

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF ALABAMA**

In re

**HARPER & ASSOCIATES
INSURANCE, INC.,**

Debtor.

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**Case No. 15-03160
Chapter 11**

**HARPER & ASSOCIATES INSURANCE, INC.
DISCLOSURE STATEMENT
ACCOMPANYING ITS PLAN OF REORGANIZATION**

Counsel for Debtor-in-Possession
Richard M. Gaal
MCDOWELL KNIGHT ROEDDER & SLEDGE, L.L.C.
Post Office Box 350
Mobile, Alabama 36601
Telephone: (251) 432-5300
rgaal@mcdowellknight.com

I. INTRODUCTION

On September 25, 2015, Harper & Associates Insurance, Inc. (the “Debtor” or “Harper & Associates”) filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Alabama, Southern Division. Debtor has filed a Plan of Reorganization (the “Plan”) attached hereto as Exhibit A. Please read the Plan carefully, as it is part of this Disclosure Statement. The Plan specifies various classes for the Debtor’s creditors and the proposed treatment of claims and interests of such creditors.

Pursuant to 11 U.S.C. § 1125 of the Bankruptcy Code, the Debtor is soliciting acceptance of the Plan by the classes of creditors entitled to vote on the Plan. The purpose of this Disclosure Statement is to provide the holders of claims against the Debtor with adequate information about the Debtor and the Plan in order to enable the holders of such claims to arrive at a reasonable informed decision in exercising their rights to vote for acceptance or rejection of the Plan.

PURSUANT TO BANKRUPTCY RULE 3016, DEBTOR PROVIDES NOTICE THAT THE PLAN INCLUDES AN INJUNCTION AGAINST CONDUCT NOT OTHERWISE ENJOINED UNDER THE CODE; TO WIT, THE PLAN INCLUDES AN INJUNCTION AGAINST CLAIMS OR SUITS AGAINST DEBTOR'S OWNERS, SHAREHOLDERS, AND OFFICERS, WHICH WOULD INCLUDE AN INJUNCTION PROHIBITING THE FILING OR CONTINUATION OF SUITS AGAINST ROBERT G. HARPER, SR. THIS PROVISION IS SPECIFICALLY SET FORTH IN ARTICLE VII OF THE PLAN AND ADOPTED IN THIS DISCLOSURE STATEMENT BY REFERENCE (THE PLAN IS ALSO ATTACHED TO THIS DISCLOSURE STATEMENT).

Ballots for the acceptance or rejection of the Plan are required to be submitted in writing by the holders of all classes of claims and interests that are impaired under the Plan. Claimants whose legal, contractual, or equitable rights are altered, modified, or changed by the proposed treatment under the Plan are considered "impaired." Claimants in impaired classes may vote on the Plan by completing and mailing, faxing, or emailing the enclosed Ballot to counsel for the Debtor as follows:

Richard M. Gaal
McDowell Knight Roedder & Sledge, LLC
11 North Water Street, Suite 13290,
Mobile, AL 36602
Phone: 251-432-5300
Fax: 251-432-5303
Email: rgaal@mcdowellknight.com

To be counted, your Ballot must be received by the date and time stated in the Court's Order approving this Disclosure Statement.

As a Claimant, your vote on the Plan is important. The Bankruptcy Code requires as a condition to consensual confirmation of a plan that each class of claimants that is impaired under the Plan accepts the Plan. The Bankruptcy Code defines acceptance of a Plan by a class of creditors as acceptance by holders of two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the claims of that class that cast ballots for acceptance or rejection of the Plan.

Any creditors of an impaired class (a) whose claim has been scheduled by the Debtor in the schedules filed with the Bankruptcy Court (provided such claim has not been scheduled as disputed, contingent, or unliquidated) or (b) who has filed a proof of claim unless Debtor has objected to such claim or such claim has been disallowed or disallowed for voting purposes by the Bankruptcy Court, is entitled to vote. IN THE EVENT THAT A CLASS OF CREDITORS FAILS TO SUBMIT ANY BALLOTS, THE FAILURE TO VOTE WILL BE CONSTRUED AS A VOTE BY THE NONVOTING CLASS TO ACCEPT THE PLAN.

If a class or classes of Claimants do not accept the Plan, the Debtor has the right to request confirmation of the Plan pursuant to 11 U.S.C. § 1129(b) of the Bankruptcy Code, the "cram down" provision. Section 1129(b) permits confirmation of a plan notwithstanding the non-acceptance of the plan by one or more impaired classes or interests. Under that section, a

plan may be confirmed by the Bankruptcy Court if it does not “discriminate unfairly” and is “fair and equitable” with respect to the non-accepting class. The fair and equitable rule requires absolute priority in the payment of claims and interest with respect to the descending class or classes, subject to certain exceptions discussed herein.

This Disclosure Statement has been approved by the Bankruptcy Court as containing information of a kind and of sufficient detail to enable a hypothetical reasonable investor, typical of the claimants, to make an informed judgment as to acceptance or rejection of the Plan. Approval of this Disclosure Statement is not, however, a ruling by the Bankruptcy Court as to the fairness or merits of the Plan.

Confirmation of the Bankruptcy Court of the Plan in accordance with the provisions of the Bankruptcy Code will be considered at the scheduled hearing on the Plan. The hearing on the Plan may be adjourned from time-to-time by the Bankruptcy Court without further notice except for an announcement made at the hearing. Any objection to confirmation of the Plan must be in writing, state all grounds, and be served on all counsel of record and upon the Creditor Matrix to the extent such creditors are not represented by counsel and in the manner required by the Federal Rules of Bankruptcy Procedure and filed with the Court.

II. DISCLAIMER

This is a solicitation by the Debtor, Harper & Associates only, and is not a solicitation of the Debtor’s attorneys, accountants, agents, partners or servants. The financial information contained herein and/or referenced and/or made available has not been the subject of an audit. The Debtor has not made any attempt to investigate or independently verify the accuracy or completeness of any information in this document. The Debtor makes no representations as to

the accuracy of any statement or data contained herein. Projections provided herein are merely that – projections and not guarantees or promises.

III. BUSINESS AND HISTORY OF DEBTOR

A. Business Structure of Debtor and Overview of Debtor's Business

The Debtor is a corporation organized and existing under the laws of the State of Alabama and its principal place of business is in Mobile, Alabama. One hundred percent (100%) of the Debtor's shares are owned by Robert G. Harper, Sr. ("Mr. Harper"). Mr. Harper may be referred to herein as Debtor's Parent. Debtor itself was formed on or about October 3, 1963 as an Alabama corporation, as stated above. The Debtor has continued to do business in the State of Alabama since that date, operating as an independent insurance agency, working to provide insurance coverage to various insureds through various carriers, and such insurance includes, but is not limited to property insurance, general liability insurance, automobile insurance, low value dwelling insurance, and various other insurance policies and types of insurance policies.

B. Financial Performance/Events Leading to Chapter 11

In late September of 2015, and prior to the Debtor's filing of the Chapter 11 Petition, Debtor was unable to pay certain of its debts, including certain disputed debts, as they came due. Debtor particularly became embroiled in a dispute with one of the creditors in this case, Ashland General Agency, Inc. ("Ashland") regarding various amounts Ashland claimed was owed to it by the Debtor. Prior to that time and leading up to the filing of the Chapter 11, many of the Debtor's clients also either went out of business or had difficulty paying premiums, commissions, and other amounts due related in great part to the Great Recession. Many of Debtor's clients were also negatively impacted by the well-known BP Oil Spill in the Gulf of Mexico. The Debtor struggled to stay afloat and did for a season despite the economic pressures

associated with these events but ultimately needed the protections afforded to it by the United States Bankruptcy Code. The Debtor has continued to maintain its business in the ordinary course subsequent to the filing of the Chapter 11 case. Mr. Harper continues to work as an officer of the entity and is the primary point of contact for insureds and customers of the Debtor. During this period of time, as before the filing, the Debtor was able to maintain its business cash flow at a reasonable level. Given the enormous pressures associated with Ashland's collection efforts, however, Harper & Associates had no choice but to file a Chapter 11 and seek to reorganize. Many times prior to the filing of the Chapter 11 by Debtor, the Debtor did attempt to resolve its issues with Ashland, but to no avail. Furthermore, Ashland made efforts, upon information and belief, to expose the Debtor to certain suitors that would or might be interested in purchasing some or all of the assets of the Debtor. Debtor did receive solicitations from various parties and does continue to receive various solicitations from interested parties regarding the purchase of some or all of its assets. To date, none of the third-party solicitations received by the Debtor (whether originating from Ashland or otherwise) have materialized into definitive purchase agreements, much less a closing. Despite efforts of the Debtor to provide due diligence information as requested by such third-party suitors, no final sale is has occurred.

The only reasonable path forward for the Debtor without any definitive ability to sell its assets at this time is for Debtor to reorganize as originally contemplated when it filed the Chapter 11. A continuation of the Debtor based on its recent nine to ten months in Bankruptcy Court establishes that at least the Debtor can break even or nearly break even based on the current payments it is making to Ashland and other payments being made in the ordinary course. Debtor anticipates an increased margin in the coming years based on the beneficial effects of Chapter

11. *See* Exhibit B, attached hereto. It is feasible for the Debtor to continue in business and reorganize but only subject to terms and conditions set forth in this Plan.

C. Events Since Filing

As stated above, Debtor has continued to operate post-petition in the ordinary course. The Debtor has no secured creditors, no priority creditors, very few general unsecured creditors at this time, though it does have a large, albeit disputed, claim in this case with respect to Ashland against it. That claim has already been the subject of an adversary proceeding in this case, whereby the Debtor filed its adversary proceeding against Ashland for Ashland's violation of the automatic stay. The Debtor sought an injunction against Ashland's efforts to cancel certain policies maintained by the Debtor associated with Ashland. Initially, Ashland did agree to rescind any cancellation notices with the respect to the subject policies, and a hearing was set on whether an injunction should issue preventing such cancellations. The parties were prepared to try that evidentiary hearing, but the matter was settled as announced in open court on December 14, 2015, and as set forth in the Court's Order of January 6, 2016 approving that certain compromise between the Debtor and Ashland as stated in the Order, which is attached hereto as Exhibit C (the "Order"). Pursuant to the Order, the Debtor received a "new value" capital contribution from Mr. Harper in the amount of \$60,000.00, which was then paid to Ashland by the Debtor to satisfy the payment obligations set forth in paragraph 1 of the Order. In addition, Debtor has paid payments to Ashland as set forth in the Order and is current on those payments. Pursuant to the resolution approved by the Order, amounts due to be paid under the Order are to be subtracted from the amount ultimately to be determined to be owed to Ashland, if any. Furthermore, amounts set forth in the Order to be paid but not paid in full by the date of the confirmation hearing with respect to this Plan must continue to be paid post-confirmation with a

similar credit being applied. Debtor believes no additional sums are or should be due to Ashland other than those required in the Order given Ashland's inability to prove damages and/or due to Ashland's conduct that damaged Debtor that would be a defense (setoff) against any such claim.

IV. FINANCIAL INFORMATION

A. Assets

The Debtor owns the following assets:

1. Regions Bank Debtor-in-Possession account with cash on hand as of June 30, 2016 in the amount of \$25,173.19.
2. Accounts receivable as of June 30, 2016 in the amount of \$36,088.00, of which \$12,449.78 is ninety days past due or older.
3. Customer list with a value of \$1.00.
4. The following office equipment, furnishings, and supplies:
 - a. One conference table valued at \$100.00
 - b. One facsimile machine valued at \$100.00
 - c. One refrigerator valued at \$100.00
 - d. One sofa valued at \$200.00
 - e. Fifteen chairs valued at \$150.00
 - f. Two cubicles valued at \$1,000.00
 - g. Twenty file cabinets valued at \$400.00
 - h. Four computers valued at \$2,400.00
 - i. Four printers valued at \$400.00
 - j. Eight desks valued at \$800.00
 - k. Kitchen table and two chairs valued at \$100.00

1. One generator valued at \$11,000.00

Debtor has diligently reviewed his books and records for any preference actions available to it under 11 U.S.C. § 547, as well as any fraudulent transfer actions pursuant to 11 U.S.C. § 548 and has determined that no such actions exist as of the date of this Disclosure Statement which is consistent with its already-filed Statement of Financial Affairs in this case; Debtor reserves the right to modify such statement within the statutorily allowed limitations in the event that evidence becomes available on the existence of such claims. For example, should a creditor such as Ashland in this case claim that amounts paid to it within ninety (90) days of the filing of the Petition in this case were payments on antecedent debt, then Debtor reserves the right to claim that such payments were preference payments that are due to be set aside. It is not clear at this time whether Ashland takes that position, but such claim is hereby specifically reserved.

B. Liabilities

The Debtor owes and/or will owe administrative claims of approximately \$30,000.00 to McDowell Knight Roedder & Sledge, LLC as attorneys for the Debtor. The Debtor will also owe quarterly fees pursuant to 28 U.S.C. § 1930 which will be deposited with McDowell Knight Roedder & Sledge, LLC for payment of the quarterly fees which will come on or about October 15, 2016. No other administrative expense claims are known at this time, but Debtor is considering filing an application to approve the hiring *nunc pro tunc* of a corporate accountant. Debtor rejects any assertion that Ashland has an administrative expense claim (which the Order never specifically held despite the “payment” terms), and this Plan is conditioned on Ashland’s claim not being an administrative expense claim.

The Debtor does not owe any taxes to the United States Internal Revenue Service or the State of Alabama. The Debtor does not have any secured creditors.

The claims of unsecured creditors are as follow:

Alabama Power P.O. Box 242 Birmingham, AL 35292-0001	Utility	\$418.00
American Express P.O. Box 650448 Dallas, TX 75265	Credit Card Debt	\$27,333.00
American Express P.O. Box 650448 Dallas, TX 75265	Credit Card Debt	\$ 2,567.00
Ashland General Agency, Inc. P.O. Box 850609 Mobile, AL 36685-0609	Trade Debt	\$297,568.00*
Comcast P.O. Box 105184 Atlanta, GA 30348-4184	Trade Debt	\$227.00
Mobile Area Water Sewer Service P.O. Box 2368 Mobile, AL 36652-2368	Utility	\$58.00
Mobile Gas P.O. Box 104001 Atlanta, GA 30348-5001	Utility	\$29.00
Wells Fargo P.O. Box 54349 Los Angeles, CA 90054	Loan Obligation	\$24,698.00
Wells Fargo BKG Support Group P.O. Box 202902 Dallas, TX 75320	Loan Obligation	\$14,360.00

* The amount listed as an unsecured obligation to Ashland is disputed by the Debtor and will be subject to objection by the Debtor. The disputed amount is credited for amounts already paid to Ashland for its alleged claim per the Order.

Notably, there are fewer claims listed as liabilities in this Disclosure Statement than have previously been listed on Debtor's Schedule F regarding unsecured claims. Insofar as

claims listed on Schedule F, as amended, are not listed in the Disclosure Statement, those claims have either been paid pursuant to guaranty obligations of third-parties by third-parties, including Mr. Harper, or pursuant to this Court's prior orders allowing payment of critical vendor claims that cure certain executory contracts assumed herein. Certain claims are listed even though potentially paid as critical vendors on an interim basis given the interim nature of such payment.

The claims of unsecured creditors, therefore total \$367,258.00, inclusive of the disputed claim of Ashland and they total \$69,690.00 exclusive of the disputed claim of Ashland.

Debtor has listed in its Schedule G, as amended, numerous executory contracts and unexpired leases. With respect to each of those listed, Debtor's Plan requires that all such listed executory contracts on its Schedule G, as amended, are assumed EXCEPT for the following which are deemed REJECTED pursuant to 11 U.S.C. § 365 under the Plan:

1. Ashland General Agency, Brokerage Contract,
P.O. Box 850609
Mobile, AL 36685
2. Amwins Access Insurance Services, LLC
1500 Urban Center Drive, Suite 460
Vestavia Hills, AL 35242-2563
3. The Gulf Agency
P.O. Box 235008
Montgomery, AL 36123

Notably, all other executory contracts and leases, as stated above are assumed and no cure amount is due and owing with respect to any of them except with respect to Jim Miller, 4377 Downtowner Loop South, Mobile, AL 36609-5412, with a cure amount of approximately \$2,100.00, which will be paid on the Effective Date.

V. SUMMARY OF THE PLAN

Classification of Claims and Treatment of Classes

All Allowed Claims and Allowed Interests are placed in the following classes. The payment of all classes will be derived from the proceeds of the continued operation of the Debtor's business, as well as from post-petition capital contributions made by Mr. Harper, and as to be distributed in accordance with the Bankruptcy Code's priority scheme, to the extent that funds are available.

A. ADMINISTRATIVE CLAIMS

Class One: Creditors holding Administrative Claims.

This class shall consist of creditors having any claim entitled to administrative priority under § 507(a)(1) of the Code, all fees payable under § 1930 of Title 28, United States Code, and all claims for compensation of professionals pursuant to § 330 of the code. Administrative creditors are those professionals approved for employment by the Bankruptcy Court on behalf of the Debtor or Unsecured Creditors Committee (if any) as well as those persons who have claims based on Debt incurred post-petition in the ordinary course of the Debtor's business.

The claims included in this class are McDowell Knight Roedder & Sledge, LLC, which holds a claim estimated at \$30,000.00 and the quarterly fees due pursuant to 28 U.S.C. § 1930 for the current quarter. The Debtor proposes to pay administrative claims in full on the Effective Date of the Plan, subject to Court approval. Class one claims are not impaired. Notably, Debtor rejects any notion that Ashland's claims are administrative claims despite their payment timing under the Order, as all rights were reserved regarding such classification under paragraph 6 of the Order.

B. UNSECURED CLAIMS

Class Two: Class of Creditors Holding Unsecured Settlement Claim

This Class consists of Ashland, a creditor holding a disputed unsecured claim of approximately \$297,568.00. Ashland has been paid \$70,000.00 as of July 21, 2016 and Ashland will be paid an additional \$20,000.00 per the Order and no further amount.

Class Three: Class of General Unsecured Claims Consisting of Non-Ashland Unsecured Creditors and Excluding Convenience Class

This Class consists of creditors holding allowed unsecured claims (unless noted as disputed) resulting from the credit card and/or loan-related debts owed by the Debtor. The claims comprising this Class are estimated to be \$68,958.00. The schedule of unsecured creditors to be paid in this Class, and the Allowed Claim as to each is as follows:

American Express P.O. Box 650448 Dallas, TX 75265	Credit Card Debt	\$27,333.00
American Express P.O. Box 650448 Dallas, TX 75265	Credit Card Debt	\$ 2,567.00
Wells Fargo P.O. Box 54349 Los Angeles, CA 90054	Loan Obligation	\$24,698.00
Wells Fargo BKG Support Group P.O. Box 202902 Dallas, TX 75320	Loan Obligation	\$14,360.00

The Debtor proposes to pay the allowed unsecured claims in this Class their pro rata share of \$30,000.00 (\$.44 on the dollar), payable over sixty months with interest at three percent (3%). Creditors in this Class are impaired. Payment to this Class based on these terms is dependent on Ashland's claim being allowed to be paid only as stated as classified in Class Two.

If Ashland's claim is allowed in a greater amount, that could reduce the pro rata recovery of Class Three Creditors.

Class Four: Convenience Class

For administrative convenience, and pursuant to 11 U.S.C. § 1122(b), this Class consists of a convenience class of utility creditors or similar type creditors owed less than \$500.00 each (even if some portion has been paid on an interim basis until such interim payment becomes final). The schedule of unsecured convenience creditors and claims is as follows:

Alabama Power P.O. Box 242 Birmingham, AL 35292-0001	Utility	\$418.00
Comcast P.O. Box 105184 Atlanta, GA 30348-4184	Trade Debt	\$227.00
Mobile Area Water Sewer Service P.O. Box 2368 Mobile, AL 36652-2368	Utility	\$58.00
Mobile Gas P.O. Box 104001 Atlanta, GA 30348-5001	Utility	\$29.00

The Debtor proposes to pay this general unsecured convenience class their pro rata share of \$318.45 (\$.44 on the dollar) within ninety (90) days of the Effective Date. Insofar as any portion of these claims has been paid on an interim basis, Debtor will seek to have such payments become final and duly credited to Debtor. Payment to this Class based on these terms and is dependent on Ashland's claim being allowed to be paid only as stated as classified in Class Two. If Ashland's claim is allowed in a greater amount, that could reduce the pro rata recovery of Class Four Creditors.

C. EQUITY SECURITY HOLDERS

Class Five: Equity Security Interest of Robert G. Harper, Sr.

This Class consists of Mr. Harper as the holder of one hundred percent (100%) of the outstanding shares of the Debtor.

No funds are anticipated to be distributed to Equity Security. However, this individual will retain his ownership interest in the Debtor given his “new value” contribution of \$60,000.00 pursuant to the Order, which preserved the Estate and avoided imminent attempts by Ashland to cancel certain policies that would have terminated any reorganization efforts.

Treatment of Classes in Implementation of the Plan

The Debtor will continue to operate its business and apply all future income to the payment of necessary business expenses and to payments to the creditors as set forth in this Plan.

Summary: Impaired Classes Under the Plan

The class of creditors impaired under the Plan are Classes Two, Three, and Four.

VI. ADDITIONAL CONFIRMATION PROCEDURES

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan in addition to those stated above. At the hearing on the Plan, the Bankruptcy Court shall confirm the Plan only if all of the requirements of Section 1129 of the Bankruptcy Code are met. Those requirements, in part,¹ are:

1. Best Interest Test

With respect to each impaired class of creditors, each Claimant either (a) has accepted the Plan, or (b) will receive and retain under the Plan on account of its claim property of a value, as of the Effective Date of the Plan, that is not less than the amount such Claimant

¹ You should read 11 U.S.C. § 1129 and related sections in full to fully understand the confirmation process.

would receive or retain if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code.

The Debtor's cost of liquidation under Chapter 7 would include fees payable to a trustee in bankruptcy, fees that might be incurred by additional attorneys and professionals that such a trustee may engage, and the expenses of an auctioneer or real estate agent that are allowed in the Chapter 7 case.

To determine if the Plan is in the best interests of each impaired class, the present value of the distributions from the proceeds of the sale of the Debtor's assets and properties, after subtracting the amounts attributable to the aforesaid Chapter 7 claims, are then compared with the present value offered to each of the classes of claims under the Plan.

In the absence of a contrary determination by the Bankruptcy Court, all pre-petition Chapter 11 general unsecured creditor claims which have the same rights upon liquidation would be treated as one class (among several possible classes) for the purposes of determining the potential distribution of the liquidation proceeds resulting from Chapter 7 cases of the Debtor. The distributions from the liquidations proceeds would be calculated pro rata according to the amount of the claim held by each creditor. After consideration of the effects that a Chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 case, including the costs and expenses of the liquidation under Chapter 7, the Debtor has determined that a Chapter 7 liquidation would yield substantially less for unsecured creditors. The Debtor also believes that the value of any distribution from the liquidation proceeds to each class of Allowed Claims in Chapter 7 would be less than the value of distributions under the Plan because such distributions in Chapter 7 would not occur for a substantial period of time. Further, it is likely that distribution of the proceeds of any

liquidation could be delayed for many months in order to resolve claims and prepare for distributions. In the event litigation was necessary to resolve claims asserted, the delay could be prolonged.

Based on the analysis set forth in Exhibit C hereto and given the uncertainties inherent under Chapter 7, the Debtor believes that confirmation of the Plan will provide each Claimant with greater recovery than it would receive pursuant to liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

2. Acceptance.

Each impaired class of Claimants must accept the Plan or the "Fair and Equitable Test" described below must be met with respect to each impaired Class that does not accept the Plan by the requisite vote.

3. Fair and Equitable Test.

In the event any impaired class of Claimants does not accept the Plan, the Debtor must demonstrate to the Bankruptcy Court, as to each non-accepting class, that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to that class. A Plan does not discriminate unfairly if no class receives more than it is entitled to for its claims or interest. The Bankruptcy Code establishes "fair and equitable" tests for unsecured creditors as follows:

Unsecured Creditors: Either (i) each impaired, unsecured creditor receives or retains under the Plan property of a value equal to the amount of its Allowed Claim, or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the Plan, subject to the "new value" exception.

The Debtor may seek confirmation of the Plan even if the Plan is not accepted by a class of creditors.

4. Feasibility.

The Debtor has a proven history of cash flow sufficient to pay its creditors as classified and proposed above. Based on Debtor's cash flow, the value of debtor's assets and the amount of claims to be paid, the Debtor's Plan is feasible (*see also* Ex. B).

5. Consummation.

The Plan will be consummated and the distributions may be made if the Plan is confirmed. The Plan is to be implemented pursuant to the provisions of the Bankruptcy Code. Implementation requires an order of the Bankruptcy Court confirming the Plan.

VII. ALTERNATIVES TO CONFIRMATION OF THE PLAN

If the Plan is not confirmed and consummated, the theoretical alternatives include (a) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code or (b) an alternative Plan of Reorganization.

A. LIQUIDATION UNDER CHAPTER 7.

If no plan can be confirmed, the case could be converted to a case under Chapter 7 of the Bankruptcy Code in which a Chapter 7 trustee would be elected or appointed to administer the assets of the Debtor for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. The Debtor believes that administration of its assets under Chapter Seven would result in a diminished dividend being paid to the unsecured creditors, and would result in a postponed distribution on all allowed claims. In fact, as set forth in Exhibit D, as noted above, creditors would receive less in a Chapter 7 liquidation than under the Plan.

VII. RECOMMENDATION

The Debtor believes that the Confirmation and implementation of the Plan is preferable to the alternatives described above because it will provide greater and timelier recoveries to claimants than those available in a Chapter 7 liquidation or under alternative plans. In addition, other alternatives could involve significant delay, uncertainty and substantial additional administration.

Harper & Associates states that: The foregoing represents what the Debtor believes to be a fair and accurate representation of the general terms of the proposed Plan. All creditors and interest holders are cautioned that the ability of the Debtor to perform its obligations under the Plan of Reorganization is uncertain, and accordingly, there can be no assurance given that the plan proposed will be consummated and the payments proposed to be made will in fact, be made by the Debtor. Nonetheless, the Debtor believes that the proposed Plan offers the best chance of recovery for all classes of creditors and interest holders and urges all creditors to vote for acceptance of the Plan.

A Liquidation Analysis is attached to this Disclosure Statement, marked "Exhibit D" and by this reference incorporated herein. Five-Year Income and Expense Projections are attached as "Exhibit B" and by this reference incorporated into this Disclosure Statement. Copies of financial statements, including balance sheets and profit and loss statements for the Debtor during the past year are available upon request. Debtor's monthly operating reports filed since the date of the Order for Relief are also available upon request.

Dated: July 21, 2016.

Respectfully submitted by:

HARPER & ASSOCIATES INSURANCE, INC.
Debtor-in-Possession

By: /s/ Robert G. Harper, Jr.
Robert G. Harper, Jr.

COUNSEL TO DEBTOR-IN-POSSESSION

/s/ Richard M. Gaal
RICHARD M. GAAL
McDowell Knight Roedder & Sledge, LLC
P.O. Box 350
Mobile, AL 36601
251-432-5303
rgaal@mcdowellknight.com