

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS**

In re: Chapter 11
WTE-S&S AG ENTERPRISES, LLC Case No. 16-9913
Debtor.

**DISCLOSURE STATEMENT WITH RESPECT TO AMENDED PLAN OF
REORGANIZATION PROPOSED BY THE STATE BANK OF CHILTON**

Dated as of January 8, 2018

HALE LAMMIMAN GROUP, LTD.

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I.
INTRODUCTION

On March 23, 2016, WTE-S&S AG Enterprises, LLC (the “Debtor”) filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

The State Bank of Chilton (the “Lender”) is the Proponent¹ of this Amended Plan. The purpose of this Disclosure Statement is to provide the Debtor’s Creditors with sufficient information about the Amended Plan of Reorganization proposed by the Lender (the “Plan” or the “Lender’s Plan”) to enable the Creditors to make an informed judgment about the merits of the Plan.

¹ Initially capitalized terms not defined in this Disclosure Statement shall have the meanings ascribed to them in the Lender’s Plan.

The information contained in this Disclosure Statement relies on the Debtor's internal financial records for accuracy (as such records are interpreted and adapted by the Lender) and has not been the subject of a certified audit.

The following summary of the Plan (the "Summary") sets forth the nature of the Plan and includes a description of the proposed treatment of each Class of Creditors, as well as plainly identifying all Classes of Creditors, the composition of each Class (as to number and type of Creditors), the amount of Claims (specifying any that are known to be disputed and how they will be treated under the Plan), and the amount (dollar and/or percentages) to go to each Class.² The Debtor submits the following Summary:

II.
SUMMARY OF THE PROPONENTS' PLAN

Plan:	Plan of Reorganization Proposed by the Lender
Debtor:	WTE-S&S AG Enterprises, LLC
Plan Proponent:	The Lender
General Purpose:	The Plan contemplates the transfer of all of the Debtor's remaining assets to the Reorganized Debtor for the implementation of the Plan, the treatment of Creditors under the Plan and the reorganization and continuation of the Debtor's business by the Reorganized Debtor.
Funding and Financing:	The Plan will be funded by and through the reorganization of the Debtor pursuant to the terms of the Plan, plus significant financial contributions to the Plan and its feasibility by the Lender.
Summary of Currently Proposed Treatment of Classes of Claims	<p>The Debtor has estimated that Administrative Claims for unpaid fees and expenses of the Debtor's counsel will aggregate \$250,000.00.</p> <p>Treatment: Each Allowed Administrative Claim not paid prior to Confirmation shall be paid by the Reorganized Debtor in full through a series of monthly payments. The law firm of Crane Heyman Simon Welch & Clar, and the firm of Burke, Warren, MacKay, & Serritella, P.C., shall receive monthly payments to pay the aggregate amount of those firms' unpaid Allowed fees and expenses as follows: the aggregate amount of \$20,000.00 for the initial payments (from cash infused by the Lender); thereafter, up to \$10,000 per month as the Reorganized Debtor's cash flow permits after the payments to Class 1 and</p>

² The Summary is for convenience only. Creditors and other parties-in-interest should review the Plan for a complete recitation of the terms and provisions set forth therein.

Class 3 that are required under this Plan, with all payments to be divided or allocated between or directed to the foregoing law firms as they may jointly inform the Reorganized Debtor in writing, as they may agree with the Lender, or as the Court may direct.

Priority Tax Claims

All Priority Tax Claims (if any) shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claims: (i) Cash equal to the unpaid portion of such Allowed Priority Tax Claims; or (ii) such other treatment that the Reorganized Debtor and such Holder may agree upon.

Class 1 – Lender Secured Claims: On the Effective Date, the Reorganized Debtor shall issue the Amended Notes and the Amended Security Agreement to the Lender, and shall pay the Lender Debt pursuant to the terms of the Amended Notes. Such payments shall be credited separately for the Amended Larger Note and the Amended Lesser Note, respectively. Each of the Amended Notes shall have a term of five years, bear interest at the rate of 5% per annum, and be payable in 60 equal payments, commencing one month after the Effective Date. Any collections obtained from the Guaranty Action shall be credited to payment of the Amended Lesser Note. The Amended Lesser Note shall not affect the Guaranty Action, which shall pertain to the terms of the original Lesser Note.

The Class 1 Claim shall be reduced from more than \$1,300,000.00 to \$1,00,000.00 by reducing the outstanding amount owed only under the Amended Larger Note.

Class 2 – Non-Tax Priority Claims: The Lender is not aware of any Class 2 Claims. 50% of each Allowed Class 2 Claim (if any) shall be paid, payable in 36 consecutive equal monthly installments, or as the Reorganized Debtor and any Holder of a Class 2 Claim shall agree.

Class 3 – General Unsecured Claims: There are approximately \$181,000.00 in Class 3 Claims. Holders of Allowed Class 3 Claims shall receive payments totaling 50% of those Allowed Claims, payable as follows: (a) 25% of their Allowed Class 3 Claims paid within fourteen days after the Effective Date, using proceeds of a loan in that amount to be made by the Lender to the Reorganized Debtor on the Effective Date; and (b) thereafter, five payments of 5% of their Allowed Class 3 Claims, to be made within 14 days after the close of five consecutive calendar quarters, starting with the quarter

ending March 31, 2018, and concluding with the quarter ending March 31, 2019.

Class 4 – Construction Litigation Claims of Plan Settlement

Counter-Parties: There are approximately \$716,000.00 in Class 4 Claims. Mutual releases between the Settlement Counter-Parties and the Reorganized Debtor will be entered as of the Effective Date of this Plan pursuant to the Plan Settlement. The Settlement Agreement shall be satisfactory in form and substance to the Lender, and shall be filed as a Supplement to the Lender’s Plan pursuant to which all Class 4 proofs of claim shall be released, and all litigation between Holders of Class 4 Claims and the Debtor shall be dismissed with prejudice and without costs to either party. Class 4 Creditors shall receive no other Distributions under the Plan..

Class 5 – Equity Interests: Neither SVP nor the Insiders shall retain or receive any interest in or control over the Reorganized Debtor as of the Effective Date, or receive any Distributions payments or other consideration from the Reorganized Debtor. SVP and the Insiders shall provide the Lender’s Designee, as the new member of the Reorganized Debtor as of the Effective Date, with all corporate records and information that the Lender’s Designee may request.

**Alternative Plan Bidding
Procedure**

The Debtor has filed its own Plan, and intends to file an amended version thereof (the “Debtor’s Plan”) contemporaneously with the filing of the Lender’s Plan and this Disclosure Statement. The Lender understands that under the Debtor’s Plan, existing equity—which is owned by three insider individuals—would retain the equity of the Debtor upon confirmation. Accordingly, in the alternative to the treatment of Creditors proposed in the Debtor’s Plan or the Lender’s Plan as described above, the Lender will ask the Court to allow the Lender, existing equity or any other Entity to overbid the Distributions to be made to Creditors (other than Class 4 Creditors and other than the Lender) in bidding increments to be determined by the Court and pursuant to bidding procedures to be determined by the Court. The Lender will file a Supplement to the Lender’s Plan proposing such bidding increments and procedures. Upon confirmation, the winning Plan Bid (as approved by the Court) will own the equity of the Reorganized Debtor as of the Effective Date of the Plan approved by the Court.

Effective Date:

Effective Date means the date selected by the Debtor which is a Business Day after the Confirmation Date on which all conditions specified in Article IX.B of the Plan have been satisfied, and no stay of the Confirmation Order is in effect.

Voting:

Holders of Class 1, Class 2, Class 3, Class 4 Claims as well as Class 5 Equity Interests, are Impaired, and are entitled to vote on the Plan. Members of those Classes entitled to vote on the Plan should complete the ballot accompanying this Disclosure Statement and Plan and return it to counsel for the Lender: Forrest B. Lammiman, Hale Lammiman Group, Ltd., 788 North Jefferson Street, Suite 700, Milwaukee, WI 53202. Ballots must be received on or before _____, 2018 at ____ p.m. (Central Standard Time). Only those ballots returned on a timely basis will be counted in determining whether a particular Class of Creditors has accepted or rejected the Plan. A Class of Claims has accepted the Plan if two-thirds in amount and more than one-half in number, of those who vote, have voted to accept the Plan.

If you have any questions concerning voting procedures, did not receive a ballot, or if your ballot is damaged or lost, please contact counsel to the Lender: Forrest B. Lammiman, Hale Lammiman Group, Ltd., 788 North Jefferson Street, Suite 700, Milwaukee, WI 53202; Phone: 414 278-8000; flammiman@hlgld.com

Objections:

All objections to Confirmation of the Plan must be in writing, state the basis for the objection, be filed with the Bankruptcy Court, and be served upon the following parties so as to be received by their respective counsel not later than _____, 2018 at ____ p.m. (CST):

Counsel to the Lender: Hale Lammiman Group, Ltd., 788 North Jefferson Street, Suite 700, Milwaukee, WI 53202 (Attn: Forrest B. Lammiman);

Counsel to the Debtor: Burke, Warren, MacKay, & Serritella, P.C., 330 North Wabash Avenue, Suite 1200, Chicago, IL 60611 (Attn: David K. Welch);

The Office of the United States Trustee: 219 South Dearborn Street, Suite 873, Chicago, IL 60604 (Attn: Denise Delaurent, Esq.)

Cramdown:

In the event that a Class of Creditors rejects the Plan and at least one Impaired Class of Creditors votes to accept the Plan,

the Lender reserves the right to seek Confirmation under Section 1129(b) of the Bankruptcy Code despite the non-acceptance of the Plan by one or more Classes.

**Disclosure Statement
Hearing:**

The hearing on the adequacy of this Disclosure Statement will be held on _____, 2018 at _____ .m. The confirmation hearing will be held before the Honorable Donald R. Cassling, Courtroom 619, United States Bankruptcy Court for the Northern District of Illinois, 218 South Dearborn Street, Chicago, Illinois, 60604.

Additional Information:

Requests for information regarding the Plan or the Disclosure Statement should be directed to the counsel for the Lender: Forrest B. Lammiman, Hale Lammiman Group, Ltd., 788 North Jefferson Street, Suite 700, Milwaukee, WI 53202. E-mail: flammiman@hlgt.com

After reviewing the Lender's Plan and Disclosure Statement, you should vote on the Plan. In reaching your decision to accept the Lender's Plan, you should not rely on any representation other than those contained in this Disclosure Statement and the Plan itself. As a Creditor, your vote is important. As specified in the above Summary, the Bankruptcy Court can confirm the Plan if the Holders of two-thirds in amount and more than one-half in number of Claims in each Impaired Class (of the Claims timely and properly cast) vote to accept the Plan. To vote on the Plan, each Creditor entitled to vote must complete the enclosed ballot and return it to the Bankruptcy Court at the address specified in the Summary above.

The Lender believes that the Lender's Plan affords Creditors the largest recovery possible under the circumstances. In fact, the Lender believes that implementation of the Alternative Plan Bidding Procedures will assure that Creditors receive the most beneficial recovery available under the circumstances of this Chapter 11 case. *The Lender believes that acceptance of the Lender's Plan is in the best interests of Creditors and recommends that you vote to accept that Plan.*

**III.
BACKGROUND**

As set forth in detail in Article VIII Section B, below, the Lender is volunteering to take substantial actions in support of this Plan, including (i) infusing \$45,000.00 into the Reorganized Debtor on the Effective Date to fund a substantial immediate payment of 25% to the Holders of General Unsecured Claims (Class 3), (ii) infusing \$20,000.00 into the Reorganized Debtor as of the Effective Date to make an initial payment on the unpaid balance owed to the Debtor's Chapter 11 counsel; (iii) substantially reducing the Lender's Debt on the Amended Larger Note by at least \$300,000.00, (iv) brokering a settlement as of the Effective Date of all Construction Litigation Claims (totaling \$716,178.88) based on mutual releases between the Reorganized Debtor and the Holders of such Claims, without any cash Distributions to be made to those Holders; and (v) applying the net proceeds of the Guaranty Action to pay down the indebtedness under the Amended Lesser Note. In addition, the Lender is proposing the Alternative Plan

Bidding Procedures to assure that the best result for Creditors is attained under the Plan that is ultimately approved by the Court.

IV.
THE DEBTOR'S ESTATE

The assets in the Debtor's Estate include, but are not limited to: The Debtor's Bio-Digester located in Sturgeon Bay, Wisconsin; revenue from Wisconsin Public Service ("WPS") for electricity produced from the Bio-Digester; carbon credit payments received annually; the Land Lease with S&S Ag., LLC, dated November 12, 2010; funds in the Debtor's deposit account; and executory contracts and leases.

V.
FUNDING THE PLAN

The Debtor intends to fund payments due or owing under the Plan in part from revenue generated by its ongoing business operations. As shown in the financial projections to be attached hereto as **Exhibit A**, in a subsequently filed Supplement, the Debtor is predicted to cash flow positive on an annualized basis and is projected to generate enough monthly income for the Debtor to pay most payments required under the Plan, in addition to monthly overhead and operating expenses as they become due. Other funding and financial benefits for the Plan will be contributed by the Lender as detailed in Article VII.B. below.

The financial projections to be added as a Supplement to this Disclosure Statement will be based on the highest annual calendar year revenue of the Debtor thus far in terms of payments from WPS, plus carbon credits and operating expenses estimated by the Debtor in its financial statements, and the Plan payments anticipated under the Lender's Plan.

VI.
**THE LENDER'S PLAN SATISFIES THE "BEST INTERESTS OF CREDITORS" TEST;
IT OFFERS RECOVERIES TO CREDITORS THAT LIKELY ARE HIGHER
THAN IF THIS CASE WERE CONVERTED TO A
CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE**

The Lender submits that the Lender's Plan is in the best interests of Creditors. The "best interests" test requires a finding that the Plan will provide to each member of each Impaired Class of Claims and Interests property of a value, as of the Effective Date of the Plan, at least equal to the amount such Class member would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. The Lender believes that recoveries to Creditors will be higher under the Lender's Plan than they would be if this Chapter 11 Case were converted to a Case under Chapter 7 of the Bankruptcy Code for five principal reasons.

First, the Reorganized Debtor will be generating revenue as a going concern, whereas a Chapter 7 trustee would be unlikely to operate the Debtor's business for any significant period of time and therefore would likely sell the assets in a liquidation without generating significant operating income from the business prior to such liquidation.

Second, it is likely that the net proceeds available for Distribution to Creditors generally will be higher under the Plan than if this Case were converted to a Case under Chapter 7 in light of the additional administrative costs of a Chapter 7 case and the conclusion of the Debtor's business.

Third, under the Plan all Allowed Administrative and Priority Claims shall be paid in full, thereby meeting the requirement of section 1129(a)(9) of the Bankruptcy Code that Holders of Allowed Administrative and Priority Claims must be paid in full under the Plan unless they consent to different treatment. In contrast, if this Chapter 11 Case were converted to a Case under Chapter 7 of the Bankruptcy Code, it is likely that such Holders of Allowed Administrative and Priority Claims would receive less than full payment because the requirement of payment in full (or by Creditor consent) is a criterion for confirmation of a plan under Chapter 11, but is not applicable under Chapter 7. In addition, General Unsecured Creditors (Class 3) are likely to be paid dividends of at least 50% if the Reorganized Debtor successfully conducts its business at the projected levels. That would likely never occur if the Debtor's case were converted to Chapter 7.

Fourth, under the Plan the Lender will not receive payment in full of its Claims, but will compromise its Lender Secured Claims from more than \$1,300,000.00 down to \$1,000,000.00, subject to the provisions of the Plan.

Fifth, if the Debtor's case were converted to a case under Chapter 7 of the Code, that case would likely result in the Lender obtaining the Bio-Digester through credit bidding or through a lift-stay followed by a foreclosure. In that event, it is unlikely that the pre-conversion claims of any Creditor other than the Lender would receive any payments at all.

Thus, the Lender submits that it is incontrovertible that the Plan provides more to Holders of certain Classes of Claims, and in any event not less than would be available to all Creditors if the Plan were not confirmed and this Chapter 11 Case instead were converted to be liquidated under Chapter 7 of the Bankruptcy Code. The Debtor's Liquidation Analysis is attached hereto as **Exhibit B**.

VII. **SUMMARY OF OTHER PLAN PROVISIONS**

A. **Bar Dates**. Pursuant to an Order [Dkt. 38] (the "**Bar Date Order**") entered on April 27, 2016, the Bankruptcy Court established June 15, 2016 as the deadline for filing proofs of claim with respect to General Unsecured Claims and Claims arising under Section 503(b)(9) of the Bankruptcy Code; provided, however, that if a party or entity is a governmental unit, as that term is defined at 11 U.S.C. § 101(27), the deadline was September 30, 2016 for that governmental unit.

In addition, all Holders of Administrative Claims (excluding Section 503(b)(9) Claims and Professional Fee Claims) seeking allowance and payment of such Claims must File a proof of claim with the Clerk of the Bankruptcy Court in a form substantially similar to Official Form No. 10 by no later than thirty (30) days after the Effective Date. All Holders of Professional Fee Claims must file a final application for compensation pursuant to Section 330 of the Bankruptcy

Code by no later than thirty (30) days after the Effective Date, unless that deadline is extended by order of the Court or by a notice from the Debtor filed on the electronic docket.

Any Person or Entity, including any Holder of an Administrative Claim, including a Professional Fee Claim, that does not file that pre-confirmation Claim within the time prescribed in Section II.A.2 of the Plan shall be barred from asserting such Claim against the Debtor or its Estate, and shall be deemed to have waived any right to a Distribution from the Estate or the Creditor Trust.

B. Lender's Contributions to the Feasibility and Implementation of Plan. The Lender will take the following actions to assure that the Plan will be feasible and may be implemented:

- (a) Provide a cash infusion to the Reorganized Debtor on the Effective Date equal to the greater of (i) \$45,000.00 and (ii) 25% of the Allowed Class 3 Claims, in order to finance the first Distribution to Holders of those Claims within fourteen (14) days after the Effective Date;
- (b) Provide an additional \$20,000.00 cash infusion to the Reorganized Debtor to allow it to make initial payments to the Debtor's Chapter 11 Counsel in that amount.
- (c) Reduce its Lender's Secured Claim to \$1,000,000.00, by reducing the Lender Debt only under the Amended Larger Note in an amount sufficient to achieve that result;
- (d) Provide the Plan Settlement between the Reorganized Debtor and the Settlement Counter-Parties effective as of the Effective Date of this Plan, pursuant to which the parties will provide mutual releases to one another, and thus Class 4 Creditors (holding Claims totaling \$716,188.88) will receive no other Distributions under this Plan;
- (e) Provide a payment Plan similar to that contemplated in the Debtor's Plan to pay Chapter 11 counsel for the Debtor in installments for that counsel's Allowed fees and expenses;
- (f) The Lender shall pursue the Guaranty Action, and shall apply the proceeds of that action to pay or reduce the balance of the Amended Lesser Note; and
- (g) In addition, the Lender is proposing the Alternative Plan Bidding Procedures to assure that the best result for Creditors is attained under the Plan that is approved by the Court.

C. Causes of Action. Under the Plan, all rights of the Debtor to commence and pursue any and all Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal including, without limitation, in an adversary proceeding filed in the Debtor's Chapter 11 Case), shall expressly be preserved and shall be deemed transferred to the Reorganized Debtor on the Effective Date, other than any Causes of Action released with respect to the Released Parties, and all other parties released under Section XI.F(1) or XI.F(3) of the Plan. Potential Causes of Action, other than any Causes

of Action against the Released Parties, may be exercised by the Reorganized Debtor as it deems necessary or appropriate. The Lender does not currently intend that the Reorganized Debtor will pursue any Causes of Action, but the Reorganized Debtor shall reserve the right to do so, except as otherwise expressly provided in this Plan. The Lender also intends that the Reorganized Debtor shall assert any of the Causes of Action only in response to actual or threatened litigation or claims by another Entity.

D. **Executory Contracts and Unexpired Leases.** Any executory contracts or unexpired leases which have not (i) expired by their own terms on or prior to the Effective Date; (ii) been assumed, assumed and assigned, or rejected with the approval of the Bankruptcy Court; or (iii) been listed in the schedule of contracts to be assumed (the “*Assumed Contract Schedule*”) to be filed as a Supplement to the Plan (as Exhibit D to the Plan) shall be deemed rejected by the Debtor as of the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the rejection of such executory contracts and unexpired leases pursuant to Sections 365(a) and 1123 of the Bankruptcy Code. Any party affected by Article VII of the Plan shall file a proof of claim by the Rejection Claims Bar Date in order for its Claim to be considered.

If an executory contract or lease is listed in the Assumed Contract Schedule, which will also contain any cure amount that the Debtor believes will be needed to assume each executory contract or lease contained therein, the executory contract or lease will be deemed assumed by the Debtor as of the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the assumption of such executory contracts and unexpired leases pursuant to Sections 365(a) and 1123 of the Bankruptcy Code. If the counterparty to an executory contract or lease objects to any cure amount contained in the Assumed Contract Schedule, it should contact counsel to the Lender, and if agreement cannot be reached, file an objection by the objection deadline for the Plan.

E. **Disputed Claims.** After the Confirmation Date, the Reorganized Debtor may object (or take over and control any outstanding objections by the Debtor) to the allowance of Disputed Claims filed with the Bankruptcy Court. Objections to Disputed Claims shall be filed no later than one hundred eighty (180) days after the Confirmation Date, subject to the right of the Creditor Trustee to seek extensions to the foregoing 180-day objection date deadline by order of the Bankruptcy Court.

F. **Post-Confirmation Management of the Reorganized Debtor.** As of the Effective Date, the management of the Reorganized Debtor shall be entirely vested in the Lender’s Designee, its directors and officers, and the directors and officers for the Reorganized Debtor. Those directors and officers will be identified in a Supplement to the Lender’s Plan, to be added as Exhibit C thereto. Upon the entry of the Confirmation Order by the Bankruptcy Court, all matters provided under the Plan involving the corporate structure of the Reorganized Debtor shall be deemed authorized and approved without any requirement of further action by the Reorganized Debtor, the Reorganized Debtor’s members or the Debtor’s officers. Upon entry of the Confirmation Order, the Reorganized Debtor is also authorized, without the need for any or further order of the Bankruptcy Court, to take any and all actions reasonably necessary to effectuate the Plan.

G. **Compromises and Settlements.** After the Effective Date, the Reorganized Debtor may compromise and settle any Claims, or any causes of action against others, without further approval of the Bankruptcy Court.

H. **Payment of Statutory Fees.** The Plan provides that all fees payable pursuant to section 1930 of Title 28 of the United States Code shall be paid on the Effective Date or from assets of the Debtor when otherwise due.

I. **Term of Plan.** The Plan provides that the Term of Plan shall run through the date on which all Distributions required under the Plan have been made other than any remaining Distributions to the Lender.

J. **Retention of Jurisdiction.** The Plan provides that following the Confirmation Date and until such time as all payments and Distributions required to be made and all other obligations required to be performed under the Plan have been made and performed by the Debtor initiated in the Bankruptcy Court are resolved, the Bankruptcy Court shall retain sole jurisdiction to the full extent that retention thereof is legally permissible, including, without limitation, for the following purposes:

(i) to enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan;

(ii) to determine any and all motions, adversary proceedings, applications and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted by the Reorganized Debtor after the Effective Date; provided, however, that the Reorganized Debtor shall reserve the right to commence collection actions, actions to recover receivables and other similar actions in all appropriate jurisdictions;

(iii) to hear and determine any timely objections to Administrative Expense Claims and Priority Claims or to proofs of Claim and Equity Interests filed, both before and after the Confirmation Date, including any objections to the classification of any Claim or Equity Interest, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured status of any Claim, in whole or in part;

(iv) to enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;

(v) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(vi) to consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

(vii) to hear and determine all disputes or other matters relating to the assumption or rejection of executory contracts and unexpired leases, including issues pertaining to whether the non-Debtor party's interest in any deposit to secure the contractual obligations of the Debtor

post-assumption is adequately protected, or whether that deposit may be decreased because the non-Debtor party will remain adequately protected by the reduced deposit under the circumstances;

(viii) to hear and determine all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date;

(ix) to hear and determine disputes arising in connection with or relating to the Plan or the interpretation, implementation, or enforcement of the Plan, or the extent of any Entity's obligations incurred in connection with or released or exculpated under the Plan;

(x) to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;

(xi) to determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Disclosure Statement to be executed in connection with the Plan;

(xii) to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(xiii) to hear any other matter or for any purpose specified or implied in the Confirmation Order that is not inconsistent with the Bankruptcy Code;

(xiv) to hear any motion to extend the time within which the Debtor must make Distributions after the Effective Date; and

(xv) to enter a Final Decree closing the Chapter 11 Case when the Term of the Plan has concluded.

VIII.

CONFIRMATION AND ACCEPTANCE

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including that: (i) the Plan has classified all claims in a permissible manner; (ii) the contents of the Plan comply with the technical requirements of chapter 11 of the Bankruptcy Code; (iii) the Proponent has proposed the Plan in good faith; and (iv) the Proponent's disclosures concerning the Plan have been adequate and have included information concerning all payments made or promised in connection with the Plan and the Debtor's Chapter 11 Case. The Lender believes that all of these conditions have been met or will be met and will seek rulings of the Bankruptcy Court to this effect at the hearing on confirmation of the Lender's Plan.

The Bankruptcy Code also requires that the Plan be accepted by the requisite votes of Holders of Claims, that the Plan be feasible, and that entry of a Confirmation Order, absent unanimity, be in the best interests of the Holders in each Impaired Class of Claims. To confirm

the Lender's Plan, the Bankruptcy Court must make independent findings that all of these conditions are met, even if all Classes of Creditors accept the Plan by the requisite votes. The classification, feasibility, and acceptance conditions to Confirmation of the Plan are discussed below.

A. **Classification of Claims.** The Bankruptcy Code requires that the Plan place each claim or interest in a class with other claims or interests that are substantially similar. The Proponents believe that the Lender's Plan satisfies the Bankruptcy Code's standards for appropriate classification.

B. **Feasibility.** As a condition to Confirmation, the Bankruptcy Code generally requires that confirmation is not likely to be followed by a Chapter 7 liquidation or the need for further financial reorganization unless otherwise provided in the Plan. This requirement is generally referred to as a feasibility test under Section 1129(a)(11) of the Bankruptcy Code. The Proponents submit that the Plan is feasible. The Lender is preparing and will attach hereto as **Exhibit A** financial projections for the five years following the Confirmation Date, including cash flow and budgets, that evidence the feasibility of the Plan.

C. **Acceptance.** As another condition to entry of a Confirmation Order, the Bankruptcy Code requires that each Impaired Class of Claims or Interests accepts the Plan. If acceptance by all Classes is not obtained, then confirmation of the Plan through Cramdown may be sought if at least one Impaired Class has accepted the Plan. The Bankruptcy Code defines acceptance of the Plan by a Class as acceptance by the Holders of two-thirds in dollar amount and a majority in the number of claims in that class, but for this purpose only counts those who actually vote to accept or reject the Plan. Holders of Class 1, Class 2, and Class 4 Claims, as well as Class 7 Equity Interests, are Impaired Classes under the Plan; therefore, all of them are entitled to vote.

If any Impaired Class of Claims or Interests entitled to vote does not accept the Plan by the requisite majorities provided in Sections 1126(c) or 1126(d) of the Bankruptcy Code, as applicable, the Debtor reserves the right (i) to amend the Plan, (ii) to undertake to have the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code, or (iii) both to amend the Plan and to seek Confirmation of any amended plan pursuant to Section 1129(b) of the Bankruptcy Code. The Lender also reserves the right to seek confirmation of the Plan through Cramdown notwithstanding any lack of acceptance by one or more Classes of Claims.

IX.

EFFECT OF PLAN CONFIRMATION

A. **Discharge.** The Debtor will receive a discharge of its debts in accordance with section 1141(d)(1) of the Bankruptcy Code as of the Effective Date, subject to the provisions of the Plan.

B. Exculpation

Subject to section 1125(e) of the Bankruptcy Code, neither the Lender, the Debtor, its Estate, the Reorganized Debtor nor any of their respective present or former officers, directors, shareholders, employees, advisors, attorneys or agents acting in such capacity or their respective

affiliates, shall have or incur any liability to, or be subject to any right of action by, the Debtor or any Holder of a Claim or an Equity Interest, or any other party in interest, or any of their respective agents, shareholders, officers, directors, financial advisors, attorneys or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, (a) the Disclosure Statement, the Plan, and the documents necessary to effectuate the Plan, (b) the solicitation of acceptances and rejections of the Plan, (c) this Article IX or the solicitation thereof, (d) the Chapter 11 Case, (e) the administration of the Plan, (f) the Distribution of property under the Plan, (g) the negotiation or preparation of any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the Chapter 11 Case; except for action for actual fraud, willful misconduct or gross negligence in connection with any of the matters referenced in (a) through (g) of this section X.C., and in all respects shall be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan.

C. MATTERS NOT RELEASED

Nothing in this Plan shall release or be construed to release the Guaranty Action in any respect. Nothing in Article IX shall release or be construed to release any obligations of any Entity under this Plan. In addition, none of the Debtor's Causes of Action are released pursuant to Article IX.

X.

CONCLUSION AND RECOMMENDATION

The Lender believed that confirmation and implementation of the Lender's Plan is preferable to any other alternative because it will likely result in the greatest recovery to Holders of all Claims. Other alternatives would involve significant delay, uncertainty, and substantial additional administrative costs. Furthermore, the Alternative Bidding Procedures proposed in the Lender's Plan will assure that the best outcome for Creditors will be attained.

The Lender therefore recommends voting to accept and confirm the Plan. Please fill out the enclosed Ballot and mail it in the enclosed addressed envelope in accordance with the instructions provided with the Ballot. Ballots must actually be received by _____, **2018**, at _____ p.m. (CST).

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Dated: January 8, 2018

Respectfully submitted,

By: /s/ Damian Hoerth

Name: Damian Hoerth

Title: Vice President of the State Bank of Chilton

By: /s/ Forrest B. Lammiman

Name: Forrest B. Lammiman

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DISCLOSURE STATEMENT WITH RESPECT TO AMENDED PLAN OF REORGANIZATION PROPOSED BY THE STATE BANK OF CHILTON

LIST OF EXHIBITS

Exhibit A: Financial Projections (Supplement to Follow)

Exhibit B: Liquidation Analysis (Supplement to Follow)

Exhibit C: Officers & Directors of Reorganized Debtor; Insiders (Supplement to Follow)