

**UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI**

* * * * *	*	
	*	Case No. 12-1703-EE
IN RE:	*	
	*	Chapter 11
COMMUNITY HOME FINANCIAL	*	
SERVICES, INC.	*	
Debtor	*	
	*	
	*	
* * * * *	*	

**DISCLOSURE STATEMENT FOR
THE CHAPTER 11 PLAN OF LIQUIDATION OF THE ESTATE
OF COMMUNITY HOME FINANCIAL SERVICES, INC.
PROPOSED BY THE TRUSTEE, KRISTINA M. JOHNSON
DATED AS OF FEBRUARY 9, 2015.**

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1. INTRODUCTION

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code.¹ The commencement of a chapter 11 case creates an estate comprised of all the legal and equitable interests of the debtor as of the date of filing of the bankruptcy petition. On May 23, 2012 (the “Petition Date”), Community Home Financial Services, Inc. (“**CHFS**” or the “**Debtor**”) filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, as discussed more fully below. The Bankruptcy Code provides that the chapter 11 debtor may continue to operate its business and remain in possession of its property as a “debtor-in-possession.” In the chapter 11 case (the “**Bankruptcy Case**”) of the Debtor, the appointment of a chapter 11 trustee, Kristina M. Johnson (the “**Trustee**”) was approved on January 16, 2014, by Order entered January 21, 2014 [Dkt. #473] of this bankruptcy court (the “**Bankruptcy Court**”) in lieu of a debtor-in-possession, pursuant to section 1104 of the Bankruptcy Code. The Trustee is proposing a chapter 11 plan in the Bankruptcy Case (the “**Plan**”). Capitalized terms used herein shall have the meanings ascribed to them in the Plan that is attached hereto as **Exhibit A**. For convenience, the definitions are sometimes repeated in this Disclosure Statement (this “**Disclosure Statement**”). The Trustee’s Plan and Disclosure Statement supersedes the plan previously filed by the Debtor in this Bankruptcy Case [Dkt. Nos. 167 & 168].²

(a) The Disclosure Statement

In compliance with section 1125 of the Bankruptcy Code, the Trustee submits this Disclosure Statement for the Chapter 11 Plan of Liquidation of the Estate of Community Home Financial Services, Inc. Proposed by the Trustee, Kristina M. Johnson Dated as of February 9, 2015. The Disclosure Statement is submitted in connection with (i) the solicitation of acceptances or rejections of the Plan, as the same may be amended, and (ii) the hearing to consider approval of the Plan (the “**Confirmation Hearing**”) scheduled for _____. The Disclosure Statement (as amended, modified or supplemented) describes certain aspects of the Plan, CHFS’s former business and related matters.

(b) Exhibits to the Disclosure Statement

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

- The Plan and the Plan Exhibits (**Exhibit A**)
- The Confirmation Procedures Order (**Exhibit B**)
- Forms of Ballots (collectively, **Exhibit C**)
- Chart Summarizing Cash and Claims (**Exhibit D**)

¹ The “**Bankruptcy Code**” means title 11 section 101 *et seq.* of the United States Code, as amended from time to time.

² Unless otherwise designated, docket numbers herein shall be those of the main Bankruptcy Case.

(c) **Confirmation Hearing**

Pursuant to section 1128 of the Bankruptcy Code and the Bankruptcy Court's Order, the Confirmation Hearing on the Plan will commence on _____, at _____ .m., central standard time, before the Honorable Edward Ellington, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of Mississippi, 501 E. Court Street, Jackson, Mississippi, 39201. Objections, if any, to confirmation must be served and Filed³ so that they are received no later than _____, in the manner described in the Confirmation Procedures Order. The Confirmation Hearing may be continued from time to time by the Bankruptcy Court without further notice except for announcement of the continuation date made at the Confirmation Hearing.

(d) **Voting for the Plan**

The Confirmation Procedures Order (**Exhibit B**) sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan, and Filing written objections to Confirmation, the record date for voting purposes (the "**Voting Record Date**"), the applicable standards for tabulating Ballots, and the date of the hearing to consider Confirmation of the Plan. In addition, detailed voting instructions accompany each Ballot. Before voting on the Plan, each Holder of a Claim or Interest that may be entitled to vote should read in its entirety the Disclosure Statement, the Confirmation Procedures Order, including the instructions accompanying the Ballots, and other exhibits attached to the Disclosure Statement. These documents contain, among other things, important information concerning the classification of Claims and Interests for voting purposes and the tabulation of votes. No solicitation of votes on the Plan may be made except pursuant to the Disclosure Statement and section 1125 of the Bankruptcy Code.

Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, Distributions, and releases and other benefits provided in the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan. Any vote to accept the Plan is settlement of all claims and is deemed approved pursuant to Bankruptcy Rule 9019.

FOR THE REASONS DISCUSSED HEREIN, THE TRUSTEE URGES ALL HOLDERS OF CLAIMS AND INTERESTS TO VOTE TO ACCEPT THE PLAN.

(e) **Disclaimers**

THE INFORMATION CONTAINED IN THE DISCLOSURE STATEMENT IS PROVIDED FOR PURPOSES OF SOLICITING VOTES ON THE PLAN. THE INFORMATION MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS

³

"Filed" means file, filed or filing with the Bankruptcy Court.

CONTAINED IN THE DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF VOTES ON THE PLAN.

ALL HOLDERS OF CLAIMS AND INTERESTS ARE ADVISED AND ENCOURAGED TO READ THE DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THE DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE ATTACHED PLAN EXHIBITS. THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

2. OVERVIEW OF CLAIMS AND INTERESTS

(a) Summary of Claims and Interests Table

The following table briefly summarizes the classification and treatment of Claims and Interests under the Plan. The Trustee believes that the following chart contains a reasonable estimate of the Claims and Interests:

CLASS	CLAIM	TREATMENT
Unclassified	Administrative Claims	<p>Unimpaired. Each Holder of an Allowed Administrative Claim will receive from the Trustee Cash equal to the Allowed Amount of such Administrative Claim.</p> <p>Professionals or other Entities asserting a Professional Fee Claim for services rendered before the Effective Date must File and serve on the Trustee and such other entities who are designated by the Bankruptcy Rules, the Confirmation Order, or other Order of the Bankruptcy Court, an application for final allowance of such Professional Fee Claims within sixty (60) days after the Effective Date</p> <p>THE TRUSTEE SHALL BE COMPENSATED PURSUANT TO THE PROVISIONS OF THE BANKRUPTCY CODE. The Trustee must file and serve on such Entities who are designated by the Bankruptcy Rules, the Confirmation Order or other Order of the Bankruptcy Court, an application for final allowance of her fee within 120 days after the Effective Date.</p> <p>As of January 30, 2015, estimated, approximate Allowed Amount of the unpaid Allowed Administrative Claims is between \$1 million and \$2 million</p> <p>Percentage recovery: 100%</p>
Class 1	EFP/BHT Secured Claims	<p>Impaired. Unless otherwise agreed in a written agreement by and among the Holder of an EFP/BHT Secured Claim and the Trustee, the following treatment is afforded the Holders of Class 1 Claims</p> <p>On or before the Effective Date, the Trustee will assign, without recourse or warranty of any kind or nature, to EFP/BHT or its designee, in satisfaction of the EFP/BHT Secured Claims any Loan held by or owned by the Debtor, regardless of whether any such Loans were purchased before or after the Petition Date.</p> <p>On or before the Effective Date, the Trustee will transfer via quitclaim deed or comparable instrument, without recourse, any Loan that may be avoidable as selected by the Trustee.</p>

CLASS	CLAIM	TREATMENT
		<p>At the option of EFP/BHT or its designee, the Trustee will assume and assign the Executory Contracts on <u>Plan Exhibit 4.1</u>, without recourse or warranty of any kind or nature, to EFP/BHT or will reject and terminate the Executory Contracts on Plan Exhibit 4.1. If EFP/BHT elects to have the Servicing Agreement rejected and terminated, then EFP/BHT will be responsible for any Claim the Servicer may have for such termination (including trailing expenses) as well as any fee necessary to de-board the Loans.</p> <p>On or before the Effective Date, the Trustee will convey without recourse or warranty of any kind or nature to EFP/BHT the REO Property, as is/where is subject to all existing liens and encumbrances. EFP/BHT will be responsible for all obligations regarding the REO Property after the Effective Date. EFP/BHT will be responsible for issuing statements required by State or federal law related to the Loans for the calendar year in which the assignment occurs.</p> <p>Estimated Allowed Amount of the unpaid EFP/BHT Secured Claims as of January 30, 2015: \$18,390,660.32</p> <p>Percentage recovery: 100%</p>
Class 2	Other Secured Claims	<p>Unimpaired. Unless otherwise agreed in a written agreement by and among the Holder of an Other Secured Claim and the Trustee, on the Effective Date, in full satisfaction of the Holder's Other Secured Claim, each Holder of an Other Secured Claim will receive, in satisfaction of its Allowed Claim, Cash equal to the Allowed amount of such Claim, and will release all Liens on any Collateral in exchange for the receipt of such Cash.</p> <p>Estimated, approximate amount of Other Secured Claims as of January 30, 2015: \$10,300.00</p> <p>Percentage recovery: 100%</p>
Class 3	Priority Unsecured Claims	<p>Unimpaired. Unless otherwise agreed in a written agreement by and among the Holder of an Priority Unsecured Claim and the Trustee, on the Effective Date, in full satisfaction of the Holder's Priority Unsecured Claim, each Holder of an Priority Unsecured Claim will receive Cash in an amount equal to the Allowed amount of such Holder's Priority Unsecured Claim.</p> <p>Estimated, Allowed Priority Unsecured Claims as of January 30, 2015: \$25,647.96</p> <p>Percentage recovery: 100%</p>
Class 4	General Unsecured Claims	<p>Impaired. Unless otherwise agreed in a written agreement by and among the Holder of an General Unsecured Claim and the Trustee, on the Effective Date, in full satisfaction of the Holder's General Unsecured Claim, each Holder of a General Unsecured Claim will become beneficiaries of the Liquidation Trust.</p> <p>The Liquidation Trust Trustee will make a Pro Rata Distribution to Holders of Allowed General Unsecured Claims prior to the termination of the Liquidation Trust unless the Liquidation Trust Trustee, in her sole discretion, chooses to make more frequent Pro Rata Distributions.</p> <p>Estimated, approximate Allowed Amount of the General Unsecured Claims as of January 30, 2015: \$12,400,000.00</p> <p>Estimated Percentage recovery: 50%–60%</p>
Class 5	Litigation Claims	<p>Impaired. On the Effective Date, the Trustee shall deposit \$250,000.00 in Cash into the Litigation Claims Account. The Litigation Claims shall be liquidated by the Liquidation Trust Trustee subsequent to the Effective Date. Once all of the Litigation Claims have been liquidated by the Liquidation Trust Trustee such that the allowed amount of each has been determined by either Final Order of the Bankruptcy Court or other court of</p>

CLASS	CLAIM	TREATMENT
		<p>competent jurisdiction or a Stipulation Regarding the Amount and Nature of the Claim is executed, each Holder of an Allowed Litigation Claim shall receive its Pro Rata share from the Litigation Claims Account of the Allowed amount of its Litigation Claim from the Litigation Claims Account, in full and final satisfaction of its Allowed Litigation Claim. Monies left over after the payment of all Allowed Litigation Claims, if any, shall revert to the Liquidation Trust and be distributed by the Liquidation Trust Trustee, who will make a Pro Rata Distribution to Holders of Allowed General Unsecured Claims in Class 4 prior to the termination of the Liquidation Trust to the extent there is available Cash in the Liquidation Trust, unless the Liquidation Trust Trustee, in her sole discretion, chooses to make more frequent Pro Rata Distributions.</p> <p>Estimated, approximate Allowed Amount of Litigation Claims: Unknown</p> <p>Percentage recovery: Unknown</p>
Class 6	Convenience Claims	<p>Impaired. On the Effective Date, each Holder of an Allowed Convenience Claim will receive Cash in an amount equal to 85% of the Allowed Amount of such Claim.</p> <p>Estimated Allowed Amount of Convenience Claims: \$37,000.00</p> <p>Percentage recovery: 85%</p>
Class 7	Dickson Claims	<p>Impaired: The Dickson Claims will not be entitled to any Distribution under the Plan.</p> <p>Estimated Allowed Amount of Convenience Claims: Unknown</p> <p>Percentage recovery: N/A</p>
Class 8	Interests	<p>Impaired On the Effective Date, all Interests in the Debtor shall be cancelled and extinguished.</p> <p>Estimated Allowed Amount of Convenience Claims: Unknown</p> <p>Percentage recovery: N/A</p>

(For a more detailed discussion of the treatment of Claims and Interests under the Plan, see Article 4 of the Disclosure Statement and Article V of the Plan.)

(b) **Claims Objection Process**

As of the date hereof, the Trustee is reviewing Proofs of Claim, and may File objections to Proofs of Claim. The deadline for Filing Proofs of Claim was September 20, 2012, as established by the Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors, & Deadlines [Dkt. #15]. The Debtor, before the Trustee was appointed, Filed a Motion to Establish Bar Date which Motion was withdrawn. Therefore, under the Bankruptcy Rules and the Bar Date Order, in order be an Allowed Claim in the Case, Holders of Claims before the Petition Date were required to File a Proof of Claim before the Bar Date. The Trustee intends to File a Motion to establish a new Bar Date specifically for Litigation Claims only.

Section 6.8 of the Plan, the Plan permits objections to Claims to be Filed by the Trustee until the Effective Date (or such later date as the Bankruptcy Court may Order), and the Trustee reserves the right to File objections through the objection deadline.

Pursuant to Section 6.9 of the Plan, the Trustee may request that the Bankruptcy Court estimate for all purposes, including distribution under the Plan, any Disputed, contingent or

unliquidated Claim, pursuant to section 502(c) of the Bankruptcy Code. The Bankruptcy Court shall retain jurisdiction to estimate any such Claim at any time, including, without limitation, during the pendency of an appeal relating to such objection. The Trustee or the Holder of a Disputed Claim, may seek an Order of the Bankruptcy Court estimating the Allowed Amount of the Disputed Claim for voting purposes.

3. DESCRIPTION AND HISTORY OF DEBTOR'S BUSINESS AND THE EVENTS OF THE CHAPTER 11 CASE

(a) Pre-Chapter 11 Events

According to the Debtor's Disclosure Statement [Dkt. #167, p. 9], "CHFS is in the business of purchasing and servicing loan portfolios consisting of mostly Class B loans of 2nd to 3rd mortgages." In approximately 2007, the Debtor entered into various funding arrangements with Edwards Family Partnership ("**EFP**"), Beher Holdings Trust ("**BHT**"), and/or affiliates or predecessors of EFP and BHT whose ultimate principal is believed to be Dr. Charles Edwards (all of whom are referred to herein for convenience collectively as "**EFP/BHT**"). The nature of the exact relationship between the Debtor and EFP/BHT is currently at issue in three separate adversary proceedings initiated by the Debtor.⁴ The Trustee has been substituted as the proper party-in-interest in these adversary proceedings. These proceedings were stayed by consent orders pending the stabilization of the Estate.⁵

The relationship between the Debtor and EFP/BHT began to sour in late 2011 or early 2012 and litigation eventually erupted between them.⁶

Based on information and belief, the Debtor was not primarily in the business of making loans to third parties pre-petition, although the Trustee's investigation has revealed at least one instance of an unsecured loan from the financing of wedding receptions at the Debtor's affiliate, Brookwood-Byram Country Club. Nevertheless, beginning four months prior to the Debtor filing for chapter 11 relief (and after a dispute had erupted at some point in 2011 between the Debtor and Dickson (on the one hand) and EFP/BHT (on the other hand)), the Debtor made substantial pre-petition transfers to affiliates/insiders in early 2012:

02/14/2012 Discount Mortgage, Inc. (" DMI ")	\$500,000.00
02/14/2012 Double S Construction, Inc. (" Double S ")	\$500,000.00
02/14/2012 William D. Dickson (" Dickson ")	\$250,000.00
02/15/2012 William D. Dickson	

⁴ See *infra* footnote 8.

⁵ Recently, AP 12-00901-EE was set for status conference by *sua sponte* order of the Court.

⁶ See *Community Home Financial Services, Inc. and William D. Dickson v. Edwards Family Partnership, LP, et al.*, Civil Action No. 3:12cv252CWR-LRA, U.S. District Court for the Southern District of Mississippi, Dkt. #4, filed on March 10, 2014.

Enterprises, Inc. (" <u>Dickson Enterprises</u> ")	\$350,000.00
03/14/2012 Double S	\$400,000.00
04/12/2012 Crisco Investments, Inc. (" <u>Crisco</u> ")	\$500,000.00
05/14/2012 Crisco Investments	\$450,000.00
05/14/2012 DMI	<u>\$250,000.00</u>
TOTAL \$3,200,000.00 ⁷	

(b) **PRE-TRUSTEE CHAPTER 11 EVENTS**

On May 23, 2012 (the "Petition Date"), the Debtor filed a voluntary petition for relief in this Court under chapter 11 of the Bankruptcy Code. The filing was precipitated by EFP/BHT's assertion of a counterclaim against the Debtor and Dickson in litigation referenced in footnote 6.

The Debtor initially operated as a debtor-in-possession. The relationship between EFP/BHT and the Debtor continued to deteriorate during the chapter 11 proceeding. Several adversary proceedings were filed⁸ by the Debtor against EFP/BHT (among others) and EFP/BHT sought to have the chapter 11 case dismissed.⁹

In order to facilitate the operation of the Debtor's business, the Court entered certain orders regarding the Debtor's cash flow and operations. *See* Orders found at **Dkt. Nos. 60 and 231** ("Cash Collateral Orders¹⁰"). Under the Cash Collateral Orders, other than limited carve-outs for operating and other expenses, the funds in the Debtor's debtor-in-possession bank accounts were not to be disbursed except upon further order of the Court. During the course of this chapter 11 case, the Debtor's operations generated substantial sums of money. For example, the Debtor showed cash receipts of \$2,223,875.06 in October, 2013. *See* Monthly Operating Report, Main Case Dkt.# 416, p. 8. The October 2013 monthly operating report (the last report filed by the Debtor) indicated an ending cash balance of \$9,059,191.49.

⁷ The Debtor admits that these transfers occurred. *See* [Dkt. #115] Attachment B, Page 6 of 14. However, the Debtor claims that these transfers were "loans." The Trustee contends that the "loans" were actually preferences or fraudulent transfers as set forth later in this Disclosure Statement.

⁸ Adv. Proc. No. 12-00091-EE initiated on August 24, 2012, Adv. Proc. No. 12-00109-EE initiated on October 24, 2012, and Adv. Proc. No. 13-00104-EE initiated on November 26, 2013.

⁹ *See* **Dkt. #343**.

¹⁰ The Trustee uses the terminology from said orders for convenience but for clarity there was no adjudication in said orders that the cash at issue was cash collateral as defined under 11 U.S.C. § 363. The exact nature of the relationship with EFP/BHT is at issue in the aforementioned adversary proceedings. *See supra* footnote 8. The Trustee reserves all rights, claims and defenses as to this issue. *See* **Dkt. #906** (Trustee's Motion for Use of Cash (to the Extent Required) *Nunc Pro Tunc*).

On December 20, 2013, a Disclosure of Transfer of Funds and other Matters ("**Disclosure**") [Dkt. #426] was filed in the chapter 11 case indicating that: (1) the Debtor changed its principal place of business to Panama; (2) the Debtor had transferred funds from its debtor-in-possession account(s) to the Debtor's bank accounts in Panama; and (3) the Debtor continued to service its business operations in Panama and Costa Rica.¹¹ The transfer of funds was an express violation of the Cash Collateral Orders.

(c) **TRUSTEE'S APPOINTMENT**

In response to the Disclosure, the United States Trustee filed an Emergency Motion for Order for the Appointment of a Chapter 11 Trustee. On December 23, 2013, the Court entered an Order Granting the United States Trustee's Emergency Motion for Order for the Appointment of a Chapter 11 Trustee [Dkt. #429] directing the appointment of a trustee in this case. Upon entry of this order, Debtor's management and employees lost all decision-making authority for the Debtor and power to bind the Estate.

On January 8, 2014, the United States Trustee's Office filed its Application For Approval of Chapter 11 Trustee [Dkt. #455]. On January 16, 2014, the Court approved the United States Trustee's appointment of the Trustee (over the objections of the Debtor and Dickson) pursuant to a bench ruling that was confirmed in an Order dated January 21, 2014 [Dkt. #473]. The Trustee is the duly acting and qualified trustee in this case. No committee of unsecured creditors has been appointed.

(d) **POST-TRUSTEE EVENTS**

At the time the Trustee was appointed, the Estate had on-hand approximately \$7,500. Nevertheless, the Trustee, with the assistance of her counsel,¹² sought expeditiously to proceed with her statutory duties. The Trustee's immediate primary goals included: (a) stabilizing the mortgage portfolio; (b) recovering funds and other assets improperly removed from the Estate and precluding additional diversion; and (c) investigating the Debtor's conduct and financial affairs.

¹¹ However, contrary to the Disclosure, the funds were not transferred to the Debtor's accounts. Instead, the Trustee has located bank records indicating that the funds were transferred from the Debtor's debtor-in-possession accounts to the account of W.W. Warren Foundation ("**Warren Foundation**") at the Banco Panameno de la Vivenda S. A. also known as Banvivienda Bank in Panama. These transfers began in November of 2013. Because the Debtor had \$9,059,191.49 in DIP accounts at the end of October of 2013, the Trustee believes that the Debtor transferred at least that much money to the Warren Foundation account in Panama. It is unknown at this time what Warren Foundation did with the funds and who actually has possession of these funds. Although the funds began to be transferred in November of 2013, the scheme that resulted in these transfers had been devised before November of 2013. For example, on October 29, 2013, the ACH deposit arrangement with Advantage ACH was changed from the Debtor's account at BancorpSouth to the account of Victory Consulting Group, Inc. ("**Victory**") (an affiliate/insider of the Debtor and putative owner of the Debtor's stock) at Wells Fargo Bank. The Trustee made a turnover demand on Banco Panameno de la Vivenda S. A. in Panama that was not honored. The Trustee reserves all rights as to said bank. Furthermore, the Trustee discovered that the Debtor had begun purchasing equipment for shipment to Costa Rica and the set-up of business operations there earlier in 2013.

¹² Jones Walker LLP was retained *nunc pro tunc* as counsel for the Trustee by order entered on March 5, 2014 [Dkt. #558].

(i) *Initial Stabilization*

The Trustee's initial efforts included the matters set forth below.

- (1) The Trustee interviewed counsel for the Debtor, counsel for its principal, William D. Dickson, and counsel for EFP/BHT, as well as certain former employees of the Debtor.¹³
- (2) The Trustee gained control of the Debtor's debtor-in-possession bank accounts previously recognized in the Cash Collateral Orders and as a precaution placed said accounts on "credits only" until further notice.¹⁴
- (3) The Trustee took control of the Debtor's website and took control of the Debtor's Post Office Boxes¹⁵ and mail for its 234 East Capitol Street location.
- (4) The Trustee issued approximately 40 turnover demands to various trade creditors and professionals or former professionals of the Debtor under section 542 of the Bankruptcy Code.¹⁶ Few recipients of turnover demands fully complied, some partially complied and some did not comply at all, including many of the insiders and affiliates of the Debtor.
- (5) The Trustee also demanded turnover of the Debtor's books and records. However, most of the pertinent books and records were not surrendered to the Trustee. Rather, numerous boxes of outdated books and records were surrendered to the Trustee. The

¹³ The majority of employees of the Debtor had either been fired or moved to the Debtor's Latin American locations per Dickson's directions at the end of 2013, with the exception of a few insiders and primary employees of the Debtor, who are also believed to have interests in affiliates of the Debtor. It is also believed that Dickson hired individuals in Latin America at some point in late 2013 or early 2014.

¹⁴ The Trustee later lifted the "credits only" status of said accounts in July, 2014 after the Servicer was retained and had notified borrowers on Loans boarded with the Servicer to direct payments to the Servicer.

¹⁵ The Trustee changed the Debtor's post office box address to one under the Trustee's name only, after she discovered in early February of 2014 that the Debtor was using a mailing address through a registered agent in Nevada. The Trustee made demand on the Nevada corporate agent to turn over all information and assets of the Debtor to her. The Trustee intercepted information and evidence that borrowers' payments were being sent to the Nevada address and then being shipped to Latin America for endorsement by Dickson, some of which were returned to the U.S. for deposit while others were apparently deposited into unknown accounts in Latin America. Shortly after the Trustee obtained control of the Nevada mailing address, the former representatives of the Debtor and individuals hired in Latin America continued to divert funds away from the Estate by notifying borrowers to send payments to an address in Miami. The Trustee then obtained control of the Miami mailing address.

¹⁶ Turnover demands were made from January, 2014 through May, 2014.

boxes did not contain current books and records for either operations or loan servicing records.

Because the Debtor did not fully honor the turnover demand, the Trustee faced chaos. She was charged with servicing approximately 4,000 mortgage loans throughout the country without the Debtor's current books and records on the borrowers' accounts or original loan documents. As a result, the Estate was losing the stream of income from these loans. Moreover, other evidence the Trustee obtained indicated that there was a rogue operation of the Debtor's business expressly intended to divert the revenue stream away from the Estate. Accordingly, using information obtained from EFP/BHT and information gleaned from the Debtor's mail, the Trustee began sending letters to borrowers who could be identified with mailing addresses and requested that they remit payments to the Trustee, provide copies of loan documents and other correspondence to or from the Debtor, and that they ignore instructions from anyone to the contrary.

In response to these letters, beginning on February 12, 2014, and continuing on an almost daily basis thereafter, the Trustee and her counsel began to be inundated with e-mails, phone calls, faxes, and letters from borrowers, closing agents, attorneys, and regulators regarding loans being serviced by the Debtor. Additionally, some borrowers contacted the Trustee through the Debtor's website or were referred to the Trustee after first having contacted the U.S. Trustee's office.¹⁷

Borrower responses ranged from anger to confusion. Many borrowers refused to believe the Trustee had authority based on information given to these borrowers from the rogue operation of the Debtor's business. Some borrowers alleged that the Debtor was not properly licensed to service loans in their state. The Trustee was also advised by many borrowers that they did not receive 1098 mortgage statements for the year 2013 required to be sent under federal law and, in many instances, did not receive monthly statements. Other borrowers alleged improper credit reporting. The Trustee also received copies of numerous Better Business Bureau complaints and state attorney general complaints against the Debtor from borrowers for actions allegedly taken by the Debtor prior to her appointment. The Trustee's initial investigation indicates that at a minimum, the Debtor may have had inadequate staff to properly service loans of this kind.

During this period, many of the borrowers were requesting information about their loans and/or payoff information to be able to satisfy those loans in full. Because the Trustee did not yet have access to the Debtor's electronic servicing records, it was almost impossible for the Trustee to reconstruct the Debtor's records in order to provide payoff information to borrowers who requested it. Consequently, on February 25, 2014 the Trustee filed her Motion To Approve Procedure For Compromise And Settlement Of A Class Of Claims ("Settlement Motion") [Dkt. #536] requesting an interim protocol for responding to borrower payoff and short sale requests.

¹⁷ As a result of these contacts with borrowers (and as further set forth below), the Trustee gleaned information from borrowers of the Debtor that evidenced efforts of former management and employees of the Debtor to de-stabilize the Estate and to siphon additional money from the Estate after the Trustee's appointment, through an unauthorized operation of the Debtor, both inside and outside of the United States.

An Order was entered on the Settlement Motion on April 9, 2014 [Dkt. #615].¹⁸ Additionally, as described in more detail below, it became apparent that demand was being made on borrowers by individuals connected with the rogue operation for incorrect balances due and payoffs were being accepted without authority and being diverted from the Trustee after her appointment. Certain payoff checks routed by borrowers to Miami at the request of the rogue operation are literally missing in action, have not been negotiated, but due to certain bank regulations have not yet been replaced, leaving the borrower with funds expended but the Trustee with no ability to release the lien.

During this interim period in which the Trustee had few books and records, the Trustee took steps in an attempt to avoid causing harm to the borrowers. For example, borrowers who provided proof that their payments had been received by the rogue operation were given credit on their loans even though the funds were never received by the Estate. In fact, borrowers who provided proof of making payoffs to the rogue operation were given full credit and their mortgages/deeds of trust were cancelled to the extent of documentation available to the Trustee at that time. Similarly, if the rogue operation had quoted a written payoff to a borrower, the Trustee honored that quote. Furthermore, the Trustee did not assess late charges where it appeared that non-payment was due to confusion caused by the actions of the Debtor and its rogue operation. The Trustee also did not initiate foreclosure and did not engage in credit reporting during this interim period.

In early February of 2014, the Trustee began investigating professional servicing companies eligible for possible retention for the Estate. In the interim, because of the highly regulatory nature of the mortgage servicing business,¹⁹ and in light of the incomplete information the Trustee had, she filed on March 5, 2014, her Motion for Interim Authority *Nunc Pro Tunc* to January 8, 2014, to Service Loans in the Ordinary Course of Business (the “Interim Servicing Motion”) [Dkt. #553] pending the retention of a professional mortgage servicing company. On April 11, 2014, this Court granted the Interim Servicing Motion [Dkt. #616].

After due diligence, the Trustee selected a professional mortgage servicing company. On April 11, 2014, the Trustee filed her Application To Employ Loan Servicing Company And To Establish Settlement Authority (“Application”) [Dkt. #618]. In that Application, the Trustee sought to retain Vantium Capital, Inc., (“Servicer”).²⁰ EFP/BHT objected to the Application [Dkt. #630]. The Trustee’s employment of the Servicer was not approved until June 3, 2014 [Dkt. #702] and the Servicer went “live” with servicing on June 20, 2014. The loan files created

¹⁸ The Trustee settled numerous payoffs under the protocol approved under the Settlement Motion. However, after the Servicer was approved and analyzed the portfolio based on documentation later obtained by the Trustee, it was discovered some borrowers had overpaid. The Trustee refunded the overpayments to those borrowers.

¹⁹ Mortgage servicing is a highly specialized industry subject to state and federal law, such as RESPA and related regulations and the Fair Debt Collection Practices Act and related regulations. Importantly, the Consumer Financial Protection Board enacted new regulations effective January 10, 2014.

²⁰ The Servicer has since changed its name to ClearSpring Loan Services, Inc.
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by the Trustee from the calls and payments received on loans from January to June that were to be boarded with the Servicer were prepared and shipped to the Servicer.²¹

However, not all loans are being serviced by the Servicer. For example, there are loans for which there is inadequate information to board with the Servicer.²² The Trustee must continue to service these loans in accordance with the Order approving the Interim Servicing Motion.

(ii) *Challenges to Stabilization*

As set forth above, the Trustee did not have the Debtor's books and records, including original mortgage instruments, which rendered the servicing of the loans difficult at best. In fact, based on interviews with certain former employees of the Debtor, the Trustee learned that it was the Debtor's practice (in order to save recording fees) not to record original mortgage assignments until a borrower paid off the loan. The Trustee also learned that prior to this bankruptcy case being filed a custodian released to Dickson a sizeable number of original mortgage assignments that have never been turned over to the Trustee despite her demand. Consequently, the Trustee has encountered enormous difficulties in cancelling of recorded mortgages that have been paid in full because the land records do not reflect the Debtor as mortgagee through recorded assignment. Although the Trustee in late April of 2014 obtained remote access to three of the Debtor's computer servers in Panama that contained some loan information and copies of some documents, these servers did not contain all loan information and documents and contained little by way of operational information for the Debtor's business. Consequently, up to the present time the Trustee has been hindered by lack of data, which has created a variety of legal issues and complications with which she has had to deal.

A sizeable number of borrower loans were the subject of borrower bankruptcy cases (primarily chapters 7 and 13) at the time the Trustee was appointed, and more petitions have been filed since the Trustee's appointment. These cases have been filed all over the Country. The Trustee has had to file proofs of claim and other pleadings in numerous jurisdictions. Moreover, the Trustee has had to analyze and respond to foreclosure proceedings by first lienholders all over the United States. Based on information gleaned from some of the Debtor's computer records obtained in late April, 2014, it is believed that one or more of the Defendants in the Adversary Proceeding No. 14-00030 (the "Trustee's Adversary") collected another \$596,321.68 in November of 2013 and \$754,738.99 in December of 2013. These funds were not deposited into the Debtor's debtor-in-possession accounts and are presumed to have been transferred to accounts owned or controlled by one or more of said Defendants.

²¹ Approximately 500 physical files created from the Trustee's specific contacts were shipped to the Servicer by the Trustee. The Servicer boarded the loans together with the loans on the Debtor's computer servers located in Panama to which the Trustee gained access on or about April 29, 2014.

²² The Trustee does not have complete records of the Debtor in spite of multiple demands for turnover and has no former employees of the Debtor that could be considered Estate "friendly" or wholly trustworthy to assist in operations due to the rogue operation of the Debtor's business in the face of the Trustee's appointment.

On January 31, 2014, the Trustee intercepted at the Debtor's 234 East Capitol Street location a customer/borrower of the Debtor who was making her customary cash payment on her CHFS loan. This borrower stated she always dropped her payment off with a person known to be a former Debtor employee at the Debtor's 234 East Capitol Street location. This employee, when questioned by the Trustee on January 31, claimed she worked for DMI. This naturally raised alarm that the Debtor, its officers, employees, and/or principals, as well as its affiliates, were engaging in a full-court press to re-direct payments away from the Estate. Moreover, on that same date the Trustee was denied access to the inner offices by family members of Dickson who claimed that the Debtor's lease had been terminated some three weeks before. When the Trustee returned to the premises on Monday, February 3, 2014 with Dickson's consent through counsel, the offices previously occupied by the Debtor and its affiliates on the Friday before (January 31, 2014) were dark, files and other items had been removed, items that could be seen hanging on the walls the prior Friday had been removed, and even the Debtor's former employee was no longer present. The Trustee's concerns regarding missing assets were further elevated when the Trustee learned on February 8, 2014, that employees of the Debtor filed notices in mid-December of 2013 (just prior to the filing of the Disclosure) in at least five chapter 13 cases in other jurisdictions requesting that chapter 13 payments owed to the Debtor be sent to a Las Vegas, Nevada, post office box controlled by the Debtor and not previously disclosed to this Court.²³ Furthermore, the Trustee learned the week of February 10, 2014, that the Debtor apparently continued to accept payments on-line via the Debtor's website after the Disclosure was filed. Shortly thereafter, the Trustee gained control of the Debtor's website and disabled the on-line payment function to prevent further diversion.

Subsequently, the Trustee learned factual information from discussions with dozens of borrowers whose loans were serviced by the Debtor indicating that Dickson and others conspired to divert money from the Estate even after the Trustee seized control of the Debtor's Nevada post office box and website. The scheme involved sending borrowers letters with pre-addressed envelopes advising borrowers to send their payments to a new address in Miami, Florida. The scheme also involved sending "dunning" letters to borrowers alleged to be behind in their payments after automatic draft payments were stalled through no fault of borrowers shortly after the Disclosure was filed and the rogue operation moved to Latin America. This rogue operation involved phone calls by alleged employees of the Debtor (Americans in Costa Rica using internet-based phones with Iowa area codes to create the impression of being in the United States) asking borrowers for electronic payment information or otherwise defrauding borrowers by alleging that the Debtor's computer servers were "down" and that payments had to be made by a method other than electronic transfer. In some of these phone calls, borrowers were told that the Debtor was not in bankruptcy and that borrowers could ignore the Trustee's notice to remit future payments directly to the Trustee.²⁴ One borrower provided the Trustee a copy of his bank statement showing a March 7, 2014, debit for his payment to the Debtor by "Brookwood-Byram Co., Byram, MS."²⁵ Dickson family members and/or affiliates continued to

²³ See *supra* n. 15.

²⁴ Indeed, one borrower has supplied the Trustee with an affidavit to this effect. See, e.g., **Dkt. #533** (Affidavit of Tabitha Brigham).

²⁵ Brookwood-Byram Country Club, Inc., is an affiliate of the Debtor.

send and receive Federal Express packages on the Debtor's Federal Express account at the 234 East Capital Street location and at the Debtor's Costa Rica location up through at least February of 2014.

Moreover, Dickson sent an e-mail to the Debtor's Nevada registered agent for service of process on February 11, 2014—several weeks after the Trustee's appointment had been approved—directing the registered agent to use DMI's UPS account number to ship the Debtor's mail to "William D. Dickson c/o Xinia Avila Esquivel, Oficentro La Saban Edif., 7 Planta Baja, San Jose, Costa Rica" and could not have obtained possession or returned these checks to the United States without the assistance of others since he was not in the United States at the time. In March of 2014, Dickson's son delivered certain checks to the Trustee's office made payable to the Debtor but which were already endorsed by Dickson allegedly on behalf of the Debtor after the Trustee's appointment (yet without her consent) but marked to be deposited into a non-Estate account in the name of Dickson Enterprises at Omni Bank. The envelopes for these checks had already been opened and removed and the checks had been prepared for deposit. Dickson at the time was in Panama or Costa Rica and could not have obtained possession or returned these checks without the assistance of others. Upon information and belief, checks collected after the Trustee's appointment were sent to Dickson using the Debtor's FedEx account, were endorsed, and then returned to the United States by FedEx for deposit in accounts other than the court-approved accounts of CHFS.

As late as April of 2014, funds that should have been directed to the Trustee continued to be deposited in the Victory Wells Fargo account pursuant to, among other things, the change of the Advantage ACH deposit agreement from the Debtor's accounts with BancorpSouth to the Victory accounts at Wells Fargo. Furthermore, payments on loans being serviced by the Debtor continued to be diverted via Western Union that should have been remitted to the Trustee. Western Union payments into the BancorpSouth lockbox ceased within a few weeks of the Disclosure being filed. The Trustee believes these payments were diverted by Dickson and those participating in the rogue operation of the Debtor's business.

Another component of the rogue business operation designed to divert funds from the Estate involved payoffs. A title company would make a payoff check payable to Banvivienda Bank in Panama. Banvivienda Bank would then return the check, contact the title company or its bank and request that the funds be wire transferred. In a variation of the same scenario, a former Debtor employee went to a BancorpSouth branch and purchased (with funds allegedly belonging to DMI) a BancorpSouth Official Check Number 2203001 dated January 29, 2014, payable to Community Home Financial Services, Inc., in the amount of \$300,000.00. The check was later returned by Banvivienda to BancorpSouth pursuant to an International Collection Letter dated March 6, 2014, enclosing Check No. 2203001 for \$300,000.00 drawn on BancorpSouth Bank and made payable to Community Home Financial Services, Inc. and requesting that the proceeds reflected by the check be wire transferred to HSBC for credit to an account with Banvivienda. Banvivienda purported to be acting as "agent for our client", i.e., the Debtor as payee of the check. None of this transpired with the Trustee's consent and in fact occurred in the face of her turnover demands.

On March 10, 2014, a criminal complaint was filed against Dickson, who was detained in federal custody and deported from Panama while en route to Costa Rica. An indictment was

issued on April 9, 2014, Criminal No. 3:14-cr-00078-TSL-FKB, United States District Court for the Southern District of Mississippi. A true and correct copy of the Complaint which is of public record is attached hereto as Exhibit "1." Dickson is presently in federal custody awaiting his criminal trial. Following Dickson's arrest, the unauthorized operations in Latin America appear to have ceased (at least from the evidence currently available to the Trustee). The Trustee, however, believes that assets remain in Costa Rica and Panama which are property of the Estate and there are CHFS loans that are missing and unaccounted for in the records currently available to the Trustee.

(iii) *Asset Recovery*

As a result of the Trustee's initial efforts, some borrowers began sending their monthly payments to the Trustee. Some borrowers have paid off their loans in full or settled their loans under the protocol established by the Settlement Motion.

Since the employment of the Servicer in June, 2014, the Estate has collected the sum of \$2,229,236.99 from borrowers, through December 17, 2014, which represents a significant increase in collections per month from borrowers from January to May of 2014. This shows an increased stabilization of the loan portfolio.

The Trustee has intercepted various payments that would otherwise have been lost to the rogue operation:

- (1) \$53,293.40 – February 25, 2014.
- (2) \$300,000.00 – March 25, 2014
- (3) \$261,162.86 – received by the Trustee on May 12, 2014

After weeks of negotiations with Dickson and failed attempts to obtain the voluntary return of funds removed from the CHFS accounts in 2013, the Trustee received on July 10, 2014, \$4,924,025.58 wired from a Panamanian bank after negotiating the voluntary return of said funds. The Trustee continues to push for the voluntary return of additional sums.

The Trustee also has recovered funds from first mortgage lenders who foreclosed on properties in violation of the CHFS automatic stay.²⁶

Since her appointment, the Trustee recovered approximately \$8.5 million for the Estate as of December 14, 2014 from all sources (initial Trustee collection from borrowers, Servicer collection from borrowers, intercepted funds, and repatriated funds) for an increase in funds available at the outset of her appointment within months of her appointment of 1,063%.

The Trustee has located real properties that were foreclosed on by the Debtor or otherwise placed in the Debtor's name that were not scheduled on the Debtor's bankruptcy

²⁶ The Trustee continues to analyze possible claims against first lien holders and/or others for violation of the CHFS automatic stay.

Schedules. The Trustee has obtained authority for protocols to administer these properties (the “**REO Motion**” and “**REO Order**”) [Dkt. Nos. 899 & 931].²⁷ Potential buyers have contacted the Trustee on at least three properties and are awaiting for the REO Motion and will be addressed in accordance with those protocols.

(iv) *Avoidance Actions*

In late May and early June of 2014, the Trustee learned that an auction had been scheduled for properties in which insiders and/or affiliates of the Debtor had asserted an interest.²⁸ Because the Trustee’s investigation is not complete, it is unclear whether some of those properties may have been purchased with funds obtained from the Debtor. Furthermore, the Trustee has determined that the \$3.2 million dollars in “loans” to affiliates²⁹ and other post-petition transfers were voidable.³⁰ Moreover, through at least January of 2014, DMI, DHMI, Victory, Crisco, Double S, and Dickson Enterprises were all located in the same building as the Debtor, namely, 234 East Capitol Street, Jackson, MS.³¹ In fact, not only did DMI, DHMI, Victory, Crisco, and Double S share the same office space with the Debtor but they also shared in whole or in part the same employees as the Debtor and used such employees to function on a day-to-day basis. Also, prior to the Trustee’s appointment, DMI, DHMI, Crisco, Dickson Enterprises, Victory, and Double S had continuous access to the Debtor’s bank accounts, books, records, computers, and other proprietary information.

²⁷ The Trustee has been advised that some properties titled in the Debtor or in which the Debtor holds a lien are subject to being demolished as public nuisances/hazards. In order to avoid the Estate being assessed with demolition costs, the Trustee may choose to cancel those liens or otherwise abandon those properties in the ordinary course of business.

²⁸ In fact, some of the properties were encumbered in late December of 2013 by Fasthed Hipotecas E Inversiones, S.A., (“**Fasthed**”) an entity purporting to be at the same address as the Latin American offices of the registered agent of Debtor and/or the Warren Foundation.

²⁹ As defined in sections 101(2) and (31) of the Code and/or Miss. Code Ann. § 15-3-103.

³⁰ Upon information and belief, some of the Debtor’s money transferred pre-petition and/or post-petition to bank accounts in Latin America has been transferred to one or more of the Defendants or has funded purchases by one or more of the Defendants, including real property in Latin America and mortgage loans in Latin America, the proceeds of which are generating income received from additional borrowers. The identity of these borrowers has not been provided to the Trustee despite her demand. Moreover, it is believed that Dickson owns or controls various corporate entities in Latin America which may have been the recipients of the funds transferred. Under section 550 of the Code, the Trustee may recover from the mediate or immediate transferee of the transfers hereunder and reserves all rights with respect thereto once the entities and properties have been ascertained. Furthermore, upon information and belief, both pre-petition and post-petition, the Debtor caused to be transferred to affiliates and/or insiders, including DMI and DHMI, loans that previously had been owned by the Debtor (together, “**Loan Transfers**”).

³¹ The Debtor had a commercial lease agreement with Dickson Enterprises dated March 30, 2005 for office space for \$15,000 a month until March 31, 2016 (the “**Lease**”). Interestingly, none of the other affiliates paid rent to the Debtor or to Dickson Enterprise, the purported owner of the building, but the Trustee has received numerous invoices for expenses related to the building apparently being charged to the Debtor.

Consequently, on June 4, 2014, the Trustee filed her Verified Complaint to: (1) Recover Money, Damages or Property; (2) to Avoid Pre-Petition and Post-Petition Transfers; (3) for Turnover of Property; (4) for Injunctive Relief; and (5) for Equitable Subordination against DMI; DHMI; Double S; Crisco; Victory;³² Dickson Enterprises; Phalanx, Inc. ("Phalanx"); Dickson;³³ Brookwood-Byram Country Club, Inc. ("BBCC"); Colby Dickson ("Colby");³⁴ Cristen Dickson Nelson ("Cristen");³⁵ Beau Nelson ("Beau");³⁶ Reshonda Rhodes ("Rhodes");³⁷ Carol Runnels ("Runnels");³⁸ Warren Foundation;³⁹ Nick Clark d/b/a Nick Clark Auctions ("Clark"); William Head d/b/a Head Auctions ("Head").⁴⁰ The Complaint was amended on June 25, 2014 [AP Dkt. #33]⁴¹.

The Complaint, as amended, in addition to seeking recovery of avoidance actions, seeks to compel the return of books and records and the liquidation of various tort claims. All defendants have been served except for Warren Foundation which is in process pursuant to international protocols.

(e) MISCELLANEOUS PROCEDURAL MATTERS

(i) *Professionals Retained by the Trustee*

The Trustee has retained Jones Walker as lead counsel⁴², John D. Moore, P.A. as special counsel,⁴³ and Stephen Smith as CPA⁴⁴. The Trustee retained Spotts Fain as special counsel.⁴⁵

³² Victory is purportedly the 100% owner of the Debtor, DMI, DHMI, Double S, and Dickson Enterprises. At one point in time, Dickson was the 100% owner of Victory. Upon information and belief, Dickson transferred the Victory stock to Warren Foundation in 2012, near the time of the Debtor's chapter 11 filing.

³³ Dickson was at all times relevant the President and/or Director and/or was a person in control of these affiliates/insiders.

³⁴ Colby is the son of Dickson.

³⁵ Cristen is the daughter of Dickson.

³⁶ Beau is the son-in-law of Dickson.

³⁷ Rhodes is a former employee of the Debtor and DMI.

³⁸ Runnels is a former employee of the Debtor and DMI.

³⁹ The Warren Foundation purportedly owns 100% of Victory. Colby and Cristen are believed to be beneficiaries of the Warren Foundation and Dickson is believed to be a control person of the Warren Foundation.

⁴⁰ Clark and Head are nominal parties.

⁴¹ Certain interim relief was provided by agreed order to allow the auctions to proceed. Agreed Order [Trustee's Adversary, Dkt. #7] entered on June 5, 2014; Supplemental Agreed Order [Trustee's Adversary, Dkt. #15] entered on June 12, 2014; Second Supplemental Agreed Order [Trustee's Adversary, Dkt. #54] entered on June 30, 2014.

⁴² See Dkt. #558.

⁴³ See Dkt. #625.

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The Trustee will soon file applications to employ Latin American counsel for pursuit of matters in Costa Rica and Panama.

(ii) *Inventory, Monthly Operating Reports and U.S. Trustee Quarterly Fees*

Because the books and records and other assets have not yet been fully surrendered and because the Debtor had filed schedules, the Trustee did not complete an inventory of property of the Debtor.

The last monthly operating report filed by the Debtor was the report filed in October of 2013. The Trustee has filed monthly operating reports from November of 2013 through December 2014. The accuracy of these reports is specifically disclaimed by the Trustee as they are based on information available to her, which is incomplete. These reports include collections through the Court approved Servicer.

The Trustee is current on quarterly fees owed to the Office of United States Trustee.

(iii) *2013 1098 Forms and Other Tax Issues*

Many borrowers asked for 1098s for 2013 tax returns. Some were sent by the Debtor⁴⁶ but given the number of inquiries, it is apparent that not all were sent. It is unknown exactly how many were sent or to whom. The Trustee had to purchase software to unlock the Debtor's 1098 software as a result. The Trustee has sent 1098s to borrowers for 2013 to the extent of information she has been able to obtain from her investigation. The Trustee, through the Servicer, has recently sent 1098s for the year 2014 on all loans boarded with the Servicer.

The Trustee, through counsel, requested filing extensions in numerous states and on the federal level and has responded to a variety of employment tax and labor department notices. The Trustee has filed the federal and Mississippi tax returns for 2013 in keeping with the Debtor's apparent prior reporting practices based on the limited information available.

The Trustee is currently investigating issues relating to privilege taxes and income tax issues in multiple states.

(iv) *Title 18 Investigation and Other Investigation*

The Trustee has complied and will continue to comply with 18 U.S.C. § 3057(a) in accordance with her duties.

The Trustee conducted an assets-only examination of Dickson under Rule 2004 on December 17, 2014. Dickson invoked the Fifth Amendment privilege in response to nearly

⁴⁴ See Dkt. #661.

⁴⁵ See Dkt. #835.

⁴⁶ The Trustee has received a few 1098s apparently sent by the Debtor in 2014 in CHFS's returned mail.

every question at the examination. Examinations of others are expected to follow. Trustee has reviewed prior depositions and evidentiary testimony of Dickson and others.

(v) *Borrower Litigation, Foreclosures, Chapter 13 Bankruptcies, Demolition Notices and Tax Sales*

The Trustee has received hundreds of notices from or on behalf of borrowers or governmental agencies ranging from suits filed, tax sale notices, demolition notices, insurance cancellations, and bankruptcy pleadings (primarily, but not exclusively, chapter 13 pleadings).

The Trustee reviews these matters and refers them to the Servicer and/or counsel as may be appropriate so that appropriate action may be taken and the Estate's rights may be protected. Often times these notices are time sensitive and/or require immediate attention. The Trustee is monitoring all borrowers in chapter 13 bankruptcy through counsel.⁴⁷

(vi) *EFB/BHT Litigation*

As noted in footnote 8, *supra*, the Debtor initiated three adversary proceedings against EFB/BHT. Those adversary proceedings were vigorously litigated by the parties, and involved numerous discovery disputes and a failed attempt at mediation. The issues in the adversary proceedings are complex, and involve a variety of legal and factual issues, including the extent and validity of EFB/BHT's claims to the bulk of the loan portfolio and whether the Debtor used proceeds of loans in which EFB/BHT assert an interest to purchase other loans without EFB/BHT's consent. Because the issues are complex, litigating the issues to trial and through appeal will be extremely expensive for the Estate, and due to the inherent uncertainties involved in litigation, the Trustee in her business judgment has proposed in this Plan a settlement of the Estate's interests in these adversary proceedings as discussed below.

4. THE PLAN OF LIQUIDATION

The Plan classifies Claims and Interests separately and provides different treatment for different Classes of Claims and Interests in accordance with the provisions of the Bankruptcy Code. As described more fully below, the Plan provides, separately for each Class, that Holders of certain Claims and Interests will receive various amounts and types of consideration, thereby giving effect to the different rights of Holders of Claims and Interests in each Class. The Plan provides that the Trustee, or the Liquidating Trust Trustee shall act as the Disbursing Agent.

(a) **Treatment of Unclassified Claims**

The Plan proposes treatment for certain Claims that are not classified, including Administrative Claims and certain fees and Priority Taxes, as follows.

(i) *Administrative Claims*

⁴⁷ The monitoring of bankruptcy cases was eliminated from the servicing contract with the Servicer in response to EFB/BHT's objection to the employment of the Servicer.

Section 3.1 of the Plan provides for the treatment of Administrative Claims (Claims for costs or expenses of administration of the Bankruptcy Case that are Allowed under sections 503(b), 507(a)(1) or 1114(e)(2) of the Bankruptcy Code). Such Claims include the actual and necessary costs and expenses of preserving the Debtor's Estate incurred after the Petition Date. Under Section 3.1(a) of the Plan, unless agreed in a written agreement by and between the Holder of an Administrative Claim and the Trustee, each Holder of an Allowed Administrative Claim will receive, in full satisfaction of its Administrative Claim, Cash equal to the Allowed amount of such Administrative Claim either (A) on the Effective Date or as soon as practicable thereafter, or (B) if the Administrative Claim is not Allowed on or before the Effective Date, within thirty (30) days after the date on which (i) an Order that Allows such Administrative Claim becomes a Final Order, or (ii) a Stipulation of Amount and Nature of Claim is executed.

The Trustee estimates there will be unpaid Administrative Claims (inclusive of Professional Fee Claims), as of January 30, 2015, will be between \$1 and \$2 million.

The Trustee is entitled to a statutory fee, calculated based on the percentages set forth in section 326 of the Bankruptcy Code, "payable after the trustee renders such services, not to exceed five percent upon all payments under the Plan." 11 U.S.C. § 326. The Trustee expects to apply to the Bankruptcy Court for interim compensation for 2014 and will apply for final compensation under section 326 at a later date, and, after reviewing her time entries, will make a determination as to the reasonable compensation that she will seek as the Trustee under section 326 of the Bankruptcy Code. In making a determination as to the amount the Trustee will seek as compensation under section 330 of the Bankruptcy Code, subject to sections 326 and Bankruptcy Rule 2016, the Trustee will carefully review her billing records as an attorney for the Debtor's Estate. She will review the tasks she has performed to determine whether they are outside those tasks reserved for a trustee, as outlined in the Chapter 11 Trustee's Handbook, such as examining proofs of claim to eliminate duplicate claims and to identify those that are in addition to or differ in amount from claims listed on the Debtor's Schedules, investigating the Debtor's financial affairs, furnishing information to parties in interest on factual matters, and performing banking functions.

Section 3.2(a) of the Plan provides that there will be a general bar date for filing Administrative Claims. Holders of Administrative Claims will be required to File and serve a request for payment of such Administrative Claims pursuant to that bar date, and any Holder that fails to timely File and serve such a request will be forever barred from asserting such Administrative Claims against the Debtor, the Estate, or their respective property, and such Administrative Claims will be deemed waived and released as of the Effective Date. Under Section 3.2(b), however, Professionals or other Entities asserting a Professional Fee Claim for services rendered before the Effective Date must File and serve on the Trustee and such other Entities who are designated by the Bankruptcy Rules, the Confirmation Order, or other Order of the Bankruptcy Court, an application for final allowance of such Professional Fee Claims within sixty (60) days after the Effective Date. Objections to any Professional Fee Claims, including any objections by the U.S. Trustee, must be Filed and served on the Trustee and the requesting party by the later of (A) sixty (60) days after the Effective Date, and (B) thirty (30) days after the Filing of the applicable request for payment of the Professional Fee Claims.

Professionals or other Entities who have complied with sections 327 through 331 and 1103 of the Bankruptcy Code prior to the Effective Date and, as a result, have a compensation Order for interim allowance of their Professional Fee Claims, will not be required to File or serve on the Trustee and such other Entities who are designated by the Bankruptcy Rules, Confirmation Order, or other Order of the Bankruptcy Court, an application for final allowance of such previously approved Professional Fee Claims. Rather, any such compensation Order of the Bankruptcy Court will be deemed a Final Order if no objections to payment on a final basis have been Filed and served within ninety (90) days after the Effective Date.

Under Section 3.2(c), the Trustee shall file and serve on such Entities who are designated by the Bankruptcy Rules, the Confirmation Order, or other Order of the Bankruptcy Court, an application for final allowance of her fee within 120 days after the Effective Date. Objections to the Trustee's application, including any objection by the U.S. Trustee, must be Filed and served on the Trustee by the later of (a) 150 days after the Effective Date, and (b) thirty (30) days after the Filing of the Trustee's application.

For any compensation Order entered on an interim basis, the Trustee will not be required to File or serve on such Entities who are designated by the Bankruptcy Rules, Confirmation Order, or other Order of the Bankruptcy Court, an application for final allowance of such previously approved Professional Fee Claims. Rather, any such compensation Order of the Bankruptcy Court will be deemed a Final Order if no objections to payment on a final basis have been Filed and served within ninety (90) days after the Effective Date.

(b) **Treatment of Classified Claims**

(i) *EFB/BHT Secured Claim*

On or before the Effective Date, the Trustee will assign, without recourse or warranty of any kind or nature, to EFP/BHT or its designee, in satisfaction of the EFP/BHT Secured Claims any Loan owned by or serviced by the Estate, regardless of whether any such Loans were purchased before or after the Petition Date.

(1) On or before the Effective Date, the Trustee will assign, without recourse or warranty of any kind or nature, to EFP/BHT or its designee, in satisfaction of the EFP/BHT Secured Claims any Loan held by or owned by the Debtor, regardless of whether any such Loans were purchased before or after the Petition Date.

(2) On or before the Effective Date, the Trustee will transfer via quitclaim deed or comparable instrument, without recourse, any Loan that may be avoidable as selected by the Trustee.

(3) At the option of EFP/BHT, the Trustee will assume and assign the Executory Contracts on **Plan Exhibit 4.1**, without recourse or warranty of any kind or nature, to EFP/BHT or its designee, or will reject and terminate the Executory Contracts on Plan Exhibit 4.1. If EFP/BHT elects to have the Servicing Agreement rejected and terminated, then EFP/BHT will be responsible for any Claim the Servicer may have for such termination, any trailing expenses the Servicer may have incurred, as well as any fee necessary to de-board the Loans.

Furthermore, the Indemnification Agreement dated June 16, 2014, between EFP/BHT and the Servicer will be amended to delete the portion of said Agreement by which it expires upon the third anniversary of the termination of the Servicing Agreement.

(4) On or before the Effective Date, the Trustee will convey without recourse or warranty of any kind or nature to EFP/BHT the REO Property, as is/where is subject to all existing liens and encumbrances. EFP/BHT will be responsible for all obligations regarding the REO Property after the Effective Date. EFP/BHT will be responsible for issuing statements required by State or federal law related to the Loans for the calendar year in which the assignment occurs.

On or before the Effective Date of the Plan, the Trustee shall dismiss with prejudice the EFP/BHT Claim Objections and the Estate's Claims in the EFP/BHT Adversary Proceedings as part of the Distribution on the EFP/BHT Claim. On or before the Effective Date, EFP/BHT shall dismiss with prejudice all EFP/BHT Claims in the EFP/BHT Adversary Proceedings against the Estate and/or the Trustee, in her role substituting as the proper party-in-interest.

The Trustee estimates that the EFP/BHT Secured Claim amounts to \$18,390,660.32.

(ii) *Other Secured Claims*

Other Secured Claims are treated in Class 2, Section 4.2 of the Plan. The Other Secured Claims are unimpaired under the Plan, and are deemed to accept the Plan.

Unless otherwise agreed in a written agreement by and among the Holder of an Other Secured Claim and the Trustee, on the Effective Date, in full satisfaction of the Holder's Other Secured Claim, each Holder of an Other Secured Claim will receive, in satisfaction of its Allowed Claim, Cash equal to the Allowed amount of such Claim, and will release all Liens on any Collateral in exchange for the receipt of such Cash. If the Holder's Other Secured Claim is not Allowed on or before the Effective Date, the Trustee will make the Distribution to such Holder within fifteen (15) days after the earlier of the date on which (a) an Order allowing the Other Secured Claim becomes a Final Order, or (b) a Stipulation Regarding the Amount and Nature of the Claim is executed.

The Trustee estimates that the Other Secured Claims total \$10,300.00 as of January 30, 2015.

(iii) *Priority Unsecured Claims*

Priority Unsecured Claims include any Unsecured Claim that is entitled to priority under the Bankruptcy Code. The Priority Unsecured Claims are unimpaired and deemed to accept the Plan.

Unless otherwise agreed in a written agreement by and among the Holder of a Priority Unsecured Claim and the Trustee, on the Effective Date, in full satisfaction of the Holder's Priority Unsecured Claim, each Holder of a Priority Unsecured Claim will receive Cash in an

amount equal to the Allowed amount of such Holder's Priority Unsecured Claim. If the Holder's Priority Unsecured Claim is Allowed on or before the Effective Date, the Trustee or Liquidation Trust Trustee will make the Distribution to such Holder within fifteen (15) days of the Effective Date. If, however, the Holder's Priority Unsecured Claim is not Allowed on or before the Effective Date, the Trustee will make the Distribution to such Holder within fifteen (15) days after the earlier of the date on which an Order allowing the Priority Unsecured Claim becomes a Final Order, or a Stipulation Regarding the Amount and Nature of the Claim is executed.

The Trustee estimates Priority Unsecured Claims at \$25,647.96.

(iv) General Unsecured Claims

Unless otherwise agreed in a written agreement by and among the Holder of an General Unsecured Claim and the Trustee, on the Effective Date, in full satisfaction of the Holder's General Unsecured Claim, each Holder of a General Unsecured Claim will become beneficiaries of the Liquidation Trust.

The Liquidation Trust Trustee will make a Pro Rata Distribution to Holders of Allowed General Unsecured Claims prior to the termination of the Liquidation Trust unless the Liquidation Trust Trustee, in her sole discretion, chooses to make more frequent Pro Rata Distributions.

The Trustee estimates that the approximate Allowed Amount of General Unsecured Claims is \$12,400,000.00. The Unsecured Claims are Impaired and entitled to vote on the Plan.

(v) Litigation Claims

Litigation Claims are Unsecured Claims that result from Borrower Causes of Action against the Estate. They are treated in Class 5, Section 4.5 of the Plan.

On the Effective Date, the Trustee shall deposit \$250,000.00 in Cash into the Litigation Claims Account. The Litigation Claims shall be liquidated by the Liquidation Trust Trustee subsequent to the Effective Date. Once all of the Litigation Claims have been liquidated by the Liquidation Trust Trustee such that the allowed amount of each has been determined by either Final Order of the Bankruptcy Court or other court of competent jurisdiction or a Stipulation Regarding the Amount and Nature of the Claim is executed, each Holder of an Allowed Litigation Claim shall receive its Pro Rata share of the Allowed amount of its Litigation Claim from the Liquidation Claims Account, in full and final satisfaction of its Allowed Litigation Claim. Monies left over after the payment of all Allowed Litigation Claims, if any, shall revert to the Liquidation Trust and be distributed by the Liquidation Trust Trustee, who will make a Pro Rata Distribution to Holders of Allowed General Unsecured Claims in Class 4 prior to the termination of the Liquidation Trust to the extent there is available Cash in the Liquidation Trust, unless the Liquidation Trust Trustee, in her sole discretion, chooses to make more frequent Pro Rata Distributions.

Litigation Claims are claims that have been made against the Estate by borrowers related to Loans and Loan Servicing. These claims may have occurred prepetition or may have occurred postpetition. The Trustee is researching whether there are any Claims in Class 5.

(vi) Convenience Claims

Convenience Claims are Unsecured Claims (a) that is equal to or less than \$10,000.00, or (b) any General Unsecured Claim that exceeds \$10,000.00 and the Holder thereof elects, in writing on its Ballot or otherwise in writing before the Confirmation Hearing, to reduce such Claim to \$10,000.00.

On the Effective Date, each Holder of an Allowed Convenience Claim will receive Cash in an amount equal to 85% of the Allowed Amount of such Claim. If a Holder's Convenience Claim is not Allowed on or before the Effective Date, the Liquidation Trust Trustee will make the Distribution to such Holder within fifteen (15) days after the earlier of the date on which (a) an Order allowing Convenience Claim becomes a Final Order, or (b) a Stipulation Regarding the Amount and Nature of the Claim is executed, to the extent there is available Cash in the Liquidation Trust.

The Trustee estimates \$37,000 in Convenience Claims. However this number could change if claimants elect to become Convenience Claims. Convenience Claims are Impaired under the Plan and entitled to vote for the Plan.

(vii) Dickson Claims

The Dickson Claims are the Claims Held by William Dickson or his affiliates or insiders. The Dickson Claims will not be paid under the Plan.

(viii) Interests

On the Effective Date, all Interests in the Debtor shall be cancelled and extinguished.

5. MEANS OF IMPLEMENTING THE PLAN

(a) **Generally.** As provided in Article 5 of the Plan, the Trustee has sufficient Cash to pay Classes 2, 3 and 6. Further, the Trustee will provide for Class 4 and Class 1 by transferring property as described in the Plan.

a. On or before the Effective Date, the Trustee shall execute documents sufficient to transfer to EFP/BHT or its designee any Loan owned by or serviced by the Estate, and any rights associated with Loans which may have been fraudulently transferred, in full satisfaction of its Class 1 Claim. At her discretion, the Trustee may execute said documents by power of attorney. All costs associated with the preparation and/or recordation of the documents shall be borne by EFP/BHT alone. Further, on or before the Effective Date, the Trustee shall, at the option of EFP/BHT either (a) assume and assign the Executory Contracts on Plan Exhibit 4.1 to EFP/BHT or its designee or (b) reject and terminate the Executory Contracts on Plan Exhibit 4.1. If EFP/BHT choose to have the Trustee reject and terminate the Executory Contracts on Plan Exhibit 4.1, then on or before the Effective Date, EFP/BHT shall have paid

any termination fee and de-boarding fees owed to the Servicer before such transfer shall be deemed effective from the Trustee. On or before the Effective Date, the Trustee will convey without recourse or warranty of any kind or nature to EFP/BHT the REO Property, as is/where is subject to all existing liens and encumbrances. At her discretion, the Trustee may execute said documents by power of attorney. All costs associated with the preparation and/or recordation of the documents shall be borne by EFP/BHT alone. EFP/BHT will be responsible for all obligations regarding the REO Property after the Effective Date.

b. On or before the Effective Date of the Plan, the Trustee shall dismiss with prejudice the EFP/BHT Claim Objections and the Estate's Claims in the EFP/BHT Adversary Proceedings as part of the Distribution on the EFP/BHT Claim. On or before the Effective Date, EFP/BHT shall dismiss with prejudice all EFP/BHT Claims in the EFP/BHT Adversary Proceedings against the Estate and/or the Trustee, in her role substituting as the proper party-in-interest.

c. Before any Loans are transferred pursuant to section 5.1(a)(A) EFP/BHT shall execute an agreement in form and substance identical to **Plan Exhibit 5.1** to indemnify and hold harmless the Estate, the Trustee, the Liquidating Trust Trustee and any professionals of the Trustee or the Liquidating Trust Trustee from any Claim made by any Entity related to the Loans, including, without limitation, any Claim made by the United States or any agency thereof, or by any State or any agency thereof, or by any other Entity related to the servicing of any Loan.

d. On or before the Effective Date, the Trustee shall pay Claims in Classes 2, 3, and 6. If a Holder's Convenience Claim in Class 6 is not Allowed on or before the Effective Date, the Liquidation Trust Trustee will make the Distribution to such Holder within fifteen (15) days after the earlier of the date on which (a) an Order allowing Convenience Claim becomes a Final Order, or (b) a Stipulation Regarding the Amount and Nature of the Claim is executed, to the extent there is available Cash in the Liquidation Trust.

e. On or before the Effective Date the Trustee shall deposit \$250,000 into the Litigation Claims Account. The Litigation Claims shall be liquidated by the Liquidated Trust Trustee subsequent to the Effective Date. Once all of the Litigation Claims have been liquidated by the Trustee such that the allowed amount of each has been determined by either Final Order of the Bankruptcy Court or other court of competent jurisdiction or a Stipulation Regarding the Amount and Nature of the Claim is executed, the Liquidation Trust Trustee will make a Pro Rata Distribution to each Holder of an Allowed Litigation Claim from the Litigation Claims Account, in full and final satisfaction of its Allowed Litigation Claim. Monies in the Litigation Claims Account left over after the payment of all Allowed Litigation Claims, if any, shall revert to the Liquidation Trust.

f. On or before the Effective Date, the Trustee shall transfer all remaining assets of the Estate, after Distribution to Classes 1-3 and 5-6 of the Estate, to the newly created Liquidation Trust.

g. The Liquidation Trust will prosecute all remaining Causes of Action and Bankruptcy Causes of Action and will continue with all liquidations of the Estate.

h. The Liquidation Trust will remain in existence for up to three years, unless otherwise extended from time to time by the Liquidation Trust Trustee. The Liquidation Trust Trustee will make a Pro Rata Distribution to Holders of Allowed General Unsecured Claims in Class 4 immediately prior to the termination of the Liquidation Trust unless the Liquidation Trust Trustee, in her sole discretion, chooses to make more frequent Pro Rata Distributions. Any excess funds remaining after paying all General Unsecured Claims in Class 4 and all fees and expenses of the Liquidating Trust Trustee will be transferred to EFP/BHT. Upon liquidation of all Estate Causes of Action and Bankruptcy Causes of Action, the Liquidation Trust will terminate.

(b) **Liquidation Trust.** On or before the Effective Date, the Trustee shall form the Liquidation Trust. The Trustee shall become the trustee of the Liquidation Trust. On the Effective Date, the Trustee shall transfer all remaining assets of the Estate after Distribution to Classes 1–3 and Classes 5–6 as indicated by Article IV of this Plan to the Liquidation Trust. The Liquidation Trust will make distributions as described above. Any excess funds that exist after the payment of General Unsecured Claims in Class 4 and all fees and expenses of the Liquidation Trust Trustee, as provided in Section 4.1 of the Plan, will be transferred by the Liquidating Trust Trustee to EFP/BHT at the conclusion of the three-year Liquidation Trust period, or at such earlier time as the Liquidation Trust Trustee determines appropriate in her discretion.

(c) **Powers of the Liquidation Trust Trustee.** The Liquidation Trust Trustee shall have the following powers without need for Court approval.

- i. Prosecute and settle litigation.
- ii. Hire and pay professionals.
- iii. File any documents required by the Bankruptcy Code including, but not limited to, Monthly Operating Reports.
- iv. Use Cash of the Estate.
- v. Pay the Liquidation Trust Trustee at the rate of \$375/hour, subject to annual customary adjustments..
- vi. Pay all other expenses of the Liquidation Trust.

(d) **Stipulation Regarding the Amount and Nature of the Claim from and after the Effective Date.** From and after the Effective Date, the Liquidation Trust Trustee will have authority to enter into a Stipulation Regarding the Amount and Nature of the Claim, without the necessity of obtaining approval of the Bankruptcy Court.

(e) **Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes.** The Trustee will be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements and documents and take such actions as may be necessary, appropriate or desirable to effectuate and implement the provisions of the Plan. The Trustee will be authorized to certify or attest to any of the foregoing actions. Pursuant to section 1146(c) of the Bankruptcy Code, the following will not be subject to a stamp tax, real estate

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transfer tax, sales or use tax or similar Tax: (a) the creation of any mortgage, deed of trust, lien or other security interest; (b) the making or assignment of any lease or sublease; and (c) the making or delivery of any deed, bill of sale or other instrument of transfer or assignment or any plan of merger, consolidation, liquidation or dissolution under, in furtherance of or in connection with the Plan.

(f) **General Settlement of Claims.** Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the classification, Distributions, releases and other benefits provided under this Plan, upon the Effective Date, the provisions of this Plan shall constitute a good faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to this Plan. Any vote to accept the Plan is settlement of all claims against the Estate and is deemed approved pursuant to Bankruptcy Rule 9019.

6. PROVISIONS GOVERNING DISTRIBUTIONS AND OBJECTIONS TO CLAIMS

(a) No Payment of Postpetition Interest and Attorneys' Fees on Claims

Unless otherwise provided by Order of the Bankruptcy Court, no Distributions shall be made pursuant to the Plan to any Holder of a Claim for or on account of any interest, penalty or late charge accruing on or after the Petition Date, or for any attorneys' fees with respect to such Claim.

(b) Distribution Record Date

Pursuant to Section 6.6(a) of the Plan, the Trustee will have no obligation to recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the Distribution Record Date and will be entitled to recognize and make distributions only to those Holders of Allowed Claims that are Holders of such Claims, as of the Distribution Record Date as reflected by the Docket in this Case.

(c) Disputed and Estimated Claims

Pursuant to Section 6.8 of the Plan, the Trustee shall have the exclusive right to object to the allowance, amount or classification of Claims asserted in the Bankruptcy Case, and such objections may be litigated to Final Order by the Trustee or compromised and settled in accordance with the business judgment of the Trustee without further Order of the Bankruptcy Court.

Pursuant to Section 6.9 of the Plan, at any time, the Trustee may request that the Bankruptcy Court estimate for all purposes, including distribution under the Plan, any Disputed, contingent or unliquidated Claim, pursuant to section 502(c) of the Bankruptcy Code. The Bankruptcy Court shall retain jurisdiction to estimate any such Claim at any time, including, without limitation, during the pendency of an appeal relating to such objection.

7. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

(a) Executory Contracts and Unexpired Leases in General

Pursuant to Section 7.1 of the Plan, Trustee will assume all Executory Contracts and Unexpired Leases listed on Plan Exhibit 7.1. Under Section 7.1(b), each Executory Contract and Unexpired Lease that (i) is not assumed under Section 7.1(a) of the Plan, or (ii) is the subject of a motion to assume or reject pending as of the Effective Date; *provided, however*, that the Trustee reserves the right to amend Plan Exhibit 7.1 to (i) delete any Executory Contract or Unexpired Lease listed therein, thus providing for its rejection pursuant to Section 7.1(b) of the Plan, or (ii) add any Executory Contract or Unexpired Lease thereto, thus providing for its assumption pursuant to this Section 7.1(a) of the Plan.

Section 7.2 of the Plan provides that, to the extent that such Claims constitute monetary defaults, the Cure Amount Claims associated with each Executory Contract or Unexpired Lease to be assumed pursuant to the Plan will be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, at the option of the Trustee: (a) by payment of the Cure Amount Claim in Cash on the Effective Date; or (b) on such other terms as are agreed to by any non-Debtor party to such Executory Contract or Unexpired Lease and the Trustee. If there is a Dispute regarding the amount of any Cure Amount Claim, or any other matter pertaining to assumption of such contract or lease, the payment of any Cure Amount Claim required by section 365(b)(1) of the Bankruptcy Code will be made following the entry of a Final Order resolving the dispute and approving the assumption.

8. EFFECT OF CONFIRMATION OF THE PLAN

(a) Binding Effect

Pursuant to Section 12.5 of the Plan, the Plan shall be binding upon and/or inure to the benefit of the Debtor, the Estate, the Trustee, the Holders of Claims, and Interests. Nothing contained in Article X of the Plan will limit the effect of Confirmation described in section 1141 of the Bankruptcy Code.

(b) Miscellaneous Provisions of the Plan

(i) *Retention of Jurisdiction*

As provided in Article X of the Plan, until the entry of a final decree in accordance with Bankruptcy Rule 3022, the Bankruptcy Court shall have jurisdiction of all matters arising under, arising out of or relating to the Bankruptcy Case including, but not limited to, the following:

- (1) to insure that the purpose and intent of the Plan are carried out;
- (2) to consider any modification of the Plan under section 1127 of the Bankruptcy Code;

- (3) to hear and determine all Claims, controversies, defaults, suits and disputes against the Debtor, including, but not limited to, any Disputed Administrative Claim or Disputed Claim;
- (4) to hear, determine and enforce all Claims and Bankruptcy Causes of Action;
- (5) to hear and determine all controversies, suits, defaults and disputes that may arise in connection with the interpretation, execution or enforcement of the Plan;
- (6) to hear and determine all requests for compensation and/or reimbursement of expenses for services rendered or expenses incurred before the Effective Date which may be made after the Effective Date;
- (7) to hear and determine all objections to Administrative Claims, Claims, controversies, suits, and disputes that may be pending at or initiated after the Effective Date, except as provided in the Confirmation Order;
- (8) to consider and act on the compromise and settlement of any Administrative Claim, Claim or Bankruptcy Cause of Action on behalf of or against the Debtor or Trustee;
- (9) to enforce and interpret by injunction or otherwise the terms and conditions of the Plan;
- (10) to enter a Final Order concluding and terminating the Bankruptcy Case;
- (11) to correct any defect, cure any omission, or reconcile any inconsistency in the Plan or Confirmation Order necessary or helpful to carry out the purposes and intent of the Plan;
- (12) to determine all questions and disputes regarding titles to the assets of the Debtor or Trustee;
- (13) to classify the Claims or Interests of any Holder and to re-examine Claims allowed for purposes of voting, and to determine objections to Administrative Claims, Claims, and Interests;
- (14) to consider and act on such other matters consistent with the Plan as may be provided in the Confirmation Order;
- (15) to enforce any injunction or stay whether arising under the Bankruptcy Code or Rules, or the Plan; and/or

- (16) to consider the rejection of Executory Contracts and/or Unexpired Leases that are not discovered before Confirmation and allow Claims for damages with respect to the assumption and assignment of Executory Contracts or Unexpired Leases.

(ii) *Governing Law*

As provided in Section 12.9 of the Plan, except to the extent that the Bankruptcy Code is applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced as provided in the laws of the State of Mississippi.

(iii) *Preservation of Certain Claims and Causes of Action*

Except as provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Trustee will retain and may enforce any Bankruptcy Causes of Action and any Causes of Action as listed on Plan Exhibit .

9. CONFIRMATION AND CONSUMMATION PROCEDURE

(a) **The Confirmation Hearing**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing with respect to the accompanying Plan. The Confirmation Hearing in respect of the Plan has been scheduled for _____, at _____ a.m. Any objection to Confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or a description of the interest in the Debtor or the Estate held by the objector, and must be made in accordance with any pre-trial or scheduling Orders that the Bankruptcy Court may enter in the Case. Any such objection must be Filed with the Bankruptcy Court (with a copy to Chambers) and served so that it is received by the Bankruptcy Court, and served upon the parties specified in the accompanying Notice on or before _____.

(b) **Confirmation**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of the Plan are that the Plan is (i) accepted by all Impaired Classes or, if rejected by an Impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) feasible and (iii) in the “best interests” of Holders of Claims and Interests that are Impaired under the Plan.

(c) **Consummation on the Effective Date**

The Plan will be consummated on the Effective Date. The Effective Date shall not occur until each of the following conditions has been satisfied, pursuant to Article VIII of the Plan:

(i) The Confirmation Order shall have been entered by the Bankruptcy Court in form and substance that is satisfactory to the Trustee on or before December 31, 2015, shall be in full force and effect and shall be a Final Order;

(ii) No Material Adverse Change will have occurred from and after the Confirmation Date;

(iii) EFP/ BHT shall have executed all documents necessary for compliance with State and federal regulations regarding its assumption of the Servicing Agreement;

(iv) All consents, actions, documents, certificates and agreements necessary to implement the Plan shall have been effected or executed and delivered to the required parties and, to the extent required, filed with the applicable governmental units in accordance with the applicable laws.

10. CERTAIN RISK FACTORS TO BE CONSIDERED

HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE ESTATE AND THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE INFORMATION SET FORTH IN THE DISCLOSURE STATEMENT, THE PLAN, ALL PLAN EXHIBITS, (AND ANY DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE), BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ANY RISK FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

Although the Trustee believes that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can also be no assurance that modifications of the Plan will not be required for confirmation, that such modifications would not adversely affect the Holders of Claims or that such modifications would not necessitate the re-solicitation of votes.

Trustee reserves the right to object to the amount or classification of any Claim. The estimates set forth in the Disclosure Statement cannot be relied on by any Holder of Claim whose Claim is subject to an objection.

11. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion is a summary of certain federal income tax consequences expected to result from the consummation of the Plan. This discussion is based on current provisions of the Tax Code, applicable Treasury Regulations, judicial authority and current administrative rulings and pronouncements of the Internal Revenue Service (the "**IRS**"), any of which may be altered with retroactive effect, thereby changing the federal income tax consequences discussed below. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS has been or will be sought.

The following summary is for general information only and discusses the federal tax consequences only to Holders of Allowed Unsecured Claims. The tax treatment of a Holder of

an Allowed Unsecured Claim may vary depending upon such Holder's particular situation. EACH HOLDER OF AN ALLOWED CLAIM IS URGED TO CONSULT WITH HIS OR HER TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

(a) **Federal Income Tax Consequences to Holders of Claims**

The consideration received under the Plan by Holders of Unsecured Claims is netted against the amount of the Claim which is discharged under the Plan. The net amount is the amount of the Holder's loss. In the event the Holder of the Claim previously took a loss for the full amount of his or her discharged Claim, then the Holder would have to realize income in the year that he or she receives payments under the Plan.

(b) **Receipt of Cash for Allowed Claims**

Each Holder of an Allowed Claim who receives Cash on the Effective Date in partial satisfaction of his or her Allowed Claim should recognize gain or loss on the Effective Date equal to the difference between (i) the amount of Cash received and (ii) the Holder's adjusted tax basis in the Allowed Unsecured Claim exchanged therefore.

The character of any gain or loss as capital or ordinary and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the Holder's adjusted tax basis in the Allowed Unsecured Claim exchanged therefore.

The character of any gain or loss as capital or ordinary and, in the case of capital gain or loss, as short-term or long-term, will depend on a number of factors, including: (i) the nature and origin of the Allowed Claim; (ii) the tax status of the Holder of the Allowed Claim; (iii) whether the Allowed Claim has been held for more than one year; and (iv) the extent to which the Holder previously claimed a loss, bad debt reduction or charge to a reserve for bad debts with respect to the Allowed Claim. Each Holder of an Allowed Claim is urged to consult his or her tax advisor as to the applicability of these other factors to such Holder.

A loss generally is treated as sustained in the taxable year for which there has been a closed and completed transaction, and no portion of a loss with respect to which there is a reasonable prospect of reimbursement may be deducted until it can be ascertained with reasonable certainty whether or not such reimbursement will be recovered.

Holders of Claims should consult with their own tax advisors as to the matters discussed in this section concerning character and timing of recognition of gain or loss. Because a loss will be allowed as a deduction only for the taxable year in which the loss was sustained, a Holder of a Claim is entitled a loss in the wrong taxable year risks denial of such loss altogether. In the case of certain categories of Claims, consideration should be given to the possible availability of a bad debt deduction under section 166 of the Tax Code for a period prior to the Effective Date. In addition, a portion of any distributions received after the Effective Date may be taxed as ordinary income under the imputed interest rules.

ALL HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF IMPLEMENTATION

OF THE PLAN TO THEM UNDER APPLICABLE FEDERAL, STATE AND LOCAL TAX LAWS.

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. THE SUMMARY DOES NOT DISCUSS ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR AND THE ESTATE, THE TRUSTEE, OR HOLDER. THE TAX CONSEQUENCES TO EACH CLAIM OR INTEREST HOLDER WILL VARY BASED ON THE HOLDER'S CIRCUMSTANCES. ACCORDINGLY, EACH CLAIM OR INTEREST HOLDER SHOULD CONSULT WITH HIS OR HER TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES TO SUCH HOLDER OF THE PLAN, INCLUDING THE APPLICATION AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX LAWS.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THE DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY THE ESTATE OR THE DEBTOR, THE TRUSTEE, OR ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS NOT INCLUDED HEREIN BY THE DEBTOR, THE ESTATE OR THE TRUSTEE IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTOR, THE ESTATE, OR THE TRUSTEE OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON SUCH HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

12. VOTING BY HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE

The Claims in the following Classes are Impaired under the Plan, and are deemed to have rejected the Plan under the provisions of section 1126(f) of the Bankruptcy Code: Class 6 (Dickson Claims) and Class 7 (Interests). The Trustee will not solicit acceptances of the Plan from Holders of Claims in Classes 6 and 7. The Claims in Classes 1 through 5 are Impaired under the Plan and are entitled to vote.

The Bankruptcy Court adopted certain voting procedures in the attached Confirmation Procedures Order (**Exhibit B**). Below is a brief summary of those voting procedures.

The Impaired Classes are collectively referred to hereinafter as the "**Voting Classes**." The Bankruptcy Court has set _____ as the Voting Record Date. (Confirmation Procedures Order, **Exhibit B**.) If you are a Holder of a Claim or Interest as of the Voting Record Date, and if you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. If you are a Holder of a Claim or Interest that is entitled to vote and you did not receive a Ballot, received a damaged Ballot, or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please contact the Trustee at 601-949-4785

**THE VOTING DEADLINE TO ACCEPT OR
REJECT THE PLAN IS 5:00 P.M.,
PREVAILING CENTRAL TIME, ON**

Ballots must be *received* by the Trustee by the Voting Deadline. If a Ballot is received after the Voting Deadline, it will not be counted. Complete the Ballot by providing all the information requested, and sign, date and return the Ballot by mail, overnight courier or personal delivery to the Trustee at one of the following address:

By U.S. Mail:	By Delivery or Courier:
Kristina M. Johnson, Trustee c/o Jones Walker LLP Post Office Box 427 Jackson, MS 39205-0427	Kristina M. Johnson, Trustee c/o Jones Walker LLP 190 East Capitol Street, Suite 800 Jackson, MS 39201

ANY EXECUTED BALLOT THAT FAILS TO INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED. **BALLOTS RETURNED TO THE TRUSTEE WILL NOT BE ACCEPTED BY THE TRUSTEE BY FACSIMILE TRANSMISSION OR ANY OTHER ELECTRONIC MEANS.**

13. CONCLUSION AND RECOMMENDATION

The Disclosure Statement is intended to assist each Holder of Claims against the Estate and Interests in the Debtor to make an informed decision regarding the acceptance of the Plan. If the Plan is confirmed, all Holders of Claims and Interests will be bound by its terms. The Trustee believes that confirmation and implementation of the Plan is preferable to any of the alternatives described above and respectfully urges each Holder of a Claim against the Estate or Interest in the Debtor to review the Disclosure Statement carefully and the enclosed copy of the Plan, to accept the Plan, and to evidence such acceptance by returning their Ballots on or before the date fixed by the Bankruptcy Court.

Dated: February 9, 2015.

Respectfully submitted,

KRISTINA M. JOHNSON,
TRUSTEE OF THE ESTATE OF
COMMUNITY HOME
FINANCIAL SERVICES, INC.

By Her Attorneys,

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By: s/ Jeffrey R. Barber
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CERTIFICATE OF SERVICE

I hereby certify that on February 9, 2015, I electronically filed the foregoing with the Clerk of the Court using the ECF system which sent notification of such filing to the parties set forth in the Electronic Mail Notice List as of the date hereof, including the following:

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