

**IN THE UNITED STATES BANKRUPTCY COURT
WESTERN DISTRICT OF TENNESSEE
WESTERN DIVISION
AT MEMPHIS**

**IN RE: Life Change “N” Ministries,
Debtor.**

**Case No.: 16-28056
Chapter 11**

DISCLOSURE STATEMENT IN SUPPORT OF PLAN OF REORGANIZATION

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INTRODUCTION AND SUMMARY

Overview

Life Change “N” Ministries filed the petition for relief under Chapter 11 of the United States Bankruptcy Code in the Western District of Tennessee on September 2, 2016. The following introduction and summary is a general overview only and is qualified in its entirety, and should be read in conjunction with the more detailed discussions, information and financial statements appearing elsewhere in the Disclosure Statements and the Plan. A copy of the plan is attached as Appendix #1.

This Disclosure Statement sets forth certain information regarding the Debtor's pre-petition history operating and financial history, the need to seek Chapter 11 relief, significant events that have occurred during the Chapter 11 case, and the anticipated reorganization. This Disclosure Statement also describes terms of the Plan, including certain alternatives to the Plan and certain effects of confirmation of the Plan, and the manner of distribution under the Plan. In addition, the Disclosure Statement discusses the confirmation process and how voting on the Plan will occur.

The Debtor is a proponent of the Plan within the meaning of 11 USC 1129. The Plan contains separate classes and proposes recoveries for holders of claims. After careful review of

the Debtor's current business operations, estimated recoveries in a liquidation scenario, and the prospect for continuing business, the Debtor has concluded that the recovery to creditors will be maximized by the reorganization contemplated by the Plan.

B. Notice to Holders of Claims

This Disclosure Statement is being used to solicit votes on the Plan only from holders of impaired claims and is being transmitted to unimpaired claims for informational purposes. The purpose of the disclosure Statement is to provide adequate information to enable a holder of an impaired claim to make an informed decision before voting to accept or reject the plan.

HOLDERS OF CLAIMS ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT CAREFULLY AND COMPLETELY BEFORE DECIDING TO ACCEPT OR REJECT THE PLAN. IF THE DISCLOSURE STATEMENT AND PLAN CONFLICT, THE PLAN GOVERNS.

The information in this Disclosure Statement is included for purposes of soliciting acceptance of the Plan and may NOT be relied on for any purpose other than how to vote on the Plan. No person may give any representations, other than information contained in the Disclosure Statement, regarding the Plan.

C. Voting Procedures, Ballots, and Voting Deadline

Accompanying this Disclosure Statement are copies of the plan and the notice of the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider confirmation of the Plan, and the time for filing objections to the confirmation of the Plan and if you are entitled to vote, one or more Ballots to be used to accept or reject the Plan.

After carefully reviewing the Plan this Disclosure Statement, the detailed instructions accompanying your Ballot, please indicate your acceptance or rejection of the Plan by completing the appropriate Ballot. **Failure to do so may result in your vote being disqualified.**

In order for your vote to be counted, your Ballot must be properly completed and received no later than the date indicated on the material. **Your Ballot contains the address and contact information.**

If you have any questions about the procedure for voting, you wish to obtain an additional copy of the Plan or Disclosure Statement, please contact The Law Offices of John E. Dunlap, P.C., 3294 Poplar Avenue No. 240, Memphis, Tennessee 38111. (901) 320-1603 jdunlap00@gmail.com.

D. Confirmation Procedures

Under 11 USC § 1126(f), if a class is unimpaired under a plan, that class is conclusively presumed to have voted in favor of the plan and is not solicited to vote on the plan. In this Chapter 11 case, the Plan contains two classes of creditors. All creditors in class 1 are therefore presumed to have voted in favor of the Plan and will not be solicited to vote on the Plan. All creditors in the remaining classes are impaired under the Plan and will be solicited to vote for the Plan.

THE DEBTOR BELIEVES THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF THE CLAIMS AGAINST THE DEBTOR. THE DEBTOR STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN AND SUPPORT CONFIRMATION OF THE PLAN.

A. Overview of Business Operations

The Debtor, Life Change “N” Ministries, is a not for profit corporation organized under the laws of the State of Tennessee. The Debtor operates as an urban ministry at 2453 Park Avenue, Memphis, Tennessee. The Debtor's business consists of providing religious, spiritual and counseling services to residents of the Orange Mound community of Shelby County, Tennessee. The Debtor was incorporated on October 6, 2006 in Shelby County, Tennessee. The Debtor is a nonprofit corporation. The Debtor holds a 501(c)(3) federal tax exemption. The Debtor is exempt from paying property taxes to the City of Memphis and Shelby County.

B. Selected Financial Information for the Debtor

Appendix 1 contains financial information pertaining to the Debtor, in the form of income statements for January , 2016 through August 2016.

Appendix 2 contains financial information pertaining to the Debtor regarding projected income statements for fiscal 2016, 2017.

C. Events Precipitating the Chapter 11 Case

The Debtor purchased the property known as 2451, 2453, and 2445 Park Avenue from MJ Edwards Trust on March 31, 2011. The Debtor was assessed for demolition that occurred prior to acquiring the property. The situation was further complicated by the fact that it was not classified as tax exempt prior to 2015. Eventhough the debtor is tax exempt moving forward, it is still obligated to pay all taxes incurred prior to receiving the tax exempt status.

In February, 2016, the property was sold in a tax sale. The petition was filed within the redemption period.

III. SIGNIFICANT EVENTS IN CHAPTER 11 CASE

A. Continuation of Business; Automatic Stay

The Chapter 11 Case was assigned to the Honorable George Emerson , United States Bankruptcy Court for the Western District of Tennessee. Since the petition date, Debtor has continued to operate its business and manage its property as a debtor-in-possession under 11 USC § 1107(a). No trustee has been appointed and the U.S. trustee has not obtained sufficient interest to appoint an unsecured creditor's committee.

An immediate effect of the filing of the Debtor's bankruptcy petition was the imposition of the automatic stay under the code that, with limited exceptions, enjoined the commencement or continuation of all collection efforts by creditors, the enforcement of liens against property of the Debtor and the commencement or continuation of litigation against the Debtor. This relief provided the Debtor with the "breathing room" necessary to assess and reorganize the business. The automatic stay remains in effect, unless modified by Judge Delk , until consummation of the plan.

IV. DESCRIPTION OF PLAN

A. Introduction

This section provides a summary of the Plan's structure, classification, and treatment and implementation. Although the statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to in this Plan, this Disclosure Statement does not purport to be a precise or complete statement of all terms and provisions of the Plan or documents referred to in the Plan.

The Plan itself and the documents it refers to will control the treatment of creditors under the Plan and will, on the effective date, be binding on all parties including holders of claims against the Debtor and the Reorganized Debtor.

B. Summary of Claims Process, Bar Date and Professional Fees

The Bankruptcy Court entered an order setting December 29,2016 as the deadline for filing proofs of claim against the Debtor. The Bar Date covers most claims but excludes governmental units which is March 1,2017 . The Debtor's claims provided no Bar Date by mailing each person listed in the schedule a notice of the Bar Date which was attached along with a proof of claim form.

As noted above, the Bankruptcy Court entered an order establishing procedures for the final compensation and reimbursement of expenses of professionals. While the order has not been approved yet it has been filed and will be set for an order. All applications filed in the Chapter 11 Case are subject to the final approval of the Bankruptcy Court.

C. Classification and Treatment of Claims

11 USC § 1122 requires that a plan of reorganization classify the claims of the debtor's creditors. The Bankruptcy Code also provides that a plan of reorganization may place a claim of a creditor in a particular class only if the claim or interest is substantially similar to the other claims. The Bankruptcy Code also requires that a plan of reorganization provide the same treatment for each claim or interest of a particular class unless the holder of a particular claim agrees to a less favorable treatment of its own claim.

The Debtor believes that it has classified all claims in compliance with the requirements of the Bankruptcy Code. If a holder of a claim challenges the plan's classification and the Bankruptcy Court finds a different classification is required for the plan to be confirmed, the Debtor, to the extent permitted by the Bankruptcy Court, intends to modify the classification of claims under the plan to provide whatever classification might be required by the Bankruptcy Court for confirmation. Except modification classification adversely affects treatment of a holder of claims, acceptance of the plan by any holder of a claim will be deemed to be a consent to the plan's treatment of a holder of a claim regardless of the class as to which that holder is ultimately deemed a member.

D. Treatment of Unclassified Claims

1. Administrative Claims. An Administrative claim is a claim for a payment of an administrative expense of a kind specified at 11 USC §§ 503, 507 and 546 and entitled Priority under the Bankruptcy Code § 507(a)(1). If a claim is allowed as an administrative claim under 11 USC § 365(d)(3), that claim will also be treated as an administrative claim under the plan. Administrative claims include quarterly fees to the United States Trustee payable under § 1930 of Title 28, claims for payment of professional fees, actual and necessary cost and expenses incurred in the necessary course of the debtor's business or preserving the estate.

The Debtor estimates that unpaid administrative expenses will not exceed \$6,000.00. The administrative claims in this Plan will be claims for professional fees, United States Trustee quarterly fees and some suppliers who will continue to extend credit to the Debtor in the ordinary course of business.

Each allowed administrative claim will be paid in full in cash on the latest of: the effective date, or as soon after that date as is practicable; any date the Bankruptcy Court may affix or 30 days after the claim is allowed. Each allowed professional fee claim will be paid in full and in cash no later than 30 days after the professional fee claim is allowed. Each person seeking an award of a Bankruptcy Court of professional fees must file with the Bankruptcy Court and serve on the reorganized debtor its final application for allowance and compensation for services rendered and reimbursement of expenses incurred per the confirmation date within 90 days after the effective date.

E. Treatment of Classified Claims

In accordance with 11 USC § 1123(a)(1), set forth below is a designation of classes of claims in the Debtor. A claim is placed in a particular class for the purpose of receiving distributions in accordance with the Plan only to the extent that a claim has not been paid,

released, or otherwise settled prior to the effective date. The treatment of classified claims and the provisions governing distribution on account of allowed claims is set forth in Article 3 and 4 of the Plan. Please refer to the Plan itself for complete provisions governing the treatment of your particular claim.

Class 2: Prepetition Secured Claim of MJ Edwards Trust: MJ Edwards holds a a pre-petition secured claim in the form of a Deed of Trust on the Debtor's real property in the amount of \$33,380.00. This claim shall be fully secured at 5 % interest and a monthly payment of \$277.00.

Class 3: Per-Petition Secured Claim of SBA: The Small Business Administration holds a perfected secured claim in the amount of \$5,000.00. This claim shall be fully secured at 3.25 interest and a monthly payment of \$119.00.

Class 4: Pre-petition Unsecured Priority Claim of The Shelby County Trustee: The Shelby County Trustee is owed \$10,339.79 in delinquent property taxes.. This claim will be paid in full at 5.25 % interest and a monthly payment of \$172.34.

Class 5: Pre-Petition Priority Claims of The City of Memphis The City of Memphis is owed the sum of \$1552.34 for delinquent property taxes. This claim shall be paid in full at 12% interest and a monthly payment of \$46.00.

V. IMPLEMENTATION OF THE PLAN

A. Plan Funding

1. **Effective Date Payments.** Funds needed to make cash payments on the effective date on account of allowed administrative claims, under the Plan will come from the gross assets and income of the Debtor.

B. Nonprofit Corporation Status

The Debtor is currently a not for profit corporation operating under the laws of the State of Tennessee. The Debtor will not change its status upon confirmation of the Plan.

C. Members of Reorganized Debtor

The Debtor is governed by a Board of three directors. A simple majority passes resolutions and other votes.

VI. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Assuming and Rejection of Contracts and Leases

The Debtor will assume all insurance contracts..

Vesting of Assets

All property or the bankruptcy estate will vest in the Reorganized Debtor on the effective date free and clear of all liens and claims of all kinds existing before the effective date. From and after the effective date, the Reorganized Debtor may operate its business and may use, acquired disposed property free of any restrictions of the United States Bankruptcy Code.

B. Discharge

The rights granted under the plan and the treatment of claims under the plan are in exchange for an in complete satisfaction, discharge and release of all claims including any interest accrued on general unsecured claims from the petition date. Except as provided in the Plan or the confirmation order, the confirmation of the Plan discharges the Reorganized Debtor from all claims or other debts that arose before the confirmation hearing, and all debts of any kind specified in 11 USC § 502(g), 502(h) or 502(i), whether or not a proof of claim based on such debt is filed or deemed filed, a claim based on such a debt is allowed under the code or the holder of the claim based on such debt has accepted the plan. The discharge granted under the

plan is granted to the fullest extent permitted under 11 USC §§ 1141(a), 1141(b), 1141(c) and 1141(d)(1).

C. Injunction

As of the confirmation date, all entities that have held, currently hold or may hold a claim or liability that is unclassified by the plan or that is classified by the plan or that is subject to distribution under the plan are permanently enjoined from taking any of the following actions on account of such claims, debts or liabilities: (a) commencing or continuing in any manner any action or other proceeding against property to be distributed under the plan; (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against property to be distributed under the plan; (c) creating, perfecting or enforcing any lien or encumbrance against any property to be distributed under the plan; and (d) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of the plan or the United States Bankruptcy Code.

D. Preservation of Insurance

The discharge and relief from claims as provided in the plan do not diminish or impair the enforcement or enforceability of any insurance policy that may cover claims against the debtor or any other individual.

E. Retention of Jurisdiction After the Effective Date

Notwithstanding the entry of the confirmation order and the occurrence of the effective date, the Bankruptcy Court will retain as much jurisdiction over this case after the effective date as legally permissible including jurisdiction to:

- Allow, disallow, determine, liquidate, classify, estimate or establish the amount, priority, or secured or unsecured status of any claim;
- Grant or deny any application for allowance of compensation or reimbursement of expenses authorized under the code or the plan;
- Resolve any matters related to the assumption or rejection of any executory contract or unexpired lease;
- Ensure the distribution required under the plans are accomplished in accordance with the plan;
- Decide or resolve any motions, adversary proceedings, contested matters, and any other matters involving the debtor that may be pending on the effective date;
- Enter any necessary or appropriate orders to implement or consummate the plan's provisions;

- Resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation or enforcement of the plan, or any person's obligations incurred in connection with the plan;
- Hear or determine any motions or applications to modify the plan before or after the effective date pursuant to 11 USC 1127;
- Issue injunctions, enter and implement other orders or take any necessary or appropriate actions to restrain any entity's interference with consummation or enforcement of the plan;
- Enter and implement any necessary or appropriate orders if the confirmation order is for any reason modified, stayed, reversed, revoked or vacated;
- Determine any other matters that may arise in connection with or related to the plan;
- Issue a final decree and enter an order closing the Chapter 11 case;
- Adjudicate the disputed claims, the avoidance actions and the preserved litigation plans, if any.

VIII. ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. Acceptance of the Plan

As a condition to confirmation, the Bankruptcy Code requires that each class of impaired claims accept the plan, except under certain circumstances. 11 USC § 1126 defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two thirds of the dollar amount and more than half of the number of claims in that class, but for that purpose counts only those who actually vote to accept or reject the plan. Under Bankruptcy Code § 1126(d) deems a class of claims to have accepted the plan without voting if that class is unimpaired under the definition of the code. The Bankruptcy Court has determined that Class 1 is unimpaired and, therefore, deemed to have accepted the plan. The Bankruptcy Court has determined that Classes 2, 3, 4, and 5 are impaired under the plan and, therefore, will be solicited to vote on the plan.

B. Feasibility of the Plan

To confirm the Plan, Judge Delk must find a confirmation of the Plan is not likely to be followed by the need for further financial reorganization of the Debtor. This requirement is imposed by 11 USC § 1129(a)(11) and is referred to as the "feasibility requirement". The Debtor believes that it will be able to perform timely all obligations described in the Plan and, therefore, the Plan is feasible within the meaning of that statute.

To demonstrate the feasibility of the Plan, the Debtor refers to the effective date spreadsheets in **Appendix 2**. The spreadsheets demonstrates that the Debtor will have sufficient

cash on hand as of the effective date to make, all payments to creditors owing on the effective date and sufficient cash on hand to satisfy all obligations under the Plan to all creditors in all classes. Accordingly, the Debtor believes that the Plan satisfies the feasibility requirement of 11 USC § 1129(a)(11). **The Debtor cautions that no representations can be made as to the accuracy of the effective date spreadsheets or as to the Reorganized Debtor's ability to achieve the projected results. Certain assumptions on which the effective date spreadsheets are subject to uncertainties outside of the Debtor's control. Some assumptions inevitably will not materialize, and events and circumstances occurring after the date on which the effective date spreadsheet was prepared may be different from those assumed or may be unanticipated.**

C. Best Interest Test

1. Explanation. Even if the Plan is accepted by each class of holders of claims, the Bankruptcy Code requires Judge Delk to determine that the Plan is in the "best interest" of all holders of claims that are impaired by the Plan and that have not accepted the Plan. The "best interest" test, as set forth in 11 USC § 1129(a)(7), requires Judge Delk to find either that: all members of an impaired class of claims have accepted the plan, or the plan will provide a member who has not accepted the plan with a recovery of property of value as of the effective date of the plan that is not less than the amount that such holder would recover if the debtor was liquidated under Chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to members of each impaired class of holders of claims and interest if the debtor were to liquidate under Chapter 7, Judge Delk must first determine the aggregate dollar amount that would be generated from the debtor's assets if the Chapter 11 case were converted to a Chapter 7 under the code. This "liquidation value" would consist primarily of proceeds from a forced sale of the debtor's assets by a Chapter 7 Trustee.

The amount of the liquidation value available to unsecured creditors would be reduced by the claims of any secured creditors to the extent of the value of their collateral and the cost and expense of liquidation, as well as other administrative expenses and costs of both the Chapter 7 case and the Chapter 11 case. As a general rule, a liquidation under Chapter 7 will not affect the rights of Chapter 11 administrative claims. 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 that are allowed in the Chapter 7 case, litigation cost and claims arising from the operation of the debtor during the pendency of the bankruptcy case. The liquidation itself would trigger certain priority payments that would otherwise be due in the ordinary course of business. These claims would be paid in full from liquidation proceeds before the balance would be made available to pay general unsecured claims. The liquidation would also prompt the rejection of the executory contract thereby creating a higher number of unsecured claims.

Once the court ascertains the recoveries and liquidation of secured creditors and priority claimants it must determine the probable distribution to unsecured creditors from the remaining available proceeds in liquidation. If the probable distribution has a value greater than the

distribution to be received by such creditors under a debtor's plan, then the plan is not in the best interest of creditors.

2. Application to the Liquidation Analysis. A liquidation analysis prepared with respect to the Debtor is attached as Appendix 3 to this disclosure statement. The Debtor believes that any liquidation analysis is speculative. For example, the liquidation analysis necessarily contains an estimate of the amount of claims that will ultimately become allowed claims. No order or finding has been entered by Judge Delk estimating or otherwise fixing the amount of claims at the projected amount of allowed claims set forth in this liquidation analysis.

Notwithstanding the difficulties of predicting recoveries to creditors with precision, the Debtor believes that, taking in account the liquidation analysis, the plan meets the "best interest test" of 11 USC § 1129(a)(7). The Debtor believes that each member of each class will receive at least as much under the plan as it would in liquidation in a hypothetical Chapter 7 case.

IX. RISK FACTORS

A. Generally

The restructuring of the debtor involves a degree of risk, and this disclosure statement and certain of its exhibits contain forward looking statements that involve risk and uncertainty. The Reorganized Debtor's actual results could differ materially from those anticipated in such forward looking documents as a result of a variety of factors, including those set forth in the following risk factors and elsewhere in the Disclosure Statement.

B. Maintaining Membership Capable of Providing Financial Support

The Debtor provides spiritual and counseling services to the Orange Mound community in Memphis, Tennessee. Many residents are not capable of providing financial support necessary for the Debtor to continue operations. The Debtor has members in other parts of the city who also provide financial support. Membership will need to increase on an annual basis for the Debtor to remain viable organization. The Debtor's outreach programs appear to be producing some positive results. The Board of Directors are very careful to control operating expenses.

C. Reorganizational Factors

1. Financial Considerations. As with any plan of reorganization, there are certain risk factors that must be considered. All risk factors cannot be anticipated, some events will develop in ways that were not foreseen, and many or all of the assumptions that have been used in connection with this disclosure statement and plan will not be realized exactly as assumed. Some or all of the variations may be material. While efforts have been made to be reasonable in this regard, there can be no assurances that subsequent events will bear out the analysis set forth in this disclosure statement.

2. Risk of Non-confirmation of the Plan. Although the Debtor believes the Plan satisfies all requirements necessary for confirmation by Judge Delk, there can be no assurance

that Judge Delk will agree. There can be no assurance that modification of the Plan will not be required for confirmation, that such negotiations would not adversely affect the holders of allowed claims or that such modifications would not necessitate re-solicitation of votes.

X. ALTERNATIVES TO THE PLAN

The Debtor believes the Plan affords holders of claims the greatest realization of the Debtor's assets and, therefore, is in the best interest to these holders. If the Plan is not confirmed, the alternatives are: continuation of the pending Chapter 11 case; an alternative plan or plans of reorganization; or liquidation of the debtor under Chapter 7.

A. Continuation of the Chapter 11 Case

Because the Debtor's operations are not likely to change materially, continuing the Chapter 11 case would only increase the amount of administrative claims against the estate. Therefore, the continuing Chapter 11 case would serve no purpose other than increasing costs to the estate in reducing recoveries to all creditors.

B. Alternative Plan of Reorganization

If the plan is not confirmed the debtor or any other party in interest in this case, could propose a different plan or plans. Those plans may involve a reorganization and continuation of the debtor's business or some form of order in liquidation of the debtor's assets, or a combination of both.

C. Liquidation Under Chapter 7

If no plan is confirmed, the debtor's Chapter 11 case could be converted to a case under Chapter 7 of the Bankruptcy Code. In a Chapter 7 case, a trustee will be appointed to liquidate the assets of the debtor. It is impossible to predict precisely how the proceeds of liquidation would be distributed to respective holders of claims against the debtor. The debtor believes however, that holders of claims would lose substantial value if the debtor were forced to liquidate under Chapter 7 because the debtor's assets would bring a reduced value in the liquidation context and additional administrative expenses involved in the appointment of a trustee and attorneys and other professionals to assist those trustees would cause a substantial diminution in the value of the estate.

It is possible that a Chapter 7 Trustee would abandon all of the assets due to inconsequential value to the estate. In this scenario JM Edwards would be granted relief from the stay to foreclose and no other creditors would receive any funds.

XI. CONCLUSION

A. Hearing on and Objections to Confirmation

The hearing on confirmation will be set in the near future and all parties in interest will be informed. The time by which any objections to confirmation of the plan must be filed with the bankruptcy and received by the parties listed will be set in the near future.

B. Recommendation

The plan provides for an equitable distribution to creditors and continuation of the debtor's business for the benefit of all creditors and the debtor's customers, suppliers and employees. The debtor believes that any alternative to confirmation of the plan, such as a Chapter 7 liquidation or attempts by any party in interest to the plan will result in significant delays, litigation and cost. **FOR THESE REASONS, THE DEBTOR URGES YOU TO VOTE TO ACCEPT THE PLAN AND TO SUPPORT CONFIRMATION OF THE PLAN.**

Dated: October 3, 2016

Respectfully submitted,

Life Change "N" Ministries
Debtor and Debtor in Possession

The Law Offices of John E. Dunlap, P.C.

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