

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
LEXINGTON DIVISION**

| | | |
|---|---|--------------------------|
| IN RE: |) | |
| |) | CASE NO. 14-52221 |
| GARY D. ROLAND AND RENÉE A. ROLAND |) | |
| |) | CHAPTER 11 |
| DEBTORS |) | |

**DISCLOSURE STATEMENT WITH RESPECT TO
GARY D. ROLAND AND RENÉE A. ROLAND'S
SECOND AMENDED CHAPTER 11 PLAN OF REORGANIZATION**

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**ATTORNEYS FOR DEBTORS,
GARY D. ROLAND AND
RENÉE A. ROLAND**

DATED: August 2, 2016

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DISCLOSURE STATEMENT WITH RESPECT TO
GARY D. ROLAND AND RENÉE A. ROLAND'S SECOND AMENDED
CHAPTER 11 PLAN OF REORGANIZATION

SECTION 1

INTRODUCTION

1.1 Purpose of Disclosure Statement.

Gary D. Roland and Renée A. Roland (hereinafter “the Debtors” or “the Rolands”) provide this Disclosure Statement, pursuant to 11 U.S.C. §1125, with their proposed Second Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code. The Disclosure Statement is provided in order to convey information deemed to be material, important and necessary to Creditors to make a reasonably informed decision in exercising their right to vote on the Plan.

A copy of the Plan accompanies this Disclosure Statement. The definitions contained in the Plan apply to this Disclosure Statement; additional terms used in the Disclosure Statement are defined herein. EACH RECIPIENT OF THIS DISCLOSURE STATEMENT IS URGED TO REVIEW THE PROVISIONS OF THE PLAN FULLY IN CONNECTION WITH THE REVIEW OF THIS DISCLOSURE STATEMENT AND IN VOTING ON THE PLAN.

1.2 Voting on the Plan; Confirmation Hearing.

The Bankruptcy Court has entered an order fixing _____, _____, **2016**, at **9:30 a.m.**, prevailing time, Bankruptcy Courtroom, Third Floor, Community Trust Bank Building, 100 East Vine Street, Lexington, Kentucky, as the date, time and place for a hearing on Confirmation of the Plan. All Creditors may vote on the Plan by filling out and returning the accompanying ballot for accepting or rejecting the Plan to counsel for the Debtors:

Taft A. McKinstry, Esq.
Kentucky Bar ID: 46610
FOWLER BELL PLLC
300 West Vine Street, Suite 600
Lexington, KY 40507-1660
Telephone: 859-252-6700
Facsimile: 859-255-3735
E-mail: TMcKinstry@FowlerLaw.com

IN ORDER FOR A VOTE TO COUNT AND TO BE CONSIDERED, THE BALLOT MUST BE RECEIVED ON OR BEFORE _____, _____, 2016, AT 4:00 P.M. PREVAILING TIME, LEXINGTON, KENTUCKY. BALLOTS OF CREDITORS ELIGIBLE TO VOTE THAT ARE SIGNED AND TIMELY RETURNED BUT NOT EXPRESSLY VOTED FOR ACCEPTANCE OR REJECTION OF THE PLAN SHALL BE DEEMED, AND COUNTED AS, AN ACCEPTANCE OF THE PLAN. EXCEPT AS MAY BE AUTHORIZED BY THE BANKRUPTCY COURT, A BALLOT VOTING TO ACCEPT THE PLAN MAY NOT BE WITHDRAWN OR REVOKED.

1.2.1 Creditor Vote.

As a Creditor, your acceptance is important. Except as discussed below, the Bankruptcy Court may enter an order of Confirmation of the Plan under §1129(a) of the Bankruptcy Code, only if the Plan has been accepted by the affirmative vote of the holders of at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Allowed Claims in each impaired Class voting on the Plan, computed by counting only the ballots of those Creditors who actually participate in the voting on the Plan. Each Creditor is voting as the holder of an Allowed Claim in the respective Class in which such Allowed Claim is included as to the provisions of the Plan and in particular the treatment of the Allowed Claims in such Class.

1.2.2 Confirmation Without Required Acceptance.

In the event the requisite acceptances are not obtained, the Bankruptcy Court may nevertheless, pursuant to §1129(b) of the Bankruptcy Code, confirm the Plan if at least one Class of Claims that is impaired under the Plan has accepted the Plan (without including any acceptance of any insider, as defined in the Bankruptcy Code), and the Bankruptcy Court finds that the Plan does not discriminate unfairly, and is fair and equitable, with respect to each Class of Claims or Equity Interests that is impaired under and has not accepted the Plan.

1.2.3 Vote in Good Faith.

The vote of any Creditor whose acceptance or rejection of the Plan is not in good faith, or was not obtained in good faith, or in accordance with the provisions of the Bankruptcy Code, as determined by the Bankruptcy Court, will not be counted.

1.3 Allowed Claims of Creditors Entitled to Vote.

1.3.1 Allowed Claims of Creditors.

Subject to Section 1.3.3 below, a Creditor holding an Allowed Claim against the Debtor is entitled to vote on the Plan if such Claim is within a Class impaired under the Plan.

A Claim of a Creditor is an Allowed Claim if:

(i) scheduled as liquidated in amount, not disputed or contingent, by the Debtor on Debtor's Schedule F of liabilities filed with the Bankruptcy Court;

(ii) a proof of Claim has been timely filed with the Bankruptcy Court, and no objection is pending as to such proof of Claim; or

(iii) allowed by Final Order of the Bankruptcy Court.

1.3.2 Impaired Claims.

Under §1124 of the Bankruptcy Code a Class of Claims is impaired under the Plan unless, in general, the rights of the holders of such Claims are not altered, or the holders of such Claims in such Class are paid in cash in full on the Effective Date.

All Classes are impaired under the Plan. Each impaired Class is entitled to vote separately as a Class to accept or reject the Plan.

1.3.3 Objections to Claims.

Any Claim to which an objection is filed in whole or in part is not entitled to vote on the Plan as to that portion of the Claim to which an objection is pending unless the Bankruptcy Court, upon application of the Claimant, temporarily allows the objected to portion of the Claim in an amount the Bankruptcy Court deems proper solely for the purpose of voting on the Plan.

1.4 Representations.

After notice and hearing, this Disclosure Statement has been approved by the Bankruptcy Court as containing adequate information, as set forth in §1125 of the Bankruptcy Code, of a kind and in sufficient detail, as far as is reasonably practicable and necessary in light of the nature, history, and assets of, and the condition of the books and records of the Debtors to enable Creditors holders to make an informed decision regarding the Plan and the acceptance or rejection thereof. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE A DETERMINATION OF THE ACCURACY OF THIS DISCLOSURE STATEMENT AND DOES NOT CONSTITUTE AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

The purpose of this Disclosure Statement is to enable the holders of Claims against the Debtors to make an informed decision with respect to the Plan prior to a vote on the Plan and may not be relied upon or used for any other purpose. With respect to contested matters, adversary proceedings and other pending or hereafter commenced disputed matters, this Disclosure Statement and the information contained herein shall not be construed as an admission or stipulation, but rather as statement made in settlement negotiations governed by Rule 408 of the Federal Rules of Evidence and any other similar rule or statute.

You should read this Disclosure Statement in its entirety prior to voting on the Plan. No solicitation of votes may be made except pursuant to this Disclosure Statement and §1125 of the

Bankruptcy Code, and no person has been authorized to utilize any information concerning the Debtors in the solicitation of votes other than the information contained in this Disclosure Statement. In the event that any inconsistency or conflict exists between this Disclosure Statement and the Plan, the terms of the Plan shall control.

NO REPRESENTATION CONCERNING THE DEBTORS, AND PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS OR THE VALUE OF PROPERTIES, ARE AUTHORIZED BY THE DEBTORS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT AND ACCOMPANYING PLAN OF REORGANIZATION. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OR REJECTION OF THE PLAN WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON IN ARRIVING AT A DECISION AND SUCH REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO THE OFFICE OF UNITED STATES TRUSTEE, 100 EAST VINE STREET, LEXINGTON, KENTUCKY 40507, TELEPHONE: 859-223-2822, WHO IN TURN MAY DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT OR TO THE UNITED STATES ATTORNEY FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

The solicitation of votes on the Plan is governed by the provisions of §1125(b) of the Bankruptcy Code, the violation of which may result in sanctions by the Court, including disallowance of the solicited vote(s).

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THIS DISCLOSURE STATEMENT IS MADE AS OF THE DATE HEREOF AND THERE CAN BE NO ASSURANCE THAT THE INFORMATION CONTAINED HEREIN WILL BE MATERIALLY ACCURATE AS OF ANY OTHER DATE.

SECTION 2

BACKGROUND OF DEBTORS

2.1 Filing of the Chapter 11 Case.

On September 29, 2014, the Rolands filed their voluntary petition (the "Petition") under Chapter 11 of the Bankruptcy Code in United States Bankruptcy Court, Eastern District of Kentucky, Lexington Division. This case followed the dismissal of their prior chapter 11 case (Case No. 12-52812) (the "Prior Case"). The Prior Case was filed on November 1, 2012 and was dismissed on June 25, 2014. The Debtors dismissed the Prior Case because they believed they could not confirm a chapter 11 plan.

2.2 Business of the Debtors.

The Rolands are married and reside in Lexington, Kentucky. They own and manage rental properties for themselves and for third parties. The Rolands receive a management fee based on

the rent paid. With the third parties, the Rolands are a party to agreements that will allow them to a share of profits upon a sale of the underlying property. The Rolands also previously built and managed properties in partnership with third parties.

2.3 Operations Prior to the Filing of the Chapter 11 Case.

As a result of the decline in the housing market in 2008 and 2009, the rental and investment properties that the Rolands owned in their own names and through partnerships and limited liability companies became worth less than the debt that was owed against them. Before the Prior Case, the Rolands attempted to restructure and settle their debts both inside and outside of legal actions. These attempts ultimately failed which lead to the filing of the Prior Case in 2012. While the Prior Case was pending, the Rolands were able to liquidate certain properties owned by closely held corporations and limited liability companies. These actions have reduced the total amount of debt owed by the Rolands through personal guaranties.

2.4 Events Leading to the Filing of the Chapter 11 Case.

After the dismissal of the Prior Case, the Rolands attempted to reach a settlement with their largest secured creditor, J.P. Morgan Chase Bank, N.A., to retain ownership and operation of their rental properties on the same terms agreed to during the Prior Case. However, this attempt failed, and the Rolands were forced to file this case in order to halt Master Commissioner sales of their rental properties.

2.5 Operations During the Chapter 11 Case.

Upon the filing of the Chapter 11 Petition, the Debtors were designated as Debtors-in-Possession with all rights and powers, and the obligation to perform all functions and duties, under Chapter 11 of the Bankruptcy Code. With authority of the Bankruptcy Court, the Debtors retained the law firm of Fowler Bell PLLC to represent them in their Chapter 11 Case. Additionally, the Debtors were authorized by the Bankruptcy Court to engage the services Enderle & Company, PLLC as accountants.

The Debtors have paid their post-petition obligations as they have become due, including maintaining insurance on all properties,. The Debtors filed their 2012 and 2013 returns following the Petition Date and have filed their 2014 return.

SECTION 3

SUMMARY OF THE PLAN

The following is a summary of the principal provisions of the Plan regarding the classification and treatment of Claims of Creditors. This summary is qualified in its entirety by reference to the Plan which is provided with this Disclosure Statement. Additional provisions of the Plan are discussed elsewhere in this Disclosure Statement, including in Sections 4 and 5.

3.1 Treatment of Classified Claims.

The Plan classifies the Claims of Creditors into nine (9) Classes and the interests of the Debtors in property of the estate in Class Ten. These Classes and the treatment thereof are summarized as follows:

3.1.1 Class One: Chase Bank Claims.

Class One consists of the Allowed Secured Claims of Chase Bank. Each claim of Chase Bank shall be bifurcated and split into a Class One Allowed Secured Claim and a Class Nine Allowed Unsecured Claim. The total of the Class One Allowed Secured Claims is \$982,500 and the total of the Allowed Unsecured Claims is \$440,921.89. These amounts are set forth on Exhibit A to the Plan. While the Debtors believe the amounts of the Chase Bank unsecured claims are subject to objection, such objections have not yet been filed.

The Plan provides that Chase Bank shall be deemed to have Allowed Secured Claims in the amounts shown on Exhibit A to the Plan. Unless otherwise agreed, the Plan provides that Chase Bank shall receive regular monthly payments of principal and interest in the respective amounts stated on Exhibit A of the Plan. Said payment amount has been determined by amortizing the value of the underlying real property stated on Exhibit A of the Plan over a thirty year period beginning on the Effective Date with interest accruing at the rate of four and three-quarters (4.75%) percent per annum. Said payments are to be made on or before the 20th day of each month commencing on the 20th day of the first full month after the Effective Date, and Chase Bank shall retain each mortgage on the underlying real property up to the amount of the Allowed Secured Claim. Notwithstanding treatment of the claims of Chase Bank in one class, the individual claims shall stand alone, with no cross collateralization or cross-default between the claims. Debtors will pay all real property taxes which initially become due after the Effective Date as to these properties and will continue to maintain each property insured for liability and for loss in at least the amount of the Secured Claim against each property with Chase Bank named as loss payee. Upon completion of all such payments as to each property, the Chase Bank shall release its mortgage lien against such property.

The Class One Claimant is impaired and each holder of a Chase Bank Allowed Secured Claim is entitled to vote to accept or reject the Plan.

3.1.2 Class Two: NRZ Pass-Through Trust V.

Class Two consists of the Allowed Secured Claims of NRZ Pass-Through Trust which were assigned to it in December, 2015. Each claim of NRZ Pass-Through Trust shall be bifurcated and split into a Class Two Allowed Secured Claim and a Class Nine Allowed Unsecured Claim. The total of the Class Two Allowed Secured Claims is \$874,000 and the total of the Allowed Unsecured Claims is \$415,790.47. These amounts are set forth on Exhibit A to the Plan. While the Debtors believe the amounts of these unsecured claims are subject to objection, such objections have not yet been filed.

The Plan provides that NRZ Pass-Through Trust shall be deemed to have Allowed Secured Claims in the amounts shown on Exhibit A to the Plan. Unless otherwise agreed, the Plan provides that NRZ Pass-Through Trust shall receive regular monthly payments of principal

and interest in the respective amounts as stated on Exhibit A of the Plan. Said payment amount has been determined by amortizing the value of the underlying real property stated on Exhibit A of the Plan over a thirty year period beginning on the Effective Date with interest accruing at the rate of four and three-quarters (4.75%) percent per annum. Said payments shall be made on or before the 20th day of each month commencing on the 20th day of the first full month after the Effective Date, and NRZ Pass-Through Trust shall retain each mortgage on the underlying real property up to the amount of the Allowed Secured Claim. Notwithstanding treatment of the claims of NRZ Pass-Through Trust in one class, the individual claims shall stand alone, with no cross collateralization or cross-default between the claims. Debtors will pay all real property taxes which initially become due after the Effective Date as to these properties and will continue to maintain each property insured for liability and for loss in at least the amount of the Secured Claim against each property with NRZ Pass-Through Trust named as loss payee. Upon completion of all such payments as to each property, the NRZ Pass-Through Trust shall release its mortgage lien against such property.

The Class Two Claimant is impaired and each holder of a NRZ Pass-Through Trust Allowed Secured Claim is entitled to vote to accept or reject the Plan.

3.1.3 Class Three: Kentucky Tax Lien Fund, LLC.

The Plan provides that, within thirty (30) days of the Effective Date, the Allowed Secured Claim of the Kentucky Tax Lien Fund, LLC as set forth in Proof of Claim No. 23 in the amount of \$4,873.93 plus accruing interest for real property taxes due for the year 2008 on real property located at 2543 Mackenzie Lane, Lexington, Kentucky will be paid in full.

The Class Three Claimant is unimpaired and is not entitled to vote to accept or reject the Plan and is deemed to have accepted the Plan

3.1.4 Class Four: Lexington Fayette Urban County Government.

The Plan provides that, within thirty (30) days of the Effective Date, the Allowed Secured Claim of the Lexington Fayette Urban County Government as set forth in Proof of Claim No. 28 in the amount of \$2,032.42 plus accruing interest for real property taxes due for the year 2009 on real property located at 2543 Mackenzie Lane, Lexington, Kentucky will be paid in full.

The Class Four Claimant is unimpaired and is not entitled to vote to accept or reject the Plan and is deemed to have accepted the Plan

3.1.5 Class Five: MRGLO Investors, LP.

The Plan provides that MRGLO Investors, LP shall be deemed to have an Allowed Secured Claim in the amount shown on Exhibit A to the Plan. Unless otherwise agreed, the holder of a Class Five Claim shall receive regular monthly payments of principal and interest as stated on Exhibit A of the Plan. Said payment amount has been determined by amortizing the value of the underlying real property stated on Exhibit A of the Plan over a thirty year period beginning on the Effective Date with interest accruing at the rate of four and three-quarters

(4.75%) percent per annum. Said payments shall be made on or before the 20th day of each month commencing on the 20th day of the first full month after the Effective Date, and MRGLO Investors, LP shall retain the mortgage on the underlying real property up to the amount of the Allowed Secured Claim. Debtors will pay all real property taxes which initially become due after the Effective Date as to these properties and will continue to maintain each property insured for liability and for loss in at least the amount of the Secured Claim against such property with MRGLO Investors, LP named as loss payee. Upon completion of all such payments as to such property, the Class Five Claimant shall release its mortgage lien against such property.

The Class Five Claimant is impaired and is entitled to vote to accept or reject the Plan.

3.1.6 Class Six: U.S. Bank Claims.

Class Six consists of the Allowed Secured Claims of U.S. Bank. U.S. Bank has filed with the Court as Proofs of Claim Nos. 25, 35, 41, 54 and 55 as set forth on Exhibit A to the Plan. Each claim of U.S. Bank shall be bifurcated and split into a Class Six Allowed Secured Claim and a Class Nine Allowed Unsecured Claim.

Unless otherwise agreed, a holder of a Class Six Allowed Secured Claim shall receive regular monthly payments of principal and interest as stated on Exhibit A of the Plan. Said payment amount has been determined by amortizing the value of the underlying real property stated on said Exhibit over a thirty year period beginning on the Effective Date with interest at the rate of four and three-quarters (4.75%) percent per annum. Said payments shall be made on or before the 1st day of each month commencing on the 1st day of the first full month after the Effective Date, and U.S. Bank shall retain each mortgage on the identified collateral up to the amount of the Allowed Secured Claim. Notwithstanding treatment of the claims of U.S. Bank in one class, the individual claims shall stand alone, with no cross collateralization or cross-default between the claims. Debtors will pay all real property taxes which initially become due after the Effective Date and will continue to maintain each property insured for liability and for loss in at least the amount of the Secured Claim against each property with U.S. Bank named as loss payee.

All payments to U.S. Bank shall be in full accord with the terms of those certain Stipulations For Plan Treatment On First Lien Secured By Real Property [Doc. No. 496, 497 and 498] as entered by the Bankruptcy Court, the terms of which are incorporated in full into the Plan and copy of one such Stipulation [Doc. No. 496] is attached as Exhibit B to the Plan. As to any discrepancy between the terms of said Stipulations and the Plan, the terms of said Stipulations shall control, except only as to indebtedness secured by mortgages against 108 Clover Valley Drive and 233 Chestnut Ridge, which monthly payments shall commence on the 1st day of the 1st month after the Effective Date. Upon completion of all such payments as to each property, the Class Five Claimant shall release its mortgage lien against such property.

The total of Allowed Secured Claims of U.S. Bank in Class Two is \$435,850. While the Debtors believe the amounts of the U.S. Bank Allowed Unsecured Claims may be subject to objection, U.S. Bank has agreed to waive all deficiency claims.

The Class Six Claimant is impaired and each holder of a U.S. Bank Allowed Secured Claim is entitled to vote to accept or reject the Plan.

3.1.7 Class Seven: Deutsche Bank Claim as to 1669 Konner Woods Drive).

As of the Effective Date, the real property located at 1669 Konner Woods Drive will be deemed abandoned from the Estate in full satisfaction of the Claim of the Class Seven Creditor. The Debtors will continue to rent, manage, and maintain the property until the property is conveyed by the master commissioner through foreclosure proceeding. Until the completion of a foreclosure proceeding, the rental income shall be used to maintain, protect, and insure the real property. Any remaining rental income shall be retained by the Debtors. The Class Seven Claimant will not have a deficiency claim against the Debtors.

The Class Seven Claimant is impaired and is entitled to vote to accept or reject the Plan.

3.1.8 Class Eight: Deutsche Bank Claim as to 159 Chenault Road.

The Class Eight Claimant did not file a proof of claim but does have a first mortgage of record against the Debtors' residence at 159 Chenault Road in Lexington, Kentucky. Accordingly, the Plan provides that the Class Eight Claimant shall have a *non-recourse* Allowed Secured Claim in the amount of \$407,139.45. The Debtors shall have no personal liability to the Class Eight Claimant. Unless otherwise agreed, the Deutsche Bank Claim shall receive regular monthly payments of principal and interest in the amount of \$1,332.90 beginning on the 1st day of the first full month following the Effective Date. Said payment has been determined by amortizing the Allowed Secured Claim over a thirty year period beginning on the Effective Date of the Plan with interest accruing at the rate of two percent (2%) per annum. Additionally, the Class Eight Claimant will receive monthly payments of \$1,033.11 for escrow for real property taxes and insurance. Debtors will continue to maintain such property insured for liability and for loss in at least the amount of the Secured Claim against the property with Deutsche Bank named as loss payee. Further, the Class Eight Claimant will retain a lien against the property in the amount of \$174,300 upon which no interest will accrue and shall only be paid on sale of the property. Upon completion of all such payments, the Class Eight Claimant shall release its mortgage lien.

The foregoing is a Home Affordable Modification Program ("HAMP") adjustment offered by the servicer for Deutsche Bank and accepted by Debtors. In fact, Debtors made their first payment under this modification before July 27, 2016 and will continue to make such payments monthly for the life of the modification.

The Class Eight Claimant is impaired and is entitled to vote to accept or reject the Plan.

3.1.9 Class Nine: Allowed Unsecured Claims.

The Plan provides that the holders of Allowed Unsecured Claims in Class Nine shall receive distribution equal to their respective *pro rata* share of the sum of Ten Thousand (\$0,000) Dollars contributed by the sister of the Debtor, Gary Roland which sum shall be distributed within thirty (30) days following the Effective Date. Additionally, the holders of Allowed

Unsecured Claims shall receive their respective *pro-rata* share of Debtors' annual Net Cash Flow, after payments on Administrative Claims and Priority Tax Claims, over a five (5) year period from the Effective Date with such distributions being made annually over said five (5) years within thirty (30) days following the anniversary date of the Effective Date,

Class Nine is impaired and each holder of an Allowed Unsecured Claim is entitled to vote to accept or reject the Plan.

3.1.10 Class Ten: Interests of the Debtors in Property of the Estate.

The Plan provides that for and in consideration of the sum of Ten Thousand (\$10,000) Dollars contributed to the estate by the sister of Gary Roland for distribution to holders of Allowed Unsecured Claims in Class Nine, the Debtors will retain their interests in property of the estate.

3.2 Treatment of Unclassified Claims.

Section 1123 of the Bankruptcy Code provides that a Plan shall designate Classes of Claims in addition to Claims for Administrative Expenses, Operating Claims and Priority Tax Claims. Accordingly, these unclassified Claims for Administrative Expenses, Operating Claims and Priority Tax Claims are treated as follows:

3.2.1 Administrative Claims.

Administrative Claims as defined in the Plan are fees due the Office of United States Trustee under Section 1930 of title 28 of the United States Code, and compensation and expenses due to the law firm and other professionals retained by the Debtors pursuant to orders of the Bankruptcy Court. Specifically, the law firm of Fowler Bell PLLC was retained by the Debtors to represent them in this Chapter 11 Case pursuant to order of the Bankruptcy Court. The Bankruptcy Court also authorized the Debtors to engage Enderle & Company, PLLC to prepare tax returns and provide accounting services to the Debtors. Unpaid fees and expenses due each professional, as same are allowed and approved by Final Order of the Bankruptcy Court, after notice and hearing, shall be paid as an Administrative Claim.

Administrative Claims are to be paid cash in full on the later of the Effective Date of the Plan or when approved by Final Order of the Bankruptcy Court, or as soon thereafter as practicable, unless a particular Claimant agrees that payment of its Claim, or any portion thereof, may be deferred in which event such claim shall be timely paid in accordance with such deferral agreement.

The Debtors are current on the payment of fees to the Office of the United States Trustee. Any such fees that are due as of the Confirmation Date that have not been paid will be paid in full on or before the Effective Date.

Fowler Bell, PLLC, counsel for the Debtors, has agreed to accept certain payment from the Debtors over time and waive its right to be paid in full on the Effective Date as to certain amounts outstanding on that date.

3.2.2 Operating Claims

Obligations incurred by the Debtors as Debtors in Possession in the ordinary course of business after the Petition Date and before the Confirmation Date of the Plan are to be paid cash in full on the Effective Date of the Plan, or as soon thereafter as practicable, or in accordance with the ordinary trade terms and conditions of any agreements, unless such Claimant agrees to deferred payment of all or a portion of its Operating Claim, in which event such Operating Claim shall be timely paid in accordance with such deferral agreement.

The Debtors are not aware of any Operating Claims in excess of \$500.00 per payee as of the date of this Disclosure Statement. An example of some Operating Claims that may exist but not yet be payable are utility bills and other items accrued but not yet payable. Debtors will pay any Operating Claims in full in the ordinary course.

3.2.3 Priority Tax Claims.

The Debtors owe priority withholding taxes and income taxes as set forth on Exhibit 3 to this Disclosure Statement

Such Claims will be paid, beginning on the last day of the calendar quarter ending after the Effective Date, in equal aggregate quarterly installments of principal and simple interest accruing from the Effective Date on the unpaid principal portion of such Claims, such that the holder of each Priority Tax Claim will receive on account of such Priority Tax Claim deferred cash payments over a period of five (5) years from the Petition Date, of a value, as of the Effective Date, equal to such Allowed Claim. Such Priority Tax Claims shall bear interest at the rate determined under nonbankruptcy law pursuant to Bankruptcy Code § 511(a) as of the Effective Date of the Plan, with such accrued interest payable in arrears. As of August 1, 2016, such rate was 3.56% per annum. Such Claimant may agree that payment of its Priority Tax Claim, or any portion thereof, may be paid a compromised settlement amount in cash in full or may be deferred in which event such Priority Tax Claim shall be timely paid in accordance with such agreement. Additionally, the Debtors may elect to pre-pay the amount due the holder of a Priority Tax Claim in full. The Debtors may apply losses or refunds owed in subsequent tax years to further reduce the amounts owed for Priority Tax Claims.

3.2.4 Executory Contracts and Unexpired Leases.

The Debtors know of no executory contracts in effect as of the Petition Date. The Debtors do have unexpired leases of real property to tenants. All such leases will be assumed as of the Effective Date.

3.3 The Effective Date.

The Effective Date of the Plan will be the fifteenth (15th) day after the Confirmation Date unless such date is not a Business Day, in which event the Effective Date shall be the first (1st) Business Day thereafter. The Confirmation Date is defined in the Plan as the date on which the Order confirming the Plan is entered on the docket of the Bankruptcy Court.

3.4 Binding Effect.

On the Effective Date, the Plan provisions shall bind all Creditors whether or not they voted to accept the Plan. The rights afforded by the Plan shall be in exchange for and in complete satisfaction and release of all Claims against the Debtors, except as otherwise set forth in the Plan.

3.5 Confirmation; Releases; Injunctions; Discharge.

On the Effective Date of the Plan, the Confirmation Order will operate as an injunction and all Creditors will be enjoined from asserting against the Debtors or their property, any Claim that arose prior to the Confirmation Date, and shall be entitled only to the rights provided in the Plan.

For and inconsideration of the payments to be made pursuant to the Plan, the Plan further provides for the release of, and enjoins the pursuit of, all claims of any nature in any way relating to the Debtors, the chapter 11 Case, the Plan or the Confirmation thereof, against the Debtors, and the Debtors' respective present and former directors, officers, employees, attorneys, accountants, financial advisors, owners, members, managers and agents, acting solely in such capacity.

The Plan provides that the Debtors may request Bankruptcy Court to close the Chapter 11 Case after all disputed Claims, contested matters and adversary proceedings, if any, have been determined, and to move the Bankruptcy Court to reopen the Chapter 11 Case for entry of the Discharge Order upon completion of payments to Class Nine Creditors pursuant to the Plan.

3.6 Plan Controlling.

THE FOREGOING IS A BRIEF SUMMARY OF THE CLASSIFICATION AND PAYMENT PROVISIONS OF THE PLAN OF REORGANIZATION PROPOSED BY THE DEBTORS. REFERENCE IS MADE TO THE PLAN ACCOMPANYING THIS DISCLOSURE STATEMENT FOR COMPLETE DETAILS THEREIN, AND CREDITORS ARE URGED TO READ THE PLAN ITSELF IN FULL. IN THE EVENT OF ANY DISCREPANCY BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN, THE PROVISIONS OF THE PLAN SHALL CONTROL.

SECTION 4

IMPLEMENTATION OF THE PLAN

4.1 Means for Execution of the Plan.

4.1.1 Vesting of Assets; Lien Releases.

Upon the Effective Date of the Plan, Debtors will be vested with title to all their Assets, free and clear of all liens, Claims, security interests and encumbrances, except those securing the Allowed Secured Claims of Creditors in Class One through Class Eight. As of the Effective Date, the Debtor shall be authorized to execute in the name of Creditors, Forms UCC-3,

mortgage and lien releases as may be necessary to release all liens and encumbrances of record that are not provided to be retained in the Plan. Alternatively, Debtors may obtain an order of the Bankruptcy Court directing the Fayette County clerk to release the following liens and encumbrances. Specifically, the following liens and encumbrances will be released pursuant to the Plan:

1. Mortgage in favor of Community Trust Bank of record in Mortgage Book 4680, Page 64 in the Fayette County Clerk's Office that encumbers 2533 Mackenzie, 2437 Danielle Lane, 2553-2555 Danielle Lane, 2539 Mackenzie Lane, 2535 Mackenzie Lane, 2537 Mackenzie Lane, and 2539 Danielle Lane.
2. Mortgage in favor of HSBC Bank, USA, N.A., as Trustee for SunTrust Acquisition Close-End Seconds Trust, Series 2007-1, of record in Mortgage Book 5952, Page 666 in the Fayette County Clerk's Office that encumbers 1783 Raleigh Road.
3. Mortgage in favor of Mortgage Electronic Registrations, Inc., as nominee for Lender. American Home Mortgage, of record in Mortgage Book 5952, Page 712, as assigned to Bank of America by Assignment of record in Miscellaneous Book 499, Page 633, as further assigned to Mortgage Electronic Registration Systems, Inc. by Assignment of Mortgage of record in Miscellaneous Book 512, Page 699 in the Fayette County Clerk's Office that encumbers 108 Clover Valley Drive.
4. Mortgage in favor of SRP 2013-9 Funding Trust, via assignment in Miscellaneous Book 512, Page 693, of record in Mortgage Book 5953, Book 303 in the Fayette County Clerk's Office that encumbers 2551 Mackenzie Lane.
5. Mortgage in favor of M.E.R.S. of record Mortgage Book 5953, Page 269 in the Fayette County Clerk's Office that encumbers 2549 Mackenzie Lane.
6. Mortgage in favor of Bank of the Bluegrass & Trust Co. of record Mortgage Book 5961, Page 392 in the Fayette County Clerk's Office that encumbers 159 Chenault Road.
7. Mortgage in favor of Bank of the Bluegrass & Trust Co. of record Mortgage Book 4727, Page 699 in the Fayette County Clerk's Office that encumbers 2563-2565 Mackenzie Lane and 2567-2569 Mackenzie Lane.
8. Mortgage in favor of Bank of the Bluegrass & Trust Co. of record Mortgage Book 4734, Page 706 in the Fayette County Clerk's Office that encumbers 2541 Mackenzie Lane, 2543 Mackenzie Lane, 2555 Mackenzie Lane, 2557 Mackenzie Lane, 2545 Mackenzie Lane, 2547 Mackenzie Lane, 2540 Danielle Lane, 542 Danielle Lane, and 2544 Danielle Lane.
9. Federal Tax Lien in favor of Department of the Treasury, Internal Revenue Service of record in Encumbrance Book 445, Page 530 in the Fayette County Clerk's Office.

10. Judgment Liens in favor of Kentucky Lighting & Supply, Inc. of record in Encumbrance Book 481, Page 70 and Encumbrance Book 481, Page 72 in the Fayette County Clerk's Office.
11. Judgment Lien in favor of Chase Bank USA, N.A. of record in Encumbrance Book 499, Page 429 in the Fayette County Clerk's Office.
12. Judgment Lien in favor of Discover Bank of record in Encumbrance Book 504, Page 721 in the Fayette County Clerk's Office.
13. Judgment Lien in favor of the Board of Education of Fayette County of record in Encumbrance Book 502, Page 201 in the Fayette County Clerk's Office.
14. Judgment Lien in favor of Lexington-Fayette Urban County Government of record in Encumbrance Book 550, Page 446 in the Fayette County Clerk's Office.
15. Mechanic's Lien in favor of Johnathan Davis of record in Mechanic's Lien Book 25, Page 193 in the Fayette County Clerk's Office that encumbers 250 Simba Way.

4.1.2 Duties of the Debtor.

The Plan provides for Debtors to continue their business of managing rental properties, in order to generate funds to make the payments required by the Plan, as well as its regular and ordinary operating expenses.

The Plan provides that, after Confirmation, Debtors have the duty and authority to:

- (1) pursue all Causes of Action, and upon notice, settle and compromise any Cause of Action;
- (2) object to Claims, where appropriate;
- (3) maintain the Debtor's books and records in accordance with generally accepted accounting principles;
- (4) abandon assets, if deemed advisable, after Notice to Creditors;
- (5) retain and, upon Notice, compensate current professionals employed pursuant to Orders of the Bankruptcy Court;
- (6) employ personnel in the ordinary course of its business;
- (7) distribute all payments required or permitted under the Plan;
- (8) timely file all tax returns; and
- (9) take all actions commensurate with the provisions of the Plan.

The employment of counsel in regard to the Chapter 11 Case may be necessary to complete the administration of the case, particularly to object to Claims as necessary.

4.1.3 Post-Confirmation Expenses.

The Plan defines Post-Confirmation Expenses as all reasonable fees and actual and necessary expenses incurred by Debtors for counsel and other professionals in advising the Debtors regarding their duties, responsibilities, rights and authority under the Plan or in

consummation of the Plan. These expenses also include fees due the Office of the United States Trustee under 28 U.S.C. § 1930 following Confirmation and prior to the entry of an order closing the Chapter 11 Case which fees will continue to be timely paid in the ordinary course as they become due.

4.2 Other Provisions for Implementation of the Plan.

4.2.1 Transactions Authorized by the Plan.

The Plan provides that upon the Effective Date all actions required by the Plan shall be deemed fully authorized and approved in all respects without further action. Pursuant to § 1146(c) of the Bankruptcy Code, the transfer of real and personal property of the Debtors is not subject to any stamp tax, transfer tax, or similar tax. Following the Effective Date, the Debtors intend to transfer the rental properties into a limited liability company for ease of management going forward.

4.2.2 Notice Requirement.

The Plan provides for notice of the abandonment of any Asset, of intent to settle or compromise any Cause of Action, and post-confirmation compensation of professionals, to be filed with the Bankruptcy Court and served on:

- (a) any Creditor who by the Debtors' Schedules, proof of Claim or order of the Bankruptcy Court claims an encumbrance against the Asset proposed to be abandoned;
- (b) all Creditors and parties in interest who have filed written request for post-Confirmation notices;
- (c) the Debtors and their counsel and the Office of the United States Trustee.

Any matter so noticed shall be deemed approved by the Bankruptcy Court without the necessity of an order, unless objection is timely filed.

4.2.3 Governing Law; Severability.

The Plan provides that the rights and obligations arising thereunder shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Kentucky, except to the extent the Bankruptcy Code is applicable. The Plan also contains provisions that the invalidity or unenforceability of any provision of the Plan will not affect the other provisions of the Plan.

4.2.4 Confirmation Order as Evidence.

The Plan contains a provision that, following the Effective Date, true and correct copies of the Confirmation Order and the Plan are sufficient evidence of the terms, provisions and effect of the Plan for all purposes in any judicial proceeding or official record. The Confirmation Order and the Plan may be filed in any proceeding or official record to evidence the release,

satisfaction or termination of any encumbrance or Claim held or asserted by a Creditor against the Debtors or any property of the Debtors.

4.2.5 Distributions on Disputed Claims.

Distributions on that portion of a Claim as to which an objection is filed will be held until determination of the objection by Final Order by the Bankruptcy Court.

4.2.6 Small Distributions.

Distributions of less than \$25.00 on Allowed Claims may be held until \$25.00 is accumulated, or until final payment, whichever first occurs, and made at that time.

4.2.7 Setoff.

The Plan provides that distributions to be made under the Plan may be setoff against any claims, if any exist, that the Debtors may have against any Creditor.

4.2.8 Unclaimed Distributions.

The Plan provides that any distribution which remains unclaimed for ninety (90) days following the date of issuance of the distribution, after reasonable efforts by the Debtors to deliver such distribution to the holder of the Allowed Claim entitled to such distribution, will be void, waived and canceled, and shall be retained by and become the property of the Debtors. Additionally, the Allowed Claim upon which such distribution was issued will be deemed waived, discharged and released and will receive no further distributions.

4.2.9 Jurisdiction.

The Plan provides for the Bankruptcy Court to retain jurisdiction over the Chapter 11 Case. Such retention of jurisdiction includes the right to determine classification and allowance of claims, compensation and reimbursement of expenses of professionals, all matters relating to title to property of the Debtors and to enter orders regarding modification, interpretation, implementation, enforcement, performance and consummation of the Plan. The Plan further provides that the jurisdiction of the Bankruptcy Court over all matters and proceedings arising in or related to the Chapter 11 Case will be exclusive.

4.2.10 Consummation.

Consummation of the Plan will occur when all disputed claims, contested matters and adversary proceedings have been determined by Final Order. Upon such consummation of the Plan, the Debtors may request the Bankruptcy Court to enter an order closing the Chapter 11 Case and may request the Bankruptcy Court to reopen the Chapter 11 Case and enter the Discharge Order upon completion of all payments to Class Five Creditors.

SECTION 5

FEASIBILITY OF THE PLAN

5.1 Financial Information of the Debtors.

The Debtors provide the following financial information regarding their current financial condition, Assets and estimated Claims and projected distributions to its Creditors.

5.2 Schedules.

On the Petition Date, the Debtors' scheduled Assets of \$3,814,927.62 and Liabilities of \$9,411,686.88.

5.3 Operating Report.

Attached as Exhibit 1 are the relevant pages of the Debtors' Operating Report for the month ending June, 2016.

5.4 Schedule of Claims.

Attached as Exhibit 2, Exhibit 3, Exhibit 4, and Exhibit 5 are schedules of estimated Administrative Claims as of the Confirmation Date, Priority Tax Claims, Secured Claims in Classes One through Eight and Unsecured Claims in Class Nine.

5.5 Financial Pro Forma.

Attached as Exhibit 6 is the Debtors' projection of their anticipated business income, expenses, profit, Net Income, household expenses and Net Cash Flow for the five year period starting January 1, 2017 and ending December 31, 2021

Under the Plan, Deutsche Bank will be granted leave to foreclose on the property located at 1669 Konner Woods Drive and U.S. Bank has previously been granted relief from the automatic stay of the Bankruptcy Code to foreclose on property located at 109 Byakoa Lane, Georgetown, Kentucky. Therefore, the income from those properties as set forth in Debtors' monthly operating reports will no longer be realized.

The income of Debtors following the Effective Date from rental properties owned by the Debtors will be from the properties subject to mortgages of creditors included in Classes One, Two, Five and Six of the Plan. The annual projected net income of \$66,684 is reflected on the attached Pro-Forma, Exhibit 6, as Net Rental Cash Flow.

The Debtors have been receiving \$18,000 per year from income from commercial warehouse property located in Nicholasville owned by Roland Commercial Properties, LLC. Although the mortgage against this property exceeds the fair market value, its cash flow is sufficient for the Rolands to receive that annual income. This amount is reflected on the attached Pro-Forma, Exhibit 6, as Roland Commercial Draws.

The Debtors will continue to manage properties owned by others and, thus, anticipate continuing annual income therefrom of \$24,000 per year. This amount is reflected on the attached Pro-Forma, Exhibit 6, as Real Estate Consulting.

5.6 Distributions Upon Confirmation.

Upon Confirmation of the Plan, Debtors will continue or commence payments on the Allowed Secured Claims included in Classes One, Two, Five, Six and Eight.

The Debtors' June Operating Report, attached as Exhibit 1, showed Cash On Hand (Business) at the end of the month of \$84,458.58. From this, on August 1, the Debtors paid \$11,696.32 to U. S. Bank, N.A. for monthly principal and interest payments, and escrow for taxes and insurance from January 1 through August 1, 2016 in accordance with those Stipulations For Plan Treatment On First Lien Secured By Real Property [Doc. Nos. 499, 500 and 501], leaving a balance of \$72,766.24.

From the foregoing balance, Debtors will pay, within thirty (30) days of Confirmation, the amounts due the Class Three Claimant (\$4,873.93 plus interest) and the Class Four Claimant (\$2,032.42 plus interest) and the amounts due Administrative Creditors set forth on Exhibit 2, subject, however, that Fowler Bell, Pllc, attorneys for the Debtors, have agreed to receive only that amount as will leave Debtors with operating cash of at least \$10,000. Fowler Bell, Pllc has agreed to accept deferred cash payments for the balance due from the Debtors which payments may or may not, in the discretion for Fowler Bell, Pllc, be deferred evenly over five (5) years or for all five (5) years which may affect the amount of the annual distributions on Allowed Unsecured Claims in Class Nine.

Thus, the sister of Debtor, Gary Roland, will contribute the sum of Ten Thousand (\$10,000) Dollars to be distributed *pro-rata* to Allowed Unsecured Claims in Class Nine. Since the Debtors have no equity in any of their non-exempt assets, and their unsecured creditors would receive no distribution in a chapter 7 case (as discussed in Section 5.9 below) and Debtors are committing their projected disposable income to be distributed under the Plan (as discussed in Section 5.7 *Projected Future Cash Flow* below), this contribution of new value by Gary Roland's sister will enable Debtors to retain their interest in the non-exempt property of the estate.

5.7 Causes of Action.

Debtors do not believe they have any causes of action against Creditors who received payments within ninety (90) days of the Petition Date on pre-existing debt (known as preferential payments) which may be recoverable under Section 547 of the Bankruptcy Code. A schedule of all disbursements made within said ninety (90) days is set forth in Debtors' Statement of Financial Affairs filed with its Schedules of Assets and Liabilities filed with the Bankruptcy Court in this Chapter 11 Case. Such list includes payments to secured creditors and ordinary course purchases. Debtors made no payments to their unsecured creditors during that ninety (90) day period prior to the Petition Date.

Further, Debtors may be able to avoid the perfection of any entities' lien claims as preferential transfers or as fraudulent conveyances under Section 548 of the Bankruptcy Code. Debtors have investigated the feasibility of these claims and determined that there are none.

5.8 Feasibility; Risk Factors.

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by liquidation or further financial reorganization of the Debtors.

Operational Risks. Debtors are in the business of renting their own properties and renting and managing properties owned by third parties. The future income of the Debtors is obviously dependent on tenants performing and paying as agreed under their leases and on the continued stream of income from properties managed for third parties. The projections attached hereto assume some tenants will not pay on time or at all. The projections also contain an accrual for ordinary repairs as well as extraordinary repairs to the rental properties. However, these projections of tenant non-performance and costs to repair and release the rental properties may be incorrect.

Projected Future Cash Flow. Debtors' Five (5) Year Pro-Forma, Exhibit 6, shows Debtors' projected Net Cash available for distribution to Class Nine, Allowed Unsecured Claims. This Net Cash Flow is the Debtors' projected disposable income to be received during the five (5) year period beginning on the date that the first payment is due under the Plan. Net Cash Flow means the Debtors' Net Income after payment on Allowed Secured Claims calculated in accordance with generally accepted accounting principles consistently applied after reserve for payment of income taxes less cash payments on Allowed Administrative Claims, Priority Tax Claims, Post-Confirmation Expenses and reasonable living expenses for Debtors and their three (3) elementary and middle school daughters. Exhibit 6 shows that Debtors' Net Cash Flow is to be distributed under the Plan to Debtors' Administrative Claims not paid on Confirmation and Debtors' Priority Tax Claims. Debtors' Net Cash is then to be distributed *pro-rata* to holders of Allowed Unsecured Claims over a five (5) year period from the Effective Date with such distributions being made annually over said five (5) years within thirty (30) days of the anniversary date of the Effective Date

Although the assumptions on which the attached financial projections are based are considered reasonable, the projections and assumptions set forth on Exhibit 6 are uncertain and are subject, among other things, to market demand, economic conditions, and other factors beyond the control of the Debtors. Consequently, the material included herein should not be regarded as a representation that the projected results will be achieved. Some assumptions upon which the projections are based inevitably will not materialize. Unanticipated events and circumstances may occur and, accordingly, the actual results achieved may vary, and the variations may be material and may be adverse. .

Fair and Equitable. Section 1129(b)(1) of the Bankruptcy Code requires, as a condition to confirmation of a plan over a class that has not voted to accept the plan and is not being paid in full under the plan, that the plan be fair and equitable and not discriminate unfairly, as to such class. Thus, if any impaired Class under the Plan does not vote in favor of the Plan, the Debtors

may request the Bankruptcy Court to nevertheless confirm the Plan which the Bankruptcy Court may do if it makes the foregoing findings.

In a plan such as the Plan proposed by Debtors, for the Bankruptcy Court to find that it is fair and equitable, the Bankruptcy Court must find the holders of Allowed Secured Claims retain liens securing such claims and each holder of such claim receive deferred cash payments totaling at least the value of such Allowed Secured Claim as of the Effective Date of the Plan. For Allowed Unsecured Claims, the Debtors may retain interests in property even though the Plan provides that holders of Allowed Unsecured Claims receive or retain less than the value of such claims.

The Plan is fair and equitable to the holders of Allowed Secured Claims because they will retain their liens and receive deferred cash payments equal to the value of their collateral pursuant to § 1129(b)(2)(a)(i). The Plan also provides such claimants with indubitable equivalent of their claims pursuant to § 1129(b)(2)(a)(iii).

The Plan is fair and equitable to the holders of Allowed Unsecured Claims under § 1129(b)(2)(b) because they will receive more under the Plan than they would receive in liquidation under chapter 7 of the Bankruptcy Code which would be zero. See Section 5.9, below.

Summary of Retained Debt. Debtors' payments of their post-Petition obligations are all current. As Debtors have remained current on their post-Petition obligations, they anticipate no change in their ability to continue to timely pay their post-Petition obligations and payment of their post-Petition obligations should not impact their ability to make payments the Class One, Two, Five, Six and Eight Claimants or distributions on Administrative Claims and Priority Tax Claims. Payment of their post-Petition Operating Claims, Classes One, Two, Five, Six and Eight, Priority Tax Claims and Administrative Claims are included in calculating Debtors' projected Net Cash, Exhibit 6.

Based on the foregoing, Debtors submit that the Plan is feasible and will result in a greater distribution to all Classes of Creditors than a liquidation of their assets, which results of liquidation are discussed in Section 5.9, below.

5.9 Tax Consequences of the Plan.

It is anticipated that consummation of the Chapter 11 Plan and the continued operation of Debtors will not have any negative tax consequences for the Debtors. As Creditors' claims are being compromised and not paid in full, Debtors will realize discharge of indebtedness income. Internal Revenue Code Section 108(b) requires that, to the extent of such discharge of indebtedness income in a Chapter 11 case, tax attributes (basis) be reduced accordingly, first, by reduction of net operating losses and capital losses, and second, a reduction in basis of the taxpayer in certain property. The Internal Revenue Code further provides that, after discharge of indebtedness income has been so applied to net operating loss and basis reduction, any remaining income from discharge of indebtedness is not taxable if realized under a Chapter 11 plan. Thus, Debtors do not anticipate income tax consequences that would affect distribution on Allowed Claims under the Plan.

5.10 Chapter 7 Liquidation Analysis.

Debtors believe that the Plan affords their Creditors the opportunity for the greatest realization and, therefore, is in the best interest of their Creditors.

Under the Bankruptcy Code, Confirmation of the Plan requires that each Creditor in an impaired Class either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the amount such Creditor would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. This “best interests of creditors” test is set forth in Section 1129(a)(7) of the Bankruptcy Code. This analysis compares the amount that each impaired Class of Creditors would receive if the Debtors were liquidated in a hypothetical proceeding under Chapter 7 of the Bankruptcy Code if the Confirmation Order is not entered, against the amount each impaired Class will receive or retain under the Plan if the Confirmation Order is entered. Thus, the present value of distribution from proceeds of a hypothetical liquidation of the assets of a Debtor after subtracting all costs of such liquidation and Chapter 7 administration expenses and giving effect to additional claims arising from conversion of the case to a Chapter 7 proceeding is compared with the present value of the consideration offered to each Class of Creditors under the Plan.

The cost of liquidation of Debtors assets in a Chapter 7 proceeding would include (1) fees payable to the Trustee appointed in the Chapter 7 case, (2) fees payable to professional persons employed by the Trustee, including attorneys and accountants, and (3) costs of sale of assets, including fees and commissions of auctioneers or other sales agents and advertising costs. In a Chapter 7 proceeding, application of the absolute priority rule will require: first, the Allowed Claims of Secured Creditors to be paid in full (to the extent of the value of the collateral); second, the costs and expenses of the Chapter 7 proceeding be paid in full; third, the presently unpaid costs and expenses of the Chapter 11 proceeding be paid in full, including unpaid fees of the attorneys and other professionals retained by Debtors in the Chapter 11 Case, and taxes and current operating expenses unpaid by Debtors. These payments are made in the above order and in full before any distribution may be made on Allowed Unsecured Claims, including any deficiency Claim to the extent the collateral is not sufficient to pay costs of sale and the Allowed Claim of such secured Creditor in full. In the event proceeds of assets are insufficient to pay all members of a class in full, then distribution in a Chapter 7 proceeding would be made to each member of the class Pro-Rata. Conversion of Debtors’ Chapter 11 case to a Chapter 7 proceeding may cause an increase in Allowed Claims entitled to distribution.

All of Debtors significant assets are secured by liens of the Class One through Class Eight Creditors. Specifically, Exhibit 4 shows that there is no equity in any of the rental properties owned by the Debtors. Exhibit 4 shows the deficiency amount as to each property based on the mortgage balance and the value of each property as listed with the property valuation administrator. Because each property lacks equity, the indebtedness secured by the properties in Classes One, Two, Five and Six will, under the Plan, have the debt bifurcated into secured and unsecured debt. Therefore, because the lack of equity in these rental properties, Debtors believe that these assets would be abandoned by a Chapter 7 Trustee to the creditors holding liens thereon.

The Debtors are of the opinion that their assets would liquidate close to these values which, in the Debtors' opinion, is the fair market value of their assets. The Debtors are of the opinion that, after the cost of liquidation of these assets, and that there would be NO distribution to unsecured creditors in a Chapter 7 Case. The Debtors personal property assets are exempt or without value.

The Debtors' Schedules report three entities which as of the Petition Date the Debtors believed their interest therein held equity: 50% interest in Roland-Royce, LLC (which owns 2 rundown properties) of \$12,788.74; 100% interest in Roland Properties, LLC (which owns property subject to mortgage to Forcht Bank on which the mortgage payments are in arrears and owes real property taxes for three years) of \$14,629.14, this property is now subject to foreclosure by Forcht Bank; and 100% interest in Themis Properties, LLC (which owns property which is underwater by approximately \$70,000) of \$20,000, however, this interest has no value. Were these interests to be liquidated in a Chapter 7 case, cost of such liquidation and of administration of such Chapter 7 case would significantly reduce the net proceeds thereof available for distribution to creditors.

Thus, when added to the above cash balances on Debtors' June, 2016 Operating Report, such funds received in a Chapter 7 case for liquidation of the Debtors' interest in these LLCs, after paying costs of liquidation and Chapter 7 expenses of administration, would be distributed, first to Debtors' on their allowed exemptions, then prorata to unpaid expenses of the Debtors' Chapter 11 case listed on Exhibit 2 in the estimated amount of \$130,000, and then on priority tax claims listed on Exhibit 3 in the amount of \$24,553.55. Therefore there would be no funds in a chapter 7 case for distribution to unsecured creditors listed on Exhibit 5.

After considering the effect that a Chapter 7 liquidation would have on the value of the assets of the Debtors, that all of their assets are fully encumbered by liens, and considering the increased costs of a Chapter 7 liquidation discussed above, Debtors believe that no unsecured creditor will receive any distribution in a chapter 7 proceeding. UNDER THE PLAN, EVERY CLASS OF CLAIMS WILL RECEIVE DISTRIBUTIONS THAT HAVE A GREATER PRESENT VALUE THAN THE DISTRIBUTIONS SUCH CLASSES WOULD RECEIVE IN A CHAPTER 7 LIQUIDATION.

5.11 Alternatives to the Plan.

In evaluating the Plan, alternatives to the Plan should be considered. They include: (i) liquidation of the assets of the Debtors under Chapter 7 of the Bankruptcy Code, discussed above, (ii) an alternative Chapter 11 Plan as explained below, (iii) the appointment of a Chapter 11 Trustee, or (iv) dismissal of the Chapter 11 Case.

5.11.1 Alternative Chapter 11 Plan.

If the Plan is not confirmed, the Debtors, or any other party in interest, may attempt to formulate an alternative chapter 11 plan which might provide for the operation or liquidation of the Assets other than as provided by the Plan. However, since the Assets of the Debtors will continue to be used by the Debtors in the operation of its business under the Plan and the Plan provides for the payment to all creditors in all Classes, Debtors believe that any alternative

chapter 11 plan would unnecessarily delay creditors' receipt of distributions and cause the incurrence of additional administrative expenses during such period of delay. Accordingly, Debtors believe that the Plan will enable all creditors to realize the greatest possible recovery on their respective Claims with the least delay.

5.11.2 Appointment of Chapter 11 Trustee.

As an alternative to a Plan by the Debtors, the Bankruptcy Court could order the appointment of a Chapter 11 Trustee. If the Bankruptcy Court were to appoint a Chapter 11 Trustee, the fees of such Trustee, and professionals hired by such Trustee, such as attorneys and accountants, would be expenses of administration that would have to be paid in full before unsecured Creditors are unpaid. The Chapter 11 Trustee could determine to liquidate the assets of the Debtors, with the same expenses and risks of a Chapter 7 Trustee, as discussed in Section 5.8 above. Alternatively, a Chapter 11 Trustee could propose an alternative plan with the same delays as discussed in Section 5.10.1 above.

5.11.3 Dismissal of the Chapter 11 Case.

Another alternative to the Plan is dismissal of the Chapter 11 Case. Dismissal of the Chapter 11 Case, in all probability, would result in inequitable recovery by Creditors. Upon dismissal, the protection of the Bankruptcy Code would be lost, thereby relegating the assets of the Debtors to the rights and remedies of Creditors racing to judicial forums to obtain and enforce collection of judgments, and foreclosure of liens, against assets of the Debtors. Creditors could reasonably expect unsecured Creditors to file suits and obtain judgments, and such judgment creditors to take collection actions against the assets of Debtors which could reasonably result in the interference with or cessation of the operations of the Debtors. Any such collection efforts which result in the sale or other liquidation of the Debtors' assets could reasonably be anticipated to bring far less than if the business were sold as a whole, and to interfere with the Debtors' ability and intention to continue operating their business in a profitable manner. Debtors believe that dismissal of the Chapter 11 Case may result in no recovery for its Creditors, other than Secured Creditors enforcing their respective liens.

Debtors believe that Confirmation of their proposed Plan is preferable to the alternatives described above because the Plan provides holders of Allowed Claims in all Classes a reliable opportunity to realize payment on their Claims.

SECTION 6

OTHER PROVISIONS OF THE PLAN

6.1 Effect Prior to Effective Date.

The Plan provides that neither the filing of the Plan nor any statement or provision therein, nor the taking of any action, election or vote by any Creditor with respect to the Plan, shall be deemed an admission against interest by any party. Further, until the Effective Date, such will not be deemed a waiver or release of any rights which any Creditor may have.

6.2 Revocation of Plan.

The Plan reserves the right of Debtors to withdraw the Plan at any time prior to Confirmation.

6.3 Modification of Plan.

The Plan contains provisions for modification of the Plan at any time prior to Confirmation and provides that the Plan may be modified at any time after the Confirmation Date and before Consummation in accordance with the provisions of the Bankruptcy Code. The Plan provides that such modification may be made without notice to or further vote of Creditors provided that such modification does not materially or adversely affect the interest of such Creditors and that all such Creditors that have accepted or rejected the Plan shall be deemed to have accepted or rejected the Plan as modified.

6.4 Deletion of Classes.

The Plan provides that a Class which does not contain an Allowed Claim as of the date of commencement of the confirmation hearing shall be deemed deleted.

6.5 Confirmation Without Acceptance by All Impaired Classes.

If the required vote of Creditors for acceptance of the Plan as discussed in Section 1.2.1 of this Disclosure Statement is not obtained, the Debtor has requested in the Plan that the Court, nevertheless, confirm the Plan pursuant to the provisions of § 1129(b) of the Bankruptcy Code. The Bankruptcy Code provides that in the event any impaired Class or Classes reject the Plan, as long as one impaired Class has accepted the Plan (without counting the vote of any insiders in such Class), the Debtors may, pursuant to the provision of § 1129(b) of the Bankruptcy Code, obtain Confirmation of the Plan if the Bankruptcy Court finds that the Plan does not “discriminate unfairly” and is “fair and equitable” (as those terms are defined in § 1129(b) of the Bankruptcy Code) with respect to each Class that does not vote to accept the Plan.

SECTION 7

**CONSIDERATION OF AND VOTING UPON
THE PLAN OF REORGANIZATION**

7.1 Consideration.

Creditors are encouraged to read the accompanying Plan of Reorganization and this Disclosure Statement in full and are urged to consult with counsel, and each other, and with the Debtors and their counsel, in order to fully understand the Plan and in order to make an informed judgment and exercise an informed vote on the Plan.

7.2 Voting.

Each Creditor's attention is drawn to the time limitation set forth in the "Ballot for Acceptance or Rejection the Plan," to which strict compliance must be adhered in return of that ballot. Each Creditor holder is encouraged to vote its ballot within the time set forth thereon.

7.3 Debtors' Recommendation of Acceptance.

Debtors propose this Plan of Reorganization based on their firm belief that it offers an opportunity for payment to Creditors that is significantly greater than any other alternative. Debtors recommend that each Creditor holder vote to **accept** the Plan.

Gary D. Roland

/s/ Gary D. Roland

Renée A. Roland

/s/ Renée A. Roland