may constitute a transfer of an interest in property and the fixing of such lien on account of an antecedent debt within the applicable preference period may be avoided. Although Debtor has not identified any specific avoidance actions at this time, the Debtor reserves the right to bring an avoidance action where appropriate.

B. Jurisdiction

Except as otherwise provided in the Plan and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, the Bankruptcy Court will retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Case and the Plan to the fullest extent permitted by law.

C. United States Trustee Fees

All fees payable pursuant to 28 U.S.C. § 1930(a)(6) will be paid on the Effective Date by the Debtor. Any such fees accruing after the Effective Date but prior to the closing of the Chapter 11 Cases will be paid by the reorganized Debtor. The reorganized Debtor will also be responsible for filing quarterly financial reports required to be filed by the Office of the United States Trustee, until such time as the terms of the Plan have been fully implemented.

D. Title

Upon occurrence of the Effective Date, all property of the Debtor shall be free and clear of all claims and interest of Creditors and equity security holders except as set forth herein.

E Governing Law

This Plan shall be governed by and construed and enforced in accordance with the laws of the State of Tennessee and the United States Bankruptcy Code.

F. General Causes of Action

On the Effective Date, the Reorganized Debtor shall retain all causes of action, except to the extent a creditor or other third party has been specifically released from any cause of action that the estate may have by the terms of the Plan or by Bankruptcy Court order. Neither a vote to accept the Plan by any creditor nor the entry of the confirmation order will result in the waiver or the release of any of the estate's causes of action against such creditor. Confirmation of the Plan and entry of the confirmation order are not intended to and shall not be deemed to have any *res judicata* or other effect which would preclude or inhibit prosecution of such causes of action following confirmation of the Plan whether specified in this Plan or otherwise. Although Debtor has not identified any specific causes of actions at this time, the Debtor reserves the right to bring any cause of action where appropriate.

G. Adversary Proceeding(s)

In the event that an adversary proceeding is filed against the Debtor, such shall be deemed dismissed with prejudice on the Effective Date of the Plan with each party to bear its own costs and attorney's fees in conjunction with such proceeding. All issues and controversies shall be deemed fully settled and resolved upon c0onfirmation, with each of such parties having fully released each other from any and all claims and defenses whatsoever in conjunction with their claims, other than as specifically set forth in this Plan, or the order confirming the Plan.

IX. ATTORNEY'S DISCLAIMER

This Disclosure Statement and any statements of income, expenses, assets, liabilities or valuation of property contained herein or elsewhere in documents filed with the Court in this matter, are based upon the books, records and information supplied by the Debtor herein. The undersigned counsel do not represent that we have independently examined the financial records of the Debtor.

A copy of the Plan accompanies this Disclosure Statement and is incorporated herein by reference for disclosure purposes. All provisions herein describing the concept of the Plan throughout the Disclosure Statement are subject to any modifications or amendments to the present Plan.

Creditors are urged to read the Disclosure Statement and Plan in full. Creditors are further urged to consult with counsel, or each other, in order to fully understand the Plan and the exhibits attached to it. The Plan is complex inasmuch as it represents a proposed legally binding agreement by the Debtor, and an intelligent judgment concerning such Plan cannot be made without understanding it.

The Debtor believes that the Plan provides the best recoveries possible for holders of claims against and interests in the Debtor. The Debtor strongly recommends that you vote to accept the Plan.

Submitted:

BLUFF CITY SHEET METAL, INC..

By: /s/ Ricky Morgan
Ricky Morgan
President, Bluff City Sheet Metal, Inc.

HARRIS SHELTON HANOVER WALSH PLLC

By: /s/ John L. Ryder
John L. Ryder (Tenn. Disc. No. 08258)
2700 One Commerce Square
40 S. Main Street
Memphis, Tennessee 38103-2555

Attorneys for the Debtor and Debtor-in-Possession