

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
LEXINGTON DIVISION

IN RE:

JOHN GATEWOOD SHARPE
SHAWNA MCCLAIN SHARPE

CASE NO. 16-51524
CHAPTER 11

DEBTORS IN POSSESSION

**DISCLOSURE STATEMENT FOR DEBTORS'
PLAN OF REORGANIZATION AND PARTIAL LIQUIDATION UNDER CHAPTER 11
OF THE UNITED STATES BANKRUPTCY CODE**

Respectfully submitted,

DELCOTTO LAW GROUP PLLC

/s/ Jamie L. Harris

KY Bar No. 91387

200 North Upper Street

Lexington, KY 40507

Telephone: (859) 231-5800

Facsimile: (859) 281-1179

jharris@dlgfirm.com

COUNSEL FOR DEBTORS AND
DEBTORS IN POSSESSION

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DISCLOSURE STATEMENT

DISCLAIMER

All Creditors are advised and encouraged to read this Disclosure Statement and the Plan in their entirety. Plan summaries and statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan, any exhibits, and the Disclosure Statement as a whole.

This Disclosure Statement has been prepared in accordance with 11 U.S.C. § 1125 and Fed. R. Bankr. P. 3016(b). This Disclosure Statement was prepared to provide holders of Claims with “adequate information” (as defined in the Bankruptcy Code) so that they can make an informed judgment about the Plan.

As to contested matters, adversary proceedings, and other actions or threatened actions, this Disclosure Statement shall not constitute nor be construed as an admission of any fact or liability, stipulation, or waiver, but rather as a statement made in settlement negotiations.

The information contained in this Disclosure Statement is included herein for the purpose of soliciting acceptances of the Plan and may not be relied upon for any purpose other than to make a judgment with respect to, and how to vote on, the Plan.

This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding involving the Debtors and any party, nor shall it be construed to be conclusive advice on the tax or other legal effects of the Plan as to holders of Claims against the Debtors; provided, however, that in the event the Debtors default under the Plan, the Disclosure Statement may be admissible in a proceeding relating to such default for the purpose of establishing the existence of such default.

THE REPRESENTATIONS IN THIS DISCLOSURE STATEMENT ARE THOSE OF THE DEBTORS. NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN OTHER THAN AS CONTAINED IN THIS DOCUMENT SHOULD NOT BE RELIED UPON BY ANY PERSON. NO INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PREPARED BY AN INDEPENDENT PUBLIC ACCOUNTANT TO THE KNOWLEDGE OF THE DEBTORS.

NEITHER THE PLAN NOR THIS DISCLOSURE STATEMENT HAS BEEN DESIGNED TO FORECAST CONSEQUENCES WHICH FOLLOW FROM A GENERAL REJECTION OF THE PLAN, ALTHOUGH AN ATTEMPT IS MADE TO STATE THE CONSEQUENCES OF A LIQUIDATION OF THE DEBTORS. THE DEBTORS ARE REPRESENTED BY THE LAW FIRM OF DELCOTTO LAW GROUP PLLC, 200 NORTH UPPER STREET, LEXINGTON, KENTUCKY 40507 WHICH HAS

NOT EXPRESSED AN OPINION ON ANY INFORMATION SET FORTH HEREIN. THE LAW FIRM OF DELCOTTO LAW GROUP PLLC HAS NO ACTUAL KNOWLEDGE OF ANY INFORMATION WHICH WOULD CONFLICT WITH THE INFORMATION SET FORTH HEREIN.

I. INTRODUCTION AND NOTICE TO HOLDERS OF CLAIM

John Gatewood Sharpe and Shawna McClain Sharpe, as debtors and debtors in possession in the above-captioned case (the “Debtors” and/or “Debtors in possession”), provide this Disclosure Statement to all known Creditors in order to disclose information deemed by the Debtors to be material, important and necessary to Creditors to arrive at a reasonably informed decision in exercising rights to vote on the Plan of Reorganization and Partial Liquidation (the “Plan”) filed herewith by the Debtors. A copy of the Plan accompanies this Disclosure Statement and you are urged to refer to the Plan when reading the Disclosure Statement. THE PROVISIONS CONTAINED IN THE PLAN CONTROL OVER ANY STATEMENTS IN THIS DISCLOSURE STATEMENT.

You should read this Disclosure Statement before voting on the Plan. As a Creditor your vote is important. The Plan will be confirmed by the Bankruptcy Court if it is accepted by the holders of two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Creditors’ Claims in each class voting on the Plan. However, the provisions of 11 U.S.C. § 1129(b) may be invoked by the Debtors if necessary in order to obtain confirmation of the Plan. These provisions permit confirmation even though a class or classes reject the Plan if the Bankruptcy Court finds that the Plan provides fair and equitable treatment for the rejecting class.

By separate order of the Bankruptcy Court, this Disclosure Statement was approved and held to contain adequate information sufficient to enable holders of Claims to make an informed judgment whether to accept or reject the Plan. Whether or not you expect to be present at the Confirmation Hearing, you are urged to fill in, date, sign, and promptly return the ballot.

Holders of Claims in a class that is impaired may vote to accept or reject the Plan by completing and delivering or transmitting their ballots to the Attorneys for the Debtors, DelCotto Law Group PLLC, 200 North Upper Street, Lexington, Kentucky 40507, telephone (859) 231-5800, fax (859) 281-1179, email: jharris@dlgfirm.com, Attention: Jamie L. Harris. **Only ballots received on or before a deadline set by separate Court order will be counted in determining whether a class has accepted or rejected the Plan.**

II. DEFINITIONS

All capitalized terms used herein and not otherwise specifically defined shall have the meanings given to them in the Plan. As used in this Disclosure Statement, any other terms defined in the Bankruptcy Code shall have the meanings given to them in the Bankruptcy Code, unless the context clearly requires otherwise.

III. GENERAL INFORMATION AND DESCRIPTION

A. HISTORICAL BACKGROUND AND DESCRIPTION OF DEBTORS' FARMING OPERATIONS AND EMPLOYMENT

The Debtors are husband and wife, have been married since March 31, 1984, and reside in Boyle County, Kentucky. Mr. Sharpe is a 1979 graduate from the University of Kentucky with a bachelor's in agriculture science. Mrs. Sharpe is a 1983 graduate from Eastern Kentucky University with a bachelor of science degree in Health Information Management.

The Debtors own two properties in Kentucky, their residence located at 795 Waterworks Road, Danville, Kentucky and a farm with over 250+ acres located in Scott County (the "Farm"). Historically, the farming operation was only tobacco; however now produce is grown on the Farm.

B. PRINCIPAL FACTORS LEADING TO THE BANKRUPTCY FILING

The Debtors have been in litigation over a disputed mortgage on an attempted farm purchase for several years and have had to expend funds to defend themselves in court. Central Bank, first position holder on the debtor's real estate denied the Debtors' request for capital to be used for their farm operation and legal services. Central Bank's reluctance to respond and engage the Debtors with a worthy and considerate course in credits toward their assets allowed for loss of validity in court and allowed the bank to seek foreclosure against the Debtors. The Debtors' assets controlled by Central Bank, created a prejudice and discriminate nature and limited the Debtors' abilities to protect and operate their businesses. Thus, they seek protection under Chapter 11 of the United States Bankruptcy Code in order to formulate a plan of restructuring in an effort to maximize values of assets as well as recoveries to creditors and other parties in interest.

C. SUMMARY OF ASSETS AND LIABILITIES

The following is a summary of the Debtors' primary Assets and Liabilities according to the Debtors' books and records and their Bankruptcy Schedules and the events subsequent to the Petition Date. THIS SUMMARY DOES NOT TAKE INTO CONSIDERATION ALL OF THE PROOFS OF CLAIM FILED HEREIN NOR CLAIMS FOR LEASE OR CONTRACT REJECTION DAMAGES. THE ASSET VALUES CONTAINED HEREIN AND/OR IN DEBTORS' SCHEDULES ARE BASED ON DEBTORS' BEST ESTIMATES OF MARKET VALUES, AND MAY NOT AND IN ALL LIKELIHOOD DO NOT ACCURATELY REFLECT LIQUIDATION VALUES OR WHAT MAY ULTIMATELY BE ACHIEVED FOR THESE ASSETS. HOLDERS OF CLAIMS ARE ENCOURAGED TO REVIEW THE

SCHEDULES FOR A COMPLETE LISTING OF THE DEBTORS' ASSETS AND LIABILITIES.

SUMMARY OF PRIMARY ASSETS

Debtors' assets as of the Petition Date totaled \$1,587,809.50 which include the following: (a) real property located in Scott and Boyle Counties collectively valued at \$1,291,000; (b) shares of bank stock valued at \$300; (c) cash and checking accounts valued at \$10,183.62; (d) household goods valued at \$10,235; (e) crops valued at \$148,000; (f) farm equipment valued at \$80,000; (g) vehicles valued at \$10,700; (h) farm supplies valued at \$1,750 (i) insurance policies with no cash value at \$1.00; (j) insurance claim valued at \$18,000 (k) retirement accounts at \$17,639.88 and (l) potential lender liability claims at unknown value.

SUMMARY OF LIABILITIES

The Debtors' liabilities as of the Petition Date totaled \$1,412,775.72, which include (a) Secured Claims totaling \$1,276,306.35; and (b) Unsecured Claims totaling \$136,419.17.

D. SIGNIFICANT EVENTS OCCURRING DURING PENDENCY OF CHAPTER 11 CASE

1. Final Cash Collateral Orders. The Debtors filed a Motion for Interim use of Cash Collateral on August 8, 2016 [Doc 11]. On August 30, 2016 this Court entered the Final Order Allowing Debtors' Use of Cash Collateral [Doc 29]. On September 22, 2016, this Court entered an Order Authorizing Use of Cash Collateral and Approving Budget [Doc 41] through December 31, 2016.

2. Retention of Professionals. Pursuant to the Order [28] entered August 30, 2016, the Debtors were authorized to employ the law firm of DelCotto Law Group PLLC ("DLG") as their counsel in the bankruptcy proceedings. No official committee of unsecured creditors was appointed in this case. Pursuant to the Order [Doc 56] dated November 10, 2016, the Debtors

were authorized to employ Paul Moore Appraisal Services, LLC as their appraiser to prepare an appraisal of their Scott County farm property in connection with a pending stay relief request by Central Bank and Trust Co.

3. Ordinary Course of Business. The Debtors have managed their affairs as Debtors in possession under the protection and supervision of the Bankruptcy Court. The Debtors have continued to operate their rental business in the ordinary course. The Debtors have filed monthly operating reports for August 4, 2016 through September 30, 2016 [Docs 44 and 45] which detail the respective monthly income and expenses. The Debtors state that due to timing of invoicing and regular payment terms-certain farm income will not be reported until paid as invoices are on 60-90 day payment terms.

4. Approval of Insider Transactions. On August, 23, 2016, the Debtors filed a Motion for an Order Approving Insider Sales and Related Transactions and Shortened Notice of Hearing [Doc 17]. On August 26, 2016, the Order Granting Debtors' Motion for an Order Approving Insider Sales and Related Transactions and Shortened Notice of Hearing [Doc 25], was entered.

5. Relief from Stay Proceedings. On October 25, 2016, Central Bank & Trust Co. filed a Motion for Relief from Stay on and Abandonment of Cane Run Farm, Craig's Lane Farm, and/or the Lewis Farm [Doc 46] alleging lack of good faith and equity in its collateral. On November 10, 2016, and Order Scheduling Evidentiary Hearing [Doc 57], was entered that set an evidentiary hearing for January 19, 2017.

IV. SUMMARY OF DEBTORS' PLAN OF REORGANIZATION AND PARTIAL LIQUIDATION

A. GENERAL SUMMARY

The Plan provides that the Reorganized Debtors will repay Allowed Secured Claims in the ordinary course through wages, farm income or sales of property. Secured Creditors will retain their liens securing their Allowed Secured Claims until payment in full or liquidation of their collateral. The Debtors shall repay Allowed Administrative Claims on or before the Effective Date or on such terms as mutually agreed between the Creditor and the Debtors. The Debtors will devote their five-year projected disposable income to pay Allowed Unsecured Claims, after payment of Allowed Administrative Claims and Allowed Priority Claims. The Reorganized Debtors have the right, but not the obligation, to seek refinancing or other methods for an early full repayment of their five-year projected disposable income after the Effective Date. The Debtors may also refinance their Allowed Secured Claims at any time without further Court approval.

B. RECOMMENDATION OF DEBTORS

The Debtors believe that the Plan is in the best interests of all their Creditors and will permit the maximum recovery possible for all classes of Claims, greater than any recovery in a Chapter 7 proceeding.

C. DESCRIPTION OF THE PLAN

1. Valuation of Secured Claims. Under 11 U.S.C. § 506, a secured creditor has a secured claim to the extent of the creditor's interest in the debtor's interest in the collateral and an unsecured claim for the balance, if any, unless the creditor, if eligible, elects to have its claim treated as fully secured. The allowed amount of the creditor's secured claim will be the lesser of value of the creditor's interest in the debtor's interest in the property as determined under § 506,

or the allowed amount of the creditor's claim. Under the Plan, the Debtors propose to allow all Secured Creditors to retain their liens in the amount equal to the lesser of the value of the property or the full amount of their claim on the Petition Date based on appraised value of real property and fair market value of personal property. If a dispute over valuation occurs with any Secured Creditor, the Debtors may request that the Court determine the value of the creditor's interest in the collateral which secures the creditor's claim.

2. Retention of Property by the Debtors. Upon confirmation, the Reorganized Debtors will retain all of the property of the estate free and clear of liens, claims, and encumbrances not expressly retained by Creditors under the Confirmed Plan. The Reorganized Debtors will have the right and power to assert any and all Causes of Action. The Debtors have listed various potential lender liability Claims against various Creditors, the Debtors reserve the right to pursue any Claim they believe has merit and any funds received from any recovery during the Plan period will go to Allowed Administrative Claims, Allowed Priority Claims, and then Allowed Unsecured Claims after the costs of litigation.

3. Parties Responsible for Implementation of the Plan. Upon confirmation, the Reorganized Debtors will be charged with administration of the Case. The Reorganized Debtors will be authorized and empowered to take such actions as are required to effectuate the Plan, including the prosecution and enforcement of Causes of Action. The Reorganized Debtors will pay all United States Trustee fees as they become due and will timely file all post-confirmation reports required by the United States Trustee's Office.

4. Post-Confirmation Liabilities of the Reorganized Debtors. The Reorganized Debtors will not have any prepetition liabilities except those expressly assumed or addressed

under the Plan. The Reorganized Debtors will be responsible for all ongoing living expenses and payments due and owing or contemplated under the Plan.

5. Executory Contracts and Leases. The Debtors reserve the right to apply to this Court at any time prior to Confirmation for authority to assume or reject any other executory contracts and unexpired leases in whole or in part as provided in 11 U.S.C. §§ 365 and 1123. All remaining executory contracts and leases for which the Debtors have not so moved on or before the Confirmation Date shall be deemed rejected as of said date (the “Rejection Date”).

6. Causes of Action. The Plan provides that the Debtors shall retain all rights of actions against others. The rights, duties and obligations of the Debtors to investigate, prosecute and collect all of the Debtors’ causes of action and pursue Avoidance Actions, shall pass to and vest in the Reorganized Debtors as of the Effective Date. Specifically, claims to be considered by the Reorganized Debtors include, but are not limited to, claims for preferential and fraudulent conveyance claims under state and federal law against all Persons. If a motion or suit has not been filed to collect, prosecute or liquidate any action within 1 year after the Effective Date, it shall be deemed abandoned. The Debtors believe that any other transfers that occurred within 90 days of the Petition Date are subject to valid defenses or are of little value. The Debtors disclose that on or about July 5, 2016, Debtors paid 6,375 for physician fees rendered said payment was not for arrears but current services so Debtors do not believe this Claim has value. Debtors also disclose that Mrs. Sharpe transferred \$50,000 from her 403(b) retirement fund to an insider entity, Homegrown Direct LLC on or about June 29, 2016. The Debtors do not believe this Claim has value due to the exempt nature of the retirement funds and any judgment against the insider entity would not be collectible due to lack of tangible assets. Notwithstanding any provision relating to their Claims under the Plan, any Creditors having received a transfer of

Estate property during the relevant look-back period of two years before the Petition Date should assume they could be subject to an Avoidance Action. The Reorganized Debtors retain the right to pursue any Claims they believe have merit. Any proceeds received from the Debtors' causes of action shall first be applied to Allowed Administrative Claims and Allowed Priority Claims and then to Unsecured Claims. The Debtors listed various potential lender liability and other Claims against various banks and other parties including Farmers National Bank Danville, Central Bank, Kentucky Bank and Joseph and Joan Lukins. Debtors reserve the right to pursue any of these Claims as well as appeal or pursue any Claims or actions related to any pending litigation.

D. SUMMARY OF TREATMENT OF UNCLASSIFIED CLAIMS

THE PLAN PROVISIONS CONTROL OVER THE FOLLOWING SUMMARY.

1. Administrative Claims. Allowed Administrative Claims shall be paid in full within 30 days of the date such claim becomes an Allowed Claim or will be paid under such other repayment terms as may be agreed upon by the Debtors and the claimant. Upon information and belief, the only known allowed administrative claims that have accrued and are unpaid are the professional fees of Debtors' counsel, which total approximately \$23,289.92 through November 20, 2016, plus such other professional fee amounts as will be incurred through the Confirmation Date. DLG is currently holding \$7,329.10 in its escrow account for its Professional Claim. The Debtors believe Professional Claims will not exceed \$40,000.00 at the Confirmation Date. The Debtors believe that all other postpetition ordinary course obligations have been paid in the ordinary course of business, or will be paid in the ordinary course before and after Confirmation. Any Allowed Administrative Claims representing obligations incurred

in the ordinary course of the Debtors' affairs will be paid by the Debtors in accordance with the terms of the particular agreement under which such administrative claims arose.

2. Bar Date. All requests for the allowance of Administrative Claims, including applications for the compensation of Professional Claims, shall be filed with the Court no later than 30 days following the Effective Date, or at such other date as the Court may otherwise order, or be forever barred.

3. Professional Claims. Post-Effective Date Professional Claims will not require Bankruptcy Court approval, and will be paid in the ordinary course post-confirmation by the Reorganized Debtors.

4. Priority Tax Claims. The Debtors believe they have no Priority Tax Claims. Commencing on the Effective Date and except as provided herein, the Allowed Priority Tax Claims will be paid through deferred equal cash payments over a period not to exceed five years from the Petition Date with interest at the rate prescribed in 11 U.S.C. § 511, until paid in full.

5. Administrative Tax Claims. Any Administrative Tax Claims will be paid when the Debtors' tax return is filed. The Debtors are current on all tax return filings to date and have paid all post-petition taxes due in the ordinary course.

6. Real Property Tax Claims. Each Allowed Real Property Tax Claim shall be paid in full upon the sale of the underlying property or through equal deferred cash payments in an aggregate amount equal to the Allowed Real Property Tax Claim over a period not to exceed five years from the Petition Date, at the applicable interest rate under state law, subject to the option of the Debtors to prepay the entire amount of any Allowed Real Property Tax Claim. Real Property Tax Claims are the Claims listed on the attached Exhibit 4 totaling \$6,026.94.

7. United States Trustee Fees. All fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930 have been paid or shall be paid on or before the Confirmation Date of the Plan. Post-Confirmation quarterly fees will continue to be paid by the Reorganized Debtors in the ordinary course as they come due.

E. SUMMARY OF TREATMENT OF CLASSIFIED CLAIMS

The following summarizes the classification and treatment of different classes of Claims under the Plan: THE PLAN CONTROLS OVER ANY SUMMARY HEREIN.

Class A-1: Allowed Secured Claim of Central Bank & Trust Co. (“Central”): Class A-1 shall consist of the Allowed Secured Claim of Central secured by a first mortgage on Craig’s Lane, Lewis and Cane Run farm property in Georgetown, Kentucky. The Class A-1 Claim shall be allowed as secured in the prepetition amount of \$804,360.36 [POC 1a] (unless the collateral appraises lower than POC amount and then shall be paid as secured according to appraisal amount or such amount as may be agreed between Creditor and Debtors) and shall be paid in annual installment payments at 4.25% interest amortized over thirty years with payments commencing November 1, 2017 and due November 1st of each subsequent year. The Class A-1 Claimant shall also receive payments upon liquidation of its collateral in accordance with the sale procedures in the Plan. After receipt of any sale proceeds, the annual payments shall be recalculated according to the new loan balance if any sums are still due. The Class A-1 Claimant shall retain its lien securing the Class A-1 Claim until paid pursuant to the terms hereof. The Class A-1 Claim is Impaired.

Class A-2: Allowed Secured Claim of Kentucky Bank: Class A-2 shall consist of the Allowed Secured Claim of Kentucky Bank secured by a judgment lien on property in Boyle and Scott County, Kentucky and a mortgage on farm property in Scott County, Kentucky. The Class A-2 Claim shall be allowed as secured in the prepetition amount of \$100,186.31 [POC 4a] (unless the collateral appraises lower than POC amount and then shall be paid as secured according to appraisal amount or such amount as may be agreed between Creditor and Debtors) and shall be paid in annual installments payments at 4.25 % interest amortized over thirty years with payments commencing November 1, 2017 and due November 1st of each subsequent year. The Class A-2 Claimant shall also receive payments upon liquidation of its collateral in accordance with the sale procedures in the Plan. After receipt of any sale proceeds, the annual payments shall be recalculated according to the new loan balance if any sums are still due. The Class A-2 Claimant shall retain its lien securing the Class A-2 Claim until paid pursuant to the terms hereof. The Class A-2 Claim is Impaired.

Class A-3: Allowed Secured Claim of Central Kentucky: Class A-3 shall consist of the Allowed Secured Claim of Central Kentucky secured by a first mortgage on 795

Waterworks, Road, Danville, Kentucky 40422. The Class A-3 Claim shall be allowed in the prepetition amount of \$181,952.77 [POC 2] and shall be paid in accordance with the terms of the existing note. The Class A-3 claimant shall retain its lien securing the Class A-3 Claim until paid pursuant to the terms hereof. The Class A-3 Claim is not Impaired.

Class A-4: Disputed Secured Claim of Farmers: Class A-4 shall consist of the Allowed Secured Claim of Farmers secured by a UCC-1 filing on farm equipment valued at \$31,550. The Class A-4 Claim shall be temporarily allowed for Plan payment purposes in the secured amount of \$31,550.00. The Class A-4 Claim shall be deemed secured to the extent of the fair market value of the property secured by the UCC-1 (excluding farm property subject to the UCC-1 filing of Bluegrass) and paid in quarterly installment payments at 4.25% interest amortized over twenty years with a balloon payment due 10 years after the Effective Date with payments commencing within thirty days of end of first quarter 2017 and due thirty days following end of each quarter. Debtors reserve any defenses to the Claim and the right to pursue or appeal any state court ruling, judgment or orders regarding the Class A-4 Claim and reserve all potential Claims against the Class A-4 Claimant and the allowed Claim amount may be reduced or altered by further court order if the Debtors elect to pursue and/or appeal. The Class A-4 Claim shall be paid as a Class B Unsecured Claim in the allowed amount of \$157,505.49. The Class A-4 Claim is Impaired.

Class A-5: Disputed Secured Claim of Lukins: Class A-5 shall consist of the Allowed Secured Claim of Lukins secured by a second mortgage on Scott County farm property. The Class A-5 Claim shall be temporarily allowed as secured for purposes of Plan payments in the prepetition amount of \$116,146.22 [POC 7] (unless the collateral appraises lower than POC amount and then shall be paid as secured according to appraisal amount or such amount as may be agreed between Creditor and Debtors) and shall be paid in annual installment payments at 4.25% interest amortized over thirty years with payments commencing November 1, 2017 and due November 1st of each subsequent year. Debtors reserve any defenses to the Claim and the right to appeal any state court ruling, judgment or orders regarding the Class A-5 Claim and reserve all potential Claims against the Class A-5 Claimant and the allowed Claim amount may be reduced or altered by further court order if the Debtors elect to appeal. The Class A-5 Claimant shall also receive payments upon liquidation of its collateral in accordance with the sale procedures in the Plan. After receipt of any sale proceeds, the annual payments shall be recalculated according to the new loan balance if any sums are still due. The Class A-5 Claimant shall retain its lien securing the Class A-5 Claim until paid pursuant to the terms hereof. The Class A-5 Claim is not Impaired.

Class A-6: Allowed Secured Claims of Bluegrass: Class A-6 shall consist of the Allowed Secured Claim of Bluegrass secured by a lien on a 2007 Lexus. The Class A-6 Claim shall be allowed in the prepetition amount of \$ 8,648 and shall be paid according to the terms of its contract with the Debtors. The Class A-6 claimant shall retain its lien securing the Class A-6 Claim until paid pursuant to the terms hereof. The Class A-6 Claim is not Impaired.

Class A-7: Allowed Secured Claim of Bluegrass: Class A-7 shall consist of the Allowed Secured Claim of Bluegrass secured by a UCC-1 on farm equipment/machinery. The Debtors believe that the fair market value of the property is \$50,200. The Class A-7 Claim shall

be allowed in the secured amount of \$50,200.00. The Class A-4 Claim shall be deemed secured to the extent of the fair market value of the property and paid in quarterly installment payments at 4.25% interest amortized over twenty years with a balloon payment due 10 years after the Effective Date with payments commencing within thirty days of end of first quarter 2017 and due thirty days following end of each quarter. Any Deficiency Claim shall be paid as a Class B Unsecured Claim in the estimated allowed amount of \$7,700.00. The Class A-4 Claim is Impaired.

Class A-8: Allowed Secured Claim of Ephraim McDowell: Class A-8 shall consist of the Allowed Secured Claim of Ephraim McDowell secured by a judgment lien on real property located in Danville, Kentucky. The Class A-8 Claim shall be allowed in the Secured amount of \$270 based on value of real property and consideration of prior liens and will be paid within 90 days of Effective Date. Any Deficiency Claim shall be paid as a Class B Unsecured Claim. The judgment lien shall be released within 30 days of payment of the \$270.00. If Class A-8 Creditor fails to release its judgment lien, the Debtors or their representatives may release the lien. The Class A-8 Claim is Impaired.

Class B: Allowed Unsecured Claims: Class B shall consist of the Allowed Unsecured Claims against the Debtors other than Secured Claims, unclassified Claims, and Priority Claims. Each holder of an Allowed Claim in Class B shall receive its distribution equal to its *pro rata* share of funds remaining from the Debtors' projected disposable income for the five-year period following the Confirmation Date, after satisfaction of any Allowed Administrative and Allowed Priority Claims. Such distributions will be paid on an annual basis, on or before November 30th of each successive year. The Debtors may also elect to, but are not obligated to, provide Unsecured Creditors with a prepayment option in the event financing becomes available (this would allow the five-year projected disposable income to be prepaid any time prior to the conclusion of the five-year term of the Plan). Class B is Impaired. The Debtors' total projected disposable income is approximately \$137,352.05 as set forth in more detail on Exhibit 1. Class B Claims are listed on Exhibit 3 and currently total an estimated \$191,279.66.

F. PROVISIONS APPLICABLE TO ALL CLAIMS

1. **Satisfaction of Claims.** The payments, distributions and other treatment provided in respect to each Allowed Claim in the Plan shall be in complete satisfaction of such Allowed Claim, and the claim shall be discharged at the completion of all payments due under the Plan term in accordance with 11 U.S.C. § 1141(a)(5). Notwithstanding any other provision of the Plan specifying a date or time for payment, no payment shall be made on any portion of a Claim which is disputed, unliquidated, contingent or subject to objection until such Claim becomes an

Allowed Claim, whereupon it shall be paid pursuant to the terms of the Plan, unless the Plan specifies otherwise.

2. Injunction. Except as otherwise provided in the Confirmation Order and in Section 5.10.1 of the Plan, the entry of the Confirmation Order shall constitute an injunction against all Persons from taking any actions to commence or continue any action or proceeding that arose before the Effective Date against or affecting the Debtors, the Estate or the Assets, so long as the Reorganized Debtors are in compliance with the Plan provisions.

3. Objections. Unless otherwise ordered by the Bankruptcy Court, all objections to Claims, including determinations regarding the secured status of any claim, shall be filed on or before 60 days following the Effective Date, or 30 days following the filing of any Claim, whichever is later, without prejudice to the extension of such period upon proper application therefor. Notwithstanding this provision and as set forth in the Plan, the Debtors may seek to appeal or continue any pending state court or other litigation which may affect the Claim amount.

4. Procedure for Contingent and Unliquidated Claims. Creditors holding contingent or unliquidated claims shall have 30 days from the Confirmation Date to file a motion or adversary action with the Court to have their Claim allowed. Upon the allowance of a contingent or unliquidated claim, it shall be entitled to distribution under the Plan consistent with the treatment of other Claims in the Class in which the contingent or unliquidated claim is ultimately allowed. The contingent or unliquidated Claim of any Creditor who fails to initiate timely action pursuant to this provision for the allowance of its Claim shall have its Claim disallowed and be forever barred from seeking any recovery from the Reorganized Debtors, the Estate or the Assets.

G. PLAN IMPLEMENTATION

1. Means of Implementation. The Debtors will continue to operate post-Confirmation as Reorganized Debtors in the ordinary course of business, and they expect to receive ongoing income from their farm operations, property sales/leasing and salary. Attached as Exhibit 1 and Exhibit 1A (“Farm Income”) is the projected income and expenses of the Debtors over a five-year period. These figures are projections only and the Debtors do not warrant that Creditors will receive the exact amount of disposable income listed in Exhibit 1. The Debtors will commit all disposable income to the Plan unless an early payout option of projected disposable income is chosen. The Plan will be funded from income from the post-Confirmation farm operations, sales, and salary of the Reorganized Debtors in the ordinary course of business.

2. Calculation of Projected Disposable Income. As used herein for Plan purposes, the projected disposable income of the Debtors has been calculated by making a reserve for payments on account of Allowed Secured Claims, Allowed Administrative Claims, and Allowed Priority Claims and the living expenses of the Debtors. Such sums as may be remaining after the payment of such Claims and expenses represent the Debtors’ projected disposable income. The Reorganized Debtors will fund the Plan payments with the projected disposable income of the Estate over five years in accordance with 11 U.S.C. §§ 1115 and 1129(a)(15)(B). The Debtors’ projections attached hereto as Exhibit 1 project that the total five-year disposable income of the Debtors is \$137,352.05. At the Debtors’ election, if additional funding sources become available, the Debtors may opt to prepay their projected disposable income. The Reorganized Debtors shall maintain a separate account for their projected disposable income and Unsecured Creditors shall be paid from that segregated account.

3. Farm Income. As set forth in more detail in Exhibit 1A, Debtors sell various crops including but not limited to bell peppers, tomatoes, broccoli, and cucumbers. Debtors have attached various sheets as Exhibit 1A indicating sale and expense assumptions.

4. Projected Disposable Income and Liquidation. The requirement to pay projected disposable income over five years pursuant to 11 U.S.C. § 1129(a)(15) is only applicable if an Unsecured Creditor with an Allowed Claim objects to the Plan. It is unknown whether any Unsecured Creditor will object. However, the Debtors have evidenced their good faith in proposing to pay their projected disposable income amount regardless of whether any Unsecured Creditor objects. The Debtors' projected disposable income under the Plan exceeds the amount that Unsecured Creditors might have received had the Debtors elected to file a Chapter 7 bankruptcy. *See Exhibit 2* for a Chapter 7 liquidation analysis.

5. Absolute Priority Exception. Since the Debtors are committing their projected disposable income to the Plan, no absolute priority issues are implicated. Amended 11 U.S.C. § 1129(b)(2)(B)(ii) creates an exception to the absolute priority rule in individual cases. Under BAPCPA, a debtor may retain postpetition earnings and property of the estate as defined under 11 U.S.C. § 1115 even when the unsecured creditors' class does not accept the plan and is not paid in full. This provision, along with the disposable income test in 11 U.S.C. § 1129(a)(15) and 11 U.S.C. § 1123(a)(8), which requires individual debtors to devote earnings and other future earnings, render the debtor's plan confirmable even when the unsecured creditors' class does not accept the plan and is not paid in full.

6. Partial Liquidation/Leasing of Real Estate Assets. The Reorganized Debtors will list, privately sell, lease or auction the following real properties (the "Properties"):

Property	Estimated Sale Proceeds	Estimated Time of Sale	Method of Sale
Sell 10 acre tract off Cane Run tract	\$11,000 per acre (\$110,000)	6 months	Realtor listing

Sell 5 acre tract with shop off of Lewis tract	\$24,000 per acre (\$120,000)	6 months to 1 year	Realtor listing
Lease 200 acres on Cane Run and Home Place annually	\$100 per acre (\$20,000 annually)	Leasing estimated to start January 2017	N/A
Sell 2-50 acre tracts Cane Run Farm to sons 250k each tract	\$500,000	Close private sale by December 31, 2018 or go to auction	Private sale then auction if necessary

6.1.1 Sale of any Property. The Debtors may accept an offer to purchase any of the Properties for an amount which will fully pay the allocated value of the Allowed Secured Claim of any Creditor with a consensual mortgage or statutory lien against said Property.

6.1.2 Auction and Credit Bidding. Any Property that is sold at public auction may be sold free and clear of all liens, claims, and encumbrances; provided, however, that a Secured Creditor or its designee shall be permitted to credit bid the amount of its Allowed Secured Claim at any public auction of a Property subject to its lien or security interest and offset the allowed amount of its Allowed Secured Claim against the purchase price of the Property. If a Secured Creditor acquires a Property via a credit bid at public auction, the Secured Creditor will be obligated to compensate the auctioneer and pay the costs of sale in accordance with the terms of the auction agreement.

6.1.3 Free and Clear. All sales or transfers made pursuant to the Plan shall be free and clear of all liens, claims, encumbrances, and other interests, with same to attach to the proceeds of sale in the same priority and extent as if to the Property itself. Allowed Secured Claims may be paid at the closing of any Property, and shall not be considered distributions pursuant to the Plan.

7. Continued Engagement of Professionals. The Reorganized Debtors shall continue the engagement of DelCotto Law Group PLLC and such other professionals as may be necessary for the purposes of rendering services in connection with implementing the Plan, resolving claims, and performing routine post-confirmation Chapter 11 administration such as final reporting and moving for entry of a discharge order for the Debtors and to have the case closed upon Plan completion. Post-Confirmation, any professional services will not require Court approval.

H. TAX CONSEQUENCES

Tax consequences resulting from confirmation of the Plan can vary greatly among the various Classes of Creditors, or within each Class. Significant tax consequences may occur as a result of confirmation of the Plan under the Internal Revenue Code and pursuant to state, local and foreign tax statutes. Because of the various tax issues involved, the differences in the nature of Claims of various Creditors, the taxpayer status and methods of accounting and prior actions taken by Creditors with respect to their Claims, as well as the possibility that events subsequent to the date hereof could change the tax consequences, this discussion is intended to be general in nature only. No specific tax consequences to any Creditor are represented, implied, or warranted. Debtors make no representations of tax consequences to Creditors and Creditors should consult their own accountants as to tax consequences to them on their Claims herein.

I. VOTING PROCEDURES

ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DETERMINED, PURSUANT TO THE BANKRUPTCY CODE, BASED UPON THE BALLOTS OF THE CREDITORS HOLDING ALLOWED CLAIMS THAT ACTUALLY VOTE ON THE PLAN. THEREFORE, IT IS IMPORTANT THAT CLAIMANTS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.

1. Classes Entitled to Vote on the Plan. All Creditors who have an Impaired Claim are entitled to vote to accept or reject the Plan. All Classes are Impaired except Classes A-3 and A-6.

2. General Provisions. Any Creditor holding a Claim that does not vote will not be counted in the percentage or number requirements for voting. A Claim that has been objected to is not an Allowed Claim unless and until the Court rules on the objection. The Court may temporarily set an amount for such an objected claim for purposes of voting on the Plan. The

allowance or disallowance of any Claim for voting purposes does not necessarily mean that all or a portion of the claim will be allowed or disallowed for distribution purposes under the Plan.

3. Requirements for Class Acceptance. As a condition of Confirmation, the Bankruptcy Code requires that each class of Claims that is Impaired vote to accept the Plan, subject to the exception of 11 U.S.C. § 1129(b), which still requires one class of Claims that is Impaired to have voted to accept the Plan. A class of Claims accepts the Plan if (i) two-thirds (2/3) of the total Allowed Claims in that class actually vote to accept the Plan and (ii) if one-half (1/2) of Creditors holding Allowed Claims in that class actually vote to accept the Plan.

4. Contested and Unliquidated Claims. Contested, disputed, contingent, and/or unliquidated Claims are not entitled to vote to accept or reject the Plan. If your Claim has been estimated for voting purposes, then you will be allowed to vote your Claim in the amount estimated by that order. If ballots are erroneously sent to a Creditor not entitled to vote, then the ballot will not be counted in the calculation of the Creditors voting to accept or reject the Plan. If you are a Creditor holding a contested or disputed claim, you may ask the Court to have your Claim temporarily allowed for the purpose of voting, pursuant to Fed. R. Bankr. P. 3018.

5. Ballots and Voting. Creditors holding Allowed Claims entitled to vote on the Plan will be sent a ballot, together with instructions for voting, with this Disclosure Statement. Creditors should read the ballot carefully and follow the instructions contained therein. In voting to accept or reject the Plan, you must use only the ballot sent to you with this Disclosure Statement. Creditors entitled to vote must complete, sign, and return their ballots to counsel for the Debtors on or before the Voting Deadline. Bankruptcy Rule 3018(a) permits a creditor, for cause, to petition the Court to permit it to change or withdraw its vote on a plan. Any such petition must be made before the Confirmation Hearing, unless otherwise permitted by the Court.

The Debtors will present the results of the voting to the Bankruptcy Court at the Confirmation Hearing.

V. CONFIRMATION OF THE PLAN/LIQUIDATION ANALYSIS

1. The Bankruptcy Court will confirm the Plan only if it finds that the Plan complies with the requirements of Chapter 11 of the Bankruptcy Code. The Debtors have asked the Bankruptcy Court to confirm their Plan, pursuant to 11 U.S.C. § 1129(b), if all the requirements for confirmation are met as set forth in 11 U.S.C. § 1129(a). Although the Debtors believe that the Plan meets the necessary requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion. The Debtors have requested that even if the Creditors do not vote in favor of the Plan, the Court nevertheless confirm the Plan pursuant to 11 U.S.C. § 1129(b) as being fair and equitable to all Creditors.

2. If the Plan is not confirmed and consummated, the alternatives include preparation and presentation of an alternative plan of reorganization or a conversion of this case to one under Chapter 7 of the Bankruptcy Code. If the Court denies confirmation, the Debtors or any other party in interest could propose a different plan. The Debtors believe such an alternative plan would result in less return to Creditors than the voluntary contribution of the Debtors' projected disposable income under the Plan. The Debtors believe not only that the Plan, as described herein, fairly adjusts the rights of various classes of Creditors and enables Creditors to realize the most possible under the circumstances, but also that rejection of the Plan in favor of some alternative arrangement will require, at the very least, an extensive and time-consuming process and will not result in a better recovery for any class.

3. The Debtors believe that Confirmation is preferable to Chapter 7 liquidation because the Plan maximizes the distributions to all classes of Creditors, and any alternative to

Confirmation would result in substantial delays and potentially lesser recoveries, as persons unfamiliar with the Assets would assume administration of the case. Pursuant to the Liquidation Analysis that is attached hereto as Exhibit 2, a Chapter 7 liquidation of the Estate may result in distributions to Unsecured Creditors in a minimal amount of \$3,083.62 as the pool amount available. Pursuant to the Plan, Unsecured Creditors will receive a projected distribution of \$137,352.05, which amount is higher than Unsecured Creditors would receive in a hypothetical Chapter 7 liquidation. This amount will be reduced if any Secured Creditors receive enhanced payments in any amended plan submitted by the Debtors.

4. For an itemization of the Debtors' projected income and expenses, see Exhibit 1 (yearly financial projections for the Plan) and Exhibit 1A (farm income). The Debtors' income projections as reflected on Exhibit 1 and Exhibit 1A are based on current and anticipated salary increases for Mrs. Sharpe and projected farm produce sales. Please note the projected disposable income amount to Unsecured Creditors is an estimate only. Household and farm expenses are based on historical and standard industry expenses. See Exhibit 1A for more detailed assumptions regarding farm income.

5. Liquidation Analysis. In order to confirm the Plan, it must be in the best interests of Creditors and equity security holders of the Debtors who are impaired by the terms of the Plan. The Plan is in the best interests of Creditors if the Creditors in an impaired class receive under the Plan at least as much as they would receive under a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code. To calculate what recovery members of each impaired class of Creditors would receive if the Assets were liquidated, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated if the Bankruptcy Case were

converted to a Chapter 7 case under the Bankruptcy Code and the Assets were liquidated by a trustee in bankruptcy (the "Liquidation Value").

6. The Liquidation Value available to Unsecured Creditors would be reduced by (i) the Claims of Secured Creditors to the extent of the value of their collateral and (ii) the costs and expenses of liquidation, as well as other administrative expenses of the Estate. The cost of liquidation under Chapter 7 would include the compensation of a trustee, as well as the expenses of counsel and other Professionals retained by the trustee; disposition expenses; all unpaid expenses incurred by the Debtors during the Bankruptcy Case (such as compensation for attorneys and accountants) which are allowed in the Chapter 7 proceeding; litigation costs; and Claims arising from the operations of the Debtors during the pendency of the Bankruptcy Case and the Chapter 7 liquidation proceedings. These prior Claims would be paid in full out of the liquidation proceeds before the balance would be made available to pay Unsecured Claims.

7. For the Debtors, the Liquidation Value would be the net proceeds realized from the disposition of all Assets and recoveries on actions against third parties, if any. In order to calculate the Liquidation Value of the Assets, the Debtors have considered reductions in market value and accounted for auction and/or closing costs as appropriate. The Debtors' opinion of the fair market value of their real property is based on consideration of market conditions, PVA values, and comparable sales. For real property other than farm property which Debtors believe could be liquidated for petition value, the Debtors have assumed a 25% (based on 20% reduction in fair market value and 5% sales commission) reduction in fair market value. In the Debtors' opinion, most farm personal property would likely be liquidated at a 40% reduction of the petition value and vehicles at a 35% reduction of the petition value.

8. As set forth in more detail in the Debtors' liquidation analysis, which is attached hereto as Exhibit 2, the Debtors have therefore determined that the percentage recoveries in Chapter 7 liquidation to Secured Creditors, Priority Creditors, and Unsecured Creditors will be less than the distributions offered each of these classes of Claims under the Plan.

VI. CONCLUSION

The materials provided in this Disclosure Statement are intended to assist you in reviewing the Plan in an informed manner. If the Plan is confirmed, you will be bound by the terms of the Plan. You are urged to study these materials and make such further inquiries as you may deem appropriate.

Dated: December 2, 2016

Respectfully submitted,

/s/ John Gatewood Sharpe
DEBTOR IN POSSESSION

/s/ Shawna McClain Sharpe
DEBTOR IN POSSESSION

Tendered by:

DELCOTTO LAW GROUP PLLC

/s/ Jamie L. Harris
KY Bar No. 91387
Jamie L. Harris, Esq.
200 North Upper Street
Lexington, KY 40507
Telephone: (859) 231-5800
Facsimile: (859) 281-1179
jharris@dlgfirm.com
COUNSEL FOR DEBTORS AND
DEBTORS IN POSSESSION