UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF FLORIDA
GAINESVILLE DIVISION
www.flnb.uscourts.gov

IN RE: 23 FARMS, LLC, Case No.: 17-10015-KKS
Chapter 11

Debtor.
_______________________/

Dated: January 28, 2018

FIRST AMENDED DISCLOSURE STATEMENT

On January 23, 2017, 23 FARMS, LLC (the "Debtor") filed a voluntary petition for Reorganization pursuant to Chapter 11, Title 11, United States Code, with the United States Bankruptcy Court for the Northern District of Florida, Gainesville Division (the "Court"). Prior to the filing of this Amended Disclosure Statement, the Debtor filed a First Amended Plan of Reorganization (Plan). Pursuant to §1125 of the United States Bankruptcy Code, the Debtor has prepared and filed this Disclosure Statement, along with the Plan, for the Court's approval and for submission to the holders of claims and interests, with respect to the Debtor's assets. The purpose of this statement is to provide the holders of claims against or interests in the Debtor with adequate information about the Debtor, thus giving them an opportunity to make an informed judgment about the merits of approving or disapproving the Plan.

I. DEBTOR'S HISTORY

The Debtor's business is a farming operation. Joey Dennis Langford, II is the Debtor's sole member. Mr. Langford has been farming his entire life. In 2012, Mr. Langford joined a farming venture with Donald Green. Mr. Green had formed a company with another farmer, Bill Reese, in 2009, named Greenrees, LLC. At the time Mr. Langford joined Greenrees, Mr. Reese left. Mr. Green had access to several hundred acres that Greenrees would use to grow watermelons and corn. In connection with this farming operation, Greenrees borrowed a significant amount of debt. Specialized equipment was purchased for the corn, including a massive corn dryer. One of the largest loans to Greenrees was made by Regions Bank. Both the Debtor and Mr. Langford guaranteed the Greenrees loans. Mr. Langford was to be the member who did the farming.

Several events brought about the demise of Greenrees. The price of corn dropped dramatically after the first corn crop. Mr. Langford's son was in a serious accident in 2015 which left him paralyzed. When that happened, Mr. Langford was unable to continue with the Greenrees' farming operation. Mr. Langford's father assisted Mr. Langford with the farming operation for 23 Farms. Creditors began filing lawsuits and obtaining judgments. Mr. Green and his corporation, Don Green Farms, Inc. filed Chapter 11 cases in 2016. In an effort to save the 23 Farms operation, the Debtor filed Chapter 11 on January 23, 2017 and Mr. Langford filed a personal Chapter 11 on the same date, case no. 17-10016-KKS.

II. <u>SIGNIFICANT POSTPETITION EVENTS</u>

At the time of the Petition, Regions Bank had a security interest in "Cash Collateral" as that term is defined in 11 U.S.C. §363(a). Subsequent to the filing of the Petition, the Bankruptcy Court entered several interim cash collateral orders. A final cash collateral order was entered on August 22, 2017 (Doc. 113). The Debtor made an initial payment of $50,000.00 to Regions in February, 2017, followed by monthly adequate protection payments of $10,000.00 beginning in June of 2017. The Debtor assigned its net peanut proceeds for the 2017 peanut crop to Regions and made additional payments to Regions based on a percentage of profits. Regions Bank was also given a replacement lien in postpetition collateral to the extent of its prepetition lien.

Prior to filing the Petition, Mr. Langford had been attempting to refinance the debt that was owed to Regions. There was simply too much debt for a bank to consider. After the case was filed, Mr. Langford continued his efforts to find a loan. Lafayette Bank indicated it would consider making such a loan, but it required a significant amount of information. During 2017, the Debtor grew watermelons, tobacco and peanuts, all of which have now been harvested. The 2017 crop season generated a net profit.

The Debtor's original Plan was predicated on obtaining a loan from Lafayette Bank in the amount of $2,500,000.00. At the last minute, Lafayette Bank declined to make the loan. The Debtor's First Amended Plan proposes to restructure the debt without outside financing based on the results of the 2017 season.

III. FINANCIAL INFORMATION

During the pendency of the Chapter 11 proceeding, the Debtor has filed monthly cash flow reports with the Bankruptcy Court. Attached hereto as "Exhibit 1" are copies of the summary pages from these reports through and including the November report. These reports were prepared by the Debtor's bookkeeper and have not been subjected to any type of audit. These reports were prepared using the cash method of accounting. Copies of the complete monthly cash flow reports filed with the Court may be obtained by contacting Debtor's counsel, Lisa C. Cohen, 4010 Newberry Road, Suite G, Gainesville, Florida, 32607, (352) 376-3601, or by obtaining a PACER account.

IV. CREDITOR INFORMATION AND SUMMARY OF PLAN

Preface. The following is a summary of the terms provided in the First Amended Plan. As explained in Section II above, the First Amended Plan was filed soon after the Debtor was advised by Lafayette Bank that the loan the Debtor anticipated would not be approved. Due to time constraints, the Debtor was unable to discuss the value of equipment which was subject to purchase money security interests with the creditors which held the security interests. These creditors include Regions Bank, John Deere Financial, Diversified Financial and Western Equipment. Some of these creditors have challenged the Debtor's valuation of their collateral contained in the First Amended Plan and some have challenged the proposed interest rates. Although the Debtor disagrees with the values and interest rates proposed by the various creditors, for comparison purposes the Debtor has indicated how the proposed plan payments might change if a creditor's proposed value and interest rate applied. It is also possible that the final plan payment for a secured creditor would be an amount based on a value and/or an interest rate somewhere between the Debtor's and a creditor's figures.

At the time of filing the First Amended Plan, the Debtor did not have all of the information regarding the 2017 crop season which would be necessary to calculate the profit realized in 2017. The Debtor believes that the 2018 season will be as profitable as the 2017 season. Now that the Debtor has more financial information, contained in the Feasibility section of this Disclosure Statement, it appears possible that the Debtor could pay more to secured creditors while retaining the same distribution to unsecured creditors. To the extent that the value of secured creditors' collateral is increased, the size of the unsecured class will shrink.

Any changes in value, whether through litigation or negotiation, will be contained in either a supplement to the First Amended Plan or in a Second Amended Plan.

1. <u>Class 1</u> - <u>Administrative Claims</u> –

(a) <u>Professional Fees</u> - The Debtor's father paid $23,997.00 to Ruff & Cohen, P.A. (the "Attorneys") in order to provide a retainer for the Chapter 11 and to pay the $1,717.00 filing fee. At the time of the filing of the Petition, the Attorneys held $21,190.00 in funds in the Firm's trust account. At the time of the filing of the Debtor's Amended Chapter 11 Plan, the Debtor owed approximately $30,000.00 for postpetition professional fees to the Attorneys. The Attorneys estimate that by the time of confirmation, postpetition attorney's fees will total at least $40,000.00. The Attorneys will file a fee application. The Debtor's Plan provides that professional fees which are approved and ordered paid by the Court will be paid in full prior to the Effective Date of the Plan.

(b) U.S. Trustee Quarterly Fees The Plan provides that the Debtor shall pay the United States Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6), within ten (10) days of the entry of the order confirming the plan for pre-confirmation periods and simultaneously provide to the United States Trustee an appropriate affidavit indicating the cash disbursements for the relevant period. The Plan further provides that the Debtor, as a reorganized debtor, shall pay the United States Trustee the appropriate sum required pursuant to 28 U.S.C. §1930(a)(6) for post-confirmation periods within the time period set forth in 28 U.S.C. §1930(a)(6), based upon all post-confirmation disbursements made by the reorganized debtor, until the issuance of a Final Decree by the Bankruptcy Court.

(c) Miscellaneous. At the time of the filing of the Amended Plan, various expenses have been advanced by suppliers and brokers for the 2018 crop season. As the season progresses, existing debt will be paid and new debt incurred in the ordinary course of business. The Plan provides that debt incurred in the ordinary course of business which remains unpaid as of the Effective Date of the Plan will be paid according to the contractual requirements between the Debtor and the creditor.

This class is unimpaired.

Class 2 - Prepetition Priority Claims - The Internal Revenue Service filed claim 3-4 as an unsecured priority claim in the amount of $610.00. $500.00 of this claim is an estimated claim for $500.00 for corporate income tax for 2016. The claim states that no tax return was filed. The tax return will be filed on January 29, 2018. The Plan provides that the Debtor will pay the most current version of the IRS priority claim in full by the Effective Date of the Plan. The Plan further provides that the balance of the claim, which has been designated by the IRS as an unsecured general claim, will be paid along with all other unsecured claims in Class 11.

This class is unimpaired.

Class 3 - Gilchrist County Tax Collector - This creditor (the “GCTC”) holds a secured claim for of $11,881.99 for real property *ad valorem* taxes on seven parcels owned by the Debtor in Gilchrist County. The GCTC has not filed a claim. A search of the property tax records indicates approximately $17,058.93 is owed for 2015, 2016 and 2017 taxes.

The Plan provides that the total amount owed to the GCTC for 2015, 2016 and 2017 taxes will be amortized over sixty months with the applicable statutory interest rate. The Debtor estimates monthly payments will be approximately $321.92. The Plan provides that the first payment will be due thirty days following the Effective Date of the Plan.

This class is impaired.

Class 4 – Lease Corporation of America, aka LCA – This creditor filed secured claim 5 in the amount of $36,585.72. This claim is secured in part by a lien on three Taylor 10 box tobacco barns (the “LCA Collateral”). The Debtor believes the value of the LCA Collateral to be $6,500.00. This value is based on Mr. Langford’s opinion, which in turn is based on his experience in buying tobacco barns. Mr. Langford took into account the cost of breaking down the barns, transporting them to a potential buyer’s location, and reassembling them. The Plan provides that the total value of the LCA Collateral will be amortized over five years with 5% interest with payments made annually. Annual payments are estimated to be $1,501.34 and the first annual payment is due thirty days following the Effective Date of the Plan. The Plan provides that any unsecured portion of the claim will be paid along with all other unsecured claims as outlined in Class 11.

This class is impaired.

Class 5 – Deere & Company d/b/a John Deere - This creditor filed secured claim 11 in the amount of $41,933.19. This claim is secured in part by a lien on a 2010 John Deere 7330 Row Crop Tractor, S/N (the "John Deere Collateral"). The Debtor believes the value of the John Deere Collateral to be $40,000.00. This value is based on Mr. Langford's opinion which was determined after reviewing the sales prices of other similar tractors. The Plan provides that the value of the John Deere Collateral will be amortized over five years with 5% interest rate with payments made quarterly. Quarterly payments are estimated to be $2,272.82 and the first quarterly payment will be due thirty days following the Effective Date of the Plan. The Plan provides that any unsecured portion of the claim will be paid along with all other unsecured claims in Class 11.

Note: John Deere filed an objection to the Disclosure Statement, claiming that the value of its collateral is $61,405.00 and that the appropriate interest rate is 7.5%. If these variables were amortized as proposed by the Debtor, quarterly payments on claim 11 would be $2,533.67.

This class is impaired.

Class 6 –John Deere Financial, f.s.b. - This creditor filed claim 10 in the total amount of $44,281.16. This claim indicates that $18,967.81 is secured by collateral related to loan #6079, which is the 2010 John Deere 7330 Row Crop Tractor referenced in Class 5 above. The Plan provides that claim 10 is unsecured and will be paid along with all other unsecured claims in Class 11.

Note: To the extent that the value of John Deere's Collateral exceeds the amount owed to John Deere on claim 11, claim 10 could be partially secured. If the secured amount of claim 10 is $18,967.81 as claimed by John Deere, and this value was amortized with 7.5% interest over five years, quarterly payments would be $1,146.06.

This class is impaired.

Class 7 – Diversified Financial Services, LLC - This creditor filed secured claim 13 in the amount of $97,877.20. This claim is secured in part by a lien on two 2015 model E2065G Reinke irrigation pivots 4T 659', 8T 1302' S/N 1115-65729-2065 & S/N 1015-65474-2065, 1100' of 8" PVC pipe, 800' of 6" PVC pipe, 1900' of #2-3 1c#4 w/2c #12 THHN, and misc. valves & fittings, 1 CP-10 TEFC Roto-Con Phase Converter and 15KVA Transformer (collectively the "DFS Collateral"). The Debtor believes the value of the DFS Collateral to be $55,000.00. This value is based on Mr. Langford's opinion which was determined after researching the sales prices of similar irrigation equipment, taking into account the cost of taking down the equipment, transporting it to a potential buyer's location, and reassembling it. The Plan provides that the value of the DFS Collateral will be amortized over five years with 5% interest rate with payments made semi-annually. Semi-annual payments will be approximately $6,250.24 and the first semi-annual payment will be due three months following the Effective Date of the Plan. The Plan provides that any unsecured portion of the claim will be paid along with all other unsecured claims in Class 11.

Note: Diversified Financial filed an objection to the Disclosure Statement, claiming that the value of its collateral is $100,000.00. Using this value, Diversified Financial would have a fully secured claim of $97,877.20. If this value is amortized as proposed by the Debtor, semi-annual payments on claim 13 would be $11,122.84.

This class is impaired.

Class 8 – Western Equipment Finance, Inc. - This creditor filed secured claim 14 in the amount of $73,007.29. This claim is secured in part by a lien on a Reinke irrigation system #3 E2065-G Tow 602' S/N: 0111-46692-2065 TOW; Reinke irrigation system #1 E2065-G Tow 57" 640' S/N: 0111-46685-2065 TOW; Reinke irrigation system #2 E2065-G Tow 57" 621' S/N: 0111-46684-2065 TOW (the "WEF Collateral"). The Debtor believes the value of the WEF Collateral to be $55,000.00. This value is based on Mr. Langford's opinion which was determined after researching the sales prices of similar irrigation equipment, taking into account the cost of taking down the equipment, transporting it to a potential buyer's location, and reassembling it. The Plan provides that the value of the WEF Collateral will be amortized over five years with 5% interest with payments made semi-annually. Semi-annual payments will be approximately $6,250.24 and the first semi-annual payment will be due three months following the Effective Date of the Plan. The Plan provides that any unsecured portion of the claim will be paid along with all other unsecured claims in Class 11.

This class is impaired.

Class 9 – Regions Bank - This creditor filed secured claim 8 in the total amount of $3,902,555.95. The claim indicates that $3,188,500.00 is secured by real property and personal property, including all farm equipment, machinery and crops (collectively the "Regions Bank Collateral").

At the time of the Petition, a portion of Regions Bank Collateral consisted of "Cash Collateral" as that term is defined in 11 U.S.C. §363(a). Subsequent to the filing of the Petition, the Bankruptcy Court entered several interim cash collateral orders. A final cash collateral order was entered on August 22, 2017 (Doc. 113). In exchange for the Debtor being allowed to use Cash Collateral, Regions Bank was given a replacement lien to the extent of its prepetition lien.

Attached to claim 8 is "Schedule A" which summarizes the calculation of the claim amount and refers to exhibits (the "Claim #8 Exhibits") attached to the claim. The Claim #8 Exhibits include copies of the loan documents which created the debt and mortgages and security agreements, along with related UCC filings. The legal description of all of the real property subject to mortgages and the description of all other collateral is contained within the Claim #8 Exhibits, and those descriptions were adopted and incorporated into the Plan and constitute the Regions Bank Collateral. Regions Bank holds a properly perfected and secured claim in all of the Regions Bank Collateral as described in the Claim #8 Exhibits, including crops, insurance proceeds and other property obtained postpetition to the extent of its prepetition lien. The Debtor believes the value of the Regions Bank Collateral is $2,300,000.00. The most valuable portion of the Regions Bank Collateral is the real estate which totals 743 acres. The Gilchrist County Property Appraiser's value of all parcels is $1,621,292.00.

The Plan provides to amortize the total value of the Regions Bank Collateral over eight years with 5% interest rate with payments made annually. The Plan stated that annual payments would be $292,916.00. This amount was calculated incorrectly. The correct annual payment would be $355,860.17. The Plan provides that the first annual payment will be due on November 1, 2018, with subsequent payments due on November 1 of each year. In addition to these annual payments, the Plan further provides that the total remaining balance owed on the value of the Regions Bank Collateral will be due in full on November 1, 2022 (the "Balloon Payment"). Any unsecured portion of the claim will be paid along with all other unsecured claims in Class 11.

<u>Note</u>: Regions Bank has filed a motion to lift the automatic stay (the "Motion") (Doc. 149). In the Motion, Regions Bank claims that the value of its secured claim is $3,188,500.00 based on an appraisal obtained prior to the filing of the petition. If this value is amortized over eight years with 5% interest, annual payments would be $493,330.50. If this value is amortized over twenty years with 5% interest, payments would be $255,853.49. Due to the calculation error contained in the First Amended Plan, the Plan will be amended again, hopefully with input by Regions Bank.

This class is impaired.

<u>Class 10</u> – <u>Donald Green</u> This creditor filed claim 12 as a secured claim in the amount of $365,660.48. This creditor claims to be secured by a mortgage on real property. Prior to the filing of the Petition, Mr. Green executed a subordination agreement as to the subject property in favor of Regions Bank. As the amount of Regions' claim exceeds the value of the subject property, the Debtor believes that this claim is completely unsecured. The Plan provides that this claim will be treated along with all other unsecured claims in Class 11.

This class is impaired.

Class 11 - Unsecured Creditors - The Debtor originally scheduled a total of $3,313,322.45 in unsecured debt. The Debtor reserves the right to object to any unsecured claim within thirty days following the Effective Date of the Plan. In addition to claims that were scheduled as unsecured, any unsecured portions of secured claims will be included in Class 11. Based on the Debtor's values of the various items of collateral outlined in classes 4 – 10 above, and including all other unsecured claims, total unsecured claims will be approximately $5,088,424.17. This is an estimate only, and the actual total of unsecured claims may differ. A list of the claims which comprise this total is attached hereto as "Exhibit 2."

The Plan provides for the Debtor to pay a total of $50,000.00 with no interest to unsecured creditors on a pro rata basis. Payments of $5,000.00 will be made on a semi-annual basis, with the first payment due six months following the Effective Date of the Plan.

This class is impaired.

Class 12 - Equity/Membership Interest in the Debtor – Joey Langford, II is the sole member of 23 Farms, LLC. The Plan provides that existing equity will be canceled and the equity in the reorganized Debtor shall be placed in the current owner in exchange for $5,000.00 in readily available funds placed in the Debtor's DIP operating account on or before the Effective Date of the Plan.

The Debtor anticipates that the $5,000.00 of new value proposed in the First Amended Plan will be increased. In order for the Debtor's Plan to be confirmed over a possible rejection of the Plan by Class 11, case law indicates that the Debtor is required to inject a substantial and meaningful contribution to the Debtor's reorganization. Mr. Langford is attempting to obtain additional funds to increase the cash contribution to be made at confirmation. The most likely source for these funds will be relatives.

V. PENDING AND ANTICIPATED LITIGATION

At the time of the filing of the petition, the Debtor was a defendant in two state court foreclosure actions filed by Regions Bank. The first case involved real property owned by the Debtor in Gilchrist County. The second foreclosure case was filed in Alachua County and involved real property owned by the Debtor's sole member, Joey D. Langford, II, the Debtor's sole member. These suits were stayed by the filing of the Debtor's Chapter 11 petition.

Another creditor, Crop Production Services, obtained a judgment against the Debtor in Hillsborough County on an open account in the amount of $261,337.57. A certified copy of that judgment was recorded in the public records of Gilchrist County Florida on December 20, 2016. As this recording occurred within ninety days prior to the filing of the Petition, the Debtor will file an adversary proceeding to avoid the judgment lien as a preference pursuant to 11 U.S.C. §547(a). This is the only adversary proceeding that the Debtor anticipates filing during the pendency of this proceeding. The Debtor may pursue objections to claims that appear to be duplicative or as to which the secured status is in doubt.

VI. ASSETS AND LIQUIDATION ANALYSIS

A. Real Property - The Debtor owns seven parcels of land containing approximately 743.05 acres in Gilchrist County. The property is described in detail on Schedule A/B filed in this case. There is a 21,000 square foot packing shed located on one of the parcels. According to the Gilchrist County Property Appraiser, the total value of all parcels is $1,621,292.00. As Regions Bank holds a mortgage on all of this property and is owed $3,902,555.95, there is no equity in this property that would be available for payment to unsecured claims in a liquidation.

B. Personal Property – The Debtor owns farm equipment. As outlined in Classes 4 – 8 above, some items were financed by creditors holding purchase money security interests. These items include tobacco barns financed by Lease Corporation of America; a 2010 John Deere 7330 Row Crop Tractor financed by John Deere; and pivots and irrigation systems financed by Diversified Financial and Western Equipment. The Debtor does not believe that any of these specific items have any equity. The Debtor valued the remaining equipment at $470,750.00 on Schedule A/B.

The Debtor owns cattle worth approximately $48,000.00. These cattle are subject to Regions Bank's security interest. The Debtor's original Disclosure Statement stated that the Debtor owned an interest in checks for the 2017 peanut profit totaling $143,953.41. These checks were assigned to Regions Bank and have since been delivered to Regions Bank.

The Debtor also expects to receive crop insurance proceeds for melon, tobacco and peanut crops planted in 2017. The amounts determined by the insurance adjusters are as follows: $116,000.00 for melons; $217,000.00 for tobacco; $33,000.00 for peanuts. The premium for the melon insurance was paid in 2017. The 2017 premiums for the tobacco ($12,234.00) and peanuts ($9,714.00) will be deducted from the proceeds for these crops. This will result in net proceeds for tobacco of $204,766.00 and $23,286.00 for peanuts. The net crop insurance proceeds for 2017 total $344,052.00.

Finally, the Debtor owns seven Bluebird busses, a 1997 Chevrolet 3500 Silverado and a 2004 Chevrolet 1500 truck. The Debtor estimates these vehicles are worth approximately $12,500.00. The Debtor has assorted items of office equipment with a liquidation value of approximately $3,660.00. With the possible exception of the busses, these items are subject to Regions Bank's security interest.

C. Liquidation Analysis – If this case were converted to one under Chapter 7, the Debtor does not believe any assets would be available for distribution to unsecured creditors. Regions Bank and the other secured creditors hold claims to all of the Debtor's assets. The Debtor's Plan provides to pay $25,000.00 to unsecured creditors.

VII. FEASIBILITY

Projections for 2018 Crop Season

Feasibility of the Debtor's Plan depends in part on the values of the Debtor's various assets which are under lien to secured creditors. Interest rate and term of payment will also affect feasibility. The first consideration, however, is the profit which the Debtor projects for 2018. The Debtor's projections for the coming year rely primarily on the income and expenses for the 2017 crop season. This information can be found in the Debtor's Operating Reports, specifically in the December 2017 report which is contained in Exhibit 1 attached hereto.

The December 2017 report indicates that the Debtor had $1,620.672.38 in available funds from its 2017 operations. This amount includes $332,583.28 in crop insurance proceeds received for the 2016 crop season. As explained above, the Debtor's 2017 season generated $ 344,052.00 in crop insurance proceeds, after deducting the cost of the premiums.

The December 2017 report shows total disbursements in 2017 of $1,616,841.82. This figure includes payment of $294,922.68 in debt service to Regions Bank and also $10,075.00 in payments to the U.S. Trustee for quarterly fees. If these amounts are deducted, the total cash available in 2017 after overhead and operating expenses was $308,828.24. For purposes of making projections, this amount should be increased by $11,469.00 (representing the increase in insurance proceeds) to $320,297.24.

The Debtor expects to increase available funds in 2018 for the following reasons. The Debtor will continue to grow the three crops it has in the past – melons, peanuts and tobacco. The amount of acreage for each crop will be adjusted based on market changes observed in 2017. The Debtor is going to significantly increase the amount of acres planted in melons and tobacco and will reduce his peanut crop. One of the reasons for this decision has been the drop in the price of peanuts.

Specifically, the Debtor intends to increase the number of acres planted in melons from the 150 acres he grew in 2017 to 200 acres in 2018. The number of acres planted in tobacco will be increased from 125 acres in 2017 to 194 acres in 2018. Peanuts will be decreased from 300 acres in 2017 to 189 acres in 2018. Although the amount of acres planted in peanuts will be reduced from the 2017 amount, there was also a significant problem with the 2017 peanut crop which should not occur in 2018. As part of the adequate protection arrangement with Regions Bank, the Debtor agreed to assign all of its net peanut proceeds to Regions. As part of the assignment, Regions was required to execute a subordination agreement to the peanut company which advances costs for the crop. There was a delay in the receipt of the signed agreement and the peanut company would not allow the planting to commence until it received the signed agreement. The Debtor believes that almost 50% of the potential peanut crop was lost because it was not planted in time. This problem should not occur in 2018.

The 2018 crops will be insured to the same extent as in 2017. The tobacco insurance guarantees $1.75 per pound of tobacco up to 2000 pounds per acre. The Debtor estimates that the additional 69 acres of tobacco planned for 2018 will result in $241,500.00 of additional gross revenue. Estimated costs per acre for tobacco is $2000.00. The additional 69 acres will generate $138,000.00 in additional costs, leaving an estimated net profit of $103,500.00.

The following information is Mr. Langford's specific projections for the larger watermelon and tobacco crops planned for 2018:

<u>Watermelons</u>

200 acres, at $50K lbs./acre = Total Yield of $1M @ est. price/lb of $0.14

Gross proceeds $1.4M minus est. growing cost of $560K = $840,000.00

Less est. packing & growing cost of $300,027.00 = $<u>539,973.00 Net Profit</u>

Tobacco

194 acres, at $2K lbs./acre = Total Yield of $388K @ est. price/lb of $1.50

Gross proceeds $582K minus est. growing cost of $225K = $357,000.00

Less est. packing & growing cost of $384,000.00 = $198,000.00 Net Profit

The projected net profit, before overhead, for the melons and tobacco combined is $737,973.00. The estimated overhead cost is $314,000.00 resulting in net profit of $423,973.00. The peanut projections have not yet been completed. A rough estimate of net profit from peanuts, after costs, is at least $30,000.00. More exact peanut projections will be provided in a supplement to the disclosure statement. If these projections hold true, funds available for debt service from crops will be $453,973.00.

In addition to crops, the Debtor also has 100 head of cattle. He estimates a 70% calf crop at a gross price of between $500 - $600 per head. This would produce gross revenue of $40,000.00. The estimated expense is $15,000.00 for net available funds of $25,000.00. This will increase total available funds to $478,973.00.

Estimated Plan Payments

If the Debtor's projections are realized, the Debtor will have approximately $479,000.00 with which to pay debt service. As discussed above, the plan payment to Regions Bank in the Debtor's First Amended Plan was incorrect. In addition, it is possible that values of the collateral held by Regions Bank and other secured creditors may increase, interest rates may change, and the amortization term may change. For purposes of establishing feasibility, the Debtor proposes the following plan payments based on possible changes in the secured debt payments for John Deere, Diversified Financial, and Regions Bank. The following figures are annual amounts, based on the same term and frequency of payments as contained in the First Amended Plan. The only exception is the estimated payment to Regions Bank, which assumes an amortization term of 12 years, with a balloon payment after five years.

Class No.	Creditor	Original Plan Pmt.	Estimated New Pmt.
Class 3	Gilchrist County Tax Collector	$3,863.04	$3,863.04 – no change
Class 4	LCA	$1,501.34	$1,501.34 – no change
Class 5	John Deere	$9,091.28	$9,769.72 – value raised to $41,933.19 and interest rate raised to 6%
Class 6	John Deere	$0.00	$4,419.16 – value raised to $18,967.81 and interest rate raised to 6%
Class 7	Divers. Financial	$12,500.48	$18,182.52 – value raised to $80,000.00
Class 8	Western Equip.	$12,500.48	$12,500.00 – no change
Class 9	Regions Bank	$292,916.00	$315,911.15 – value raised to $2,800,000.00 and amortization raised to 12 years
Class 10	Unsecureds	$10,000.00	$10,000.00 – no change
Total			**$376,146.93**

If the Debtor can generate $478,973.00 in net profit as projected, there will be sufficient funds with which to make the plan payments estimated above.

VIII. MANAGEMENT OF REORGANIZED DEBTOR

The Debtor's Plan contemplates that Joey Langford, II will retain his ownership in the reorganized Debtor. Mr. Langford will be compensated at an annual rate of $50,000.00. Based on the projections contained in the Feasibility section, the Debtor should have sufficient funds with which to pay Mr. Langford for his work in managing the Debtor's farming operations.

IX. NOTICE TO ALL CREDITORS AND PARTIES IN INTEREST

A hearing as to which notice will be provided to all creditors and parties in interest will be held in order for the Bankruptcy Court to determine whether the Disclosure Statement contains "adequate information" as that term is defined in 11 U.S.C. §1125(a)(1), to enable a hypothetical reasonable investor to make an informed judgment about the Plan. Approval by the Bankruptcy Court at that hearing is not tantamount to a decision by the Court on the merits of the Plan.

After the Debtor's Disclosure Statement has been approved by the Bankruptcy Court, the Debtor will solicit creditors to vote on the proposed Plan of Reorganization. The Bankruptcy Code provides that each class of claims which is impaired under the Plan must accept the Plan, failing which the Debtor must proceed under the cram down requirements of §1129(b). A class of claims is held to have accepted a Plan if creditors which hold at least two-thirds in dollar amount and more than one half in number of the allowed claims of such class have accepted the Plan.

The Debtor's Plan contemplates the possible invocation of the cram down provisions of the Bankruptcy Code against possible dissenting classes. In order to successfully invoke the cram down provisions of §1129(b), the plan may not discriminate unfairly and must be fair and equitable with respect to each class of claims that is impaired under, and has not accepted, the plan. In order to qualify as "fair and equitable" with respect to a class of secured claims, the plan must provide that the holders of such secured claims retain the liens securing such claims and that each holder of a claim receive on account of such claim deferred cash payments totaling the present value of its claim as of the effective date of the plan.

Each creditor in this case will be provided with a ballot for the purpose of voting on the Debtor's Plan. The Court will determine at the hearing on confirmation whether to grant the debtor's "cram down" of the plan and such cram down may not necessarily be allowed.

Any representations made in order to secure an acceptance to the plan that are not contained in the Disclosure Statement should be reported to the U.S. Trustee for appropriate action.

23 FARMS, LLC

Dated: January 28, 2018

/s/ Joey D. Langford
By: Joey D. Langford, II, sole member

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