

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF KENTUCKY
LONDON DIVISION

IN RE:

HOPE INDUSTRIES, LLC

CASE NO. 18-60142
CHAPTER 11

DEBTOR IN POSSESSION

**DISCLOSURE STATEMENT FOR DEBTOR'S
PLAN OF REORGANIZATION UNDER CHAPTER 11 OF THE
UNITED STATES BANKRUPTCY CODE**

Respectfully submitted,

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Dated: June 8, 2018

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UNITED STATES BANKRUPTCY CODE**

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UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE**

Comes Hope Industries, LLC (the "Debtor"), as debtor and debtor in possession in the above-captioned bankruptcy case, and pursuant to 11 U.S.C. § 1125 and Fed. R. Bankr. P. 3016, hereby submits the following Disclosure Statement (the "Disclosure Statement") to provide holders of Claims against and Interests in the Debtor, as well as Affiliates jointly and severally obligated with the Debtor, with adequate information in order to allow them to make an informed decision regarding their rights to vote on the Debtor's proposed Plan of Reorganization (the "Plan") filed contemporaneously herewith.

ARTICLE I

PRELIMINARY STATEMENTS AND DISCLAIMERS

1.1 **Introduction.** The Debtor is seeking approval of its Plan of Reorganization. The confirmation of a plan is the overriding purpose of a Chapter 11 case. Although referred to as a "plan of reorganization," a plan may provide for anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of assets. In either event, upon confirmation of a plan, the plan becomes binding on the debtor and all of its creditors and other parties in interest, and the obligations owed by the debtor to those parties are substituted entirely for those contained in the confirmed plan. In this Bankruptcy Case,¹ the Plan contemplates a restructuring of the Debtor's and Affiliates' financial obligations related to the Debtor's properties and the Debtor's joint and several obligations in order to repay indebtedness over time, while mortgage holders and secured tax liens retain their lien claims in the same respective order of priority until repaid in full. Debtor states that the Plan will maximize the value of the ultimate recoveries of all Creditors by regular payments over time and from ordinary course refinancing and sales efforts following Debtor's exit from Chapter 11.

¹ All capitalized terms used in this Disclosure Statement and not otherwise specifically defined herein have the meanings given to them in the Plan. As used in this Disclosure Statement, any other terms defined in the United States Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.* (the "Bankruptcy Code"), shall have the meanings given to them in the Bankruptcy Code, unless the context clearly requires otherwise.

To assist all known Creditors, Interest Holders, and other parties in interest of the Debtor with their review of the Plan, the Debtor provides this Disclosure Statement to all such parties for the purpose of disclosing all information that the Debtor has deemed material, important, and necessary to the parties' ability to make a reasonably informed decision regarding their rights to vote on the Plan. By an Order of the United States Bankruptcy Court for the Eastern District of Kentucky entered on July ___, 2018 [ECF No. ___], this Disclosure Statement has been approved as containing "adequate information" in accordance with 11 U.S.C. § 1125, in order to permit it to be presented to creditors along with the Plan. The Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and the history of the debtor and the condition of the debtor's books and records . . . that would enable . . . a hypothetical investor of the relevant class to make an informed judgment about the plan" 11 U.S.C. § 1125(a)(1).

All Creditors, Interest Holders, and Parties in Interest are encouraged to read and carefully consider this entire Disclosure Statement and to refer to the Plan during their review. THE PROVISIONS CONTAINED IN THE PLAN CONTROL OVER ANY STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT.

1.2 **Debtor's Preliminary Statement.** The Debtor believes that the Plan is in the best interests of all Creditors and parties in interest. As a Creditor, your vote on the Plan is important. All Creditors entitled to vote are urged to vote in favor of the Plan. A summary of the voting instructions is set forth in Section 8.2.3 herein, and more detailed instructions are contained on the ballots distributed to each Creditor entitled to vote on the Plan. ***For your vote to be counted, your ballot must be duly completed, executed, and received by 5:00 p.m. (ET) on August ___, 2018*** (the "Voting Deadline"), unless the Voting Deadline has been extended by the Debtor in writing prior to that time or by order of the Court.

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, along with other confirmation requirements. However, the provisions of 11 U.S.C. § 1129(b) may be invoked by the Debtor if necessary in order to obtain confirmation of the Plan by "cramdown" on non-consenting parties and classes. 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.

1.3 **Disclaimers.**

1.3.1 **Legal Effect of Statements Contained Herein.** The information contained in this Disclosure Statement—including, but not limited to, the information regarding the Debtor's and third parties' history, business, and operations, the Debtor's financial information, and the Debtor's liquidation analysis—is included solely for the limited purpose of soliciting acceptances of the Plan. This information shall not be construed as an admission of any fact or liability, stipulation, or waiver by the Debtor or its Affiliates in any contested matter, adversary proceeding, or other action or threatened action involving the Debtor, but rather as statements made in the course of settlement negotiations. Further, this information shall not be admissible in any non-bankruptcy proceeding involving the Debtor or any other third parties, nor shall it be construed

to be conclusive advice on the tax or other legal effects of the Plan as to Creditors of the Debtor; provided, however, that in the event that the Debtor defaults 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.

1.3.2 **No Other Representations Authorized Except as Provided Herein.** All representations contained herein are those of the Debtor and its Affiliates as noted. No other person is authorized by the Debtor to give any information or to make any representation other than as contained in this Disclosure Statement, the Plan, and the exhibits attached thereto, incorporated by reference, or referred to therein. If any such information is given or representations are made, such information or representations *may not be relied upon* as having been authorized by the Debtor. Further, any representations or inducements made to secure acceptance of the Plan which are *other than* as contained in this Disclosure Statement *should not be relied upon* by any person.

1.3.3 **No Involvement of Independent Public Accountant.** To the Debtor's knowledge, no information contained in this Disclosure Statement has been prepared by an independent public accountant, except as may be specifically noted.

1.3.4 **Forward-Looking Statements.** This Disclosure Statement contains forward-looking statements based primarily on the current expectations of the Debtor, the Affiliates, and projections about future events and financial trends affecting the financial conditions of the Debtor's and the Affiliates' finances and businesses. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "expect," and similar expressions identify these forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in Article VII herein. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this Disclosure Statement may not occur, and actual results could differ materially from those anticipated in the forward-looking statements. The Debtor does not undertake any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, unless as expressly stated in the Plan.

1.3.5 **Effect of Representation by Counsel.** The Debtor is represented by the law firm of DelCotto Law Group PLLC, 200 North Upper Street, Lexington, Kentucky 40507. DelCotto Law Group PLLC has not expressed an opinion on any information set forth herein.

ARTICLE II

NOTICES AND DEADLINES

2.1 **Voting Deadline.** For your vote to accept or reject the Plan to be counted, you must: (1) complete all required information on the ballot; (2) execute the ballot; and (3) return the completed ballot to the Debtor's counsel at DelCotto Law Group PLLC, c/o Tresine Callahan, 200 North Upper Street, Lexington, Kentucky 40507 so that it is *received by 5:00 p.m. (ET) on the Voting Deadline, August __, 2018 by US mail, Fax to (859)-281-1179 or email to tcallahan@dlgfirm.com*. Any failure to follow the voting instructions included with the ballot or to return

a properly completed ballot so that it is received by the Voting Deadline may disqualify your ballot and your vote.

2.2 **Date of Confirmation Hearing.** A hearing to consider the confirmation of the Plan will be held before the United States Bankruptcy Court for the Eastern District of Kentucky, 100 East Vine Street, Second Floor, Lexington, Kentucky 40507, on **August __**, 2018 at the hour **of ____ a.m.** (ET). Whether or not you expect to be present at the Confirmation Hearing, you are urged to fill in, date, sign, and promptly return your ballot to the Debtor's counsel by the Voting Deadline.

2.3 **Deadline to Object to Confirmation of the Plan.** Objections, if any, to confirmation of the Plan must: (a) be in writing; (b) state the name and address of the objecting party and the nature of the Claim or Interest of the party; (c) state with particularity the basis and nature of any objection; and (d) be filed with the Court and served so that they are ***received no later than 5:00 p.m. (ET) on August __, 2018*** by the U.S. Trustee, the Debtor's counsel, and the ECF service list for this case.

2.4 **Deadline to Object to Claims.** Unless otherwise ordered by the Bankruptcy Court, all objections to Claims, including determinations regarding the secured status of any claim if not set forth in the Plan, shall be filed on or before ninety (90) days following the Effective Date, or forty five (45) days following the filing of any Claim, whichever is later (the "Claims Objection Bar Date"), without prejudice to the extension of such period upon proper application therefor. The objecting party shall serve a copy of each such objection upon the holder of the Claim in accordance with Fed. R. Bankr. P. 3007. Under the Plan, any Claim for which a timely objection is not filed shall be deemed Allowed as filed or scheduled.

2.5 **Requests for Copies of Disclosure Statement and Plan.** Requests for copies of the Disclosure Statement and the Plan, or any of the ECF filings referenced herein, by parties in interest may be made in writing to the Debtor's counsel by mail at DelCotto Law Group PLLC, c/o Tresine Callahan, 200 North Upper Street, Lexington, Kentucky 40507, by email to tcallahan@dlgfirm.com or by fax (859)281-1179. Please call Ms. Callahan or Ms. DelCotto at (859) 231-5800 with any questions.

ARTICLE III

GENERAL INFORMATION ABOUT THE DEBTOR AND ITS AFFILIATES

3.1 **Initial Formation and Background Information.** The Debtor is a single member Kentucky Limited Liability Company in good standing, formed in the Commonwealth of Kentucky on or about September 20, 2002, for the purpose of acquiring, owning, renting, maintaining and operating various commercial and residential real property interests. The sole member of the Debtor is Ms. Star Robbins Kusiak ("Ms. Kusiak"), a long time business owner and operator who now lives in London, KY.

Ms. Kusiak's primary day to day occupation is owning and operating a business which she founded, Star Robbins & Company, Inc. ("SRC"), a nationally recognized "employee benefits

enrollment” services provider, in operation for approximately 35 years. SRC was formed as a Kentucky corporation in July, 1998, after the Kusiaks returned to Kentucky, but had been in operations in Florida and then in Virginia since 1983. Ms. Kusiak is the President and the sole shareholder of SRC. Her husband, Walter Kusiak, is the Vice President. SRC is a full-service supplemental insurance and benefits consulting firm, specializing in the annual benefits enrollment and employee education process. SRC provides services at all levels, working with employers through their HR Departments, with multiple insurance brokers, and also directly with a host of insurance carriers of national prominence in all benefits areas, including health, supplemental health, dental, vision, life, etc. Ms. Kusiak and SRC have invaluable working relationships formed over a 35-year period of providing excellent service, and hold numerous accolades and awards within the industry. SRC handles, on a year-round basis, all aspects of employee benefits education, formulation of options, implementation, specialized technology for year-round benefits customer support, annual enrollment meetings, and to otherwise generally handle the core and voluntary benefits plans for employers and their covered employees. Ms. Kusiak holds the only insurance license for SRC’s services in her name individually, and is the primary broker for SRC’s business affairs. Without Ms. Kusiak’s license and ongoing day to day work and expertise, SRC could not operate.

Ms. Kusiak also owns a floral and gift shop located in downtown London, Kentucky, known as The White Lily Floral and Gifts, Inc. (the “White Lily”). The White Lily operates as a small locally owned florist and gifts shop, along with specialty hand-prepared and local food products primarily popular around holiday seasons. Ms. Kusiak is not actively involved in day to day running of the shop, but does own 100% of the shares in the White Lily and is kept generally aware of its operations and oversight. Mr. Kusiak handles most of the specialty food preparations, with examples being hand-dipped strawberries and apples, sold around major holidays such as Valentine’s Day, Easter, Mother’s Day, Halloween, Thanksgiving and Christmas.

3.2 Debtor’s Business Operations. Over the years, primarily as long term investments and as properties used in the other businesses (SRC and White Lily), Debtor purchased a number of pieces of commercial and residential real properties primarily in Laurel County, KY. At the time of the chapter 11 filing, Debtor owned and oversaw 6 commercial properties (counting the “Stockyards” as 3 multiple properties: the stockyard itself, the “rock house” and the “Dairy Dawg” drive in restaurant), 3 of which are occupied by affiliate entities, 2 rented to tenants, and one currently vacant. Debtor owns 6 residential properties, several of which are adjacent to the Kusiaks’ farm on Keavy Road in Laurel County and are rented to third parties. More detailed descriptions of each of the properties are attached to this Disclosure Statement collectively as **EXHIBIT A.**

The original indebtedness related to the original purchases had in many cases been paid down over the years in the ordinary course, and certain of the promissory notes have standard long term maturities of 15-year or longer term real property obligations, secured by standard real estate mortgages. The properties over the years since purchase have been rented and vacant at different points in time, but all within ordinary real estate business affairs. Mr. Kusiak is primarily responsible for tenant communications and property upkeep/repairs/maintenance, but does not earn any salary from the Debtor for his services. The properties which were rented at the time of

the Petition Date were all rented pursuant to expired written leases, which have been month to month tenancies for an extended time period prior to the filing.

The vast majority of all the indebtedness secured by the Debtor's assets are long-term renewals of prior obligations, and is owed jointly and severally among and between the Debtor, SRC, the Kusiaks personally, and to some minimal extent, The White Lily. Some portion of the present indebtedness was incurred by SRC during a down cycle in its business operations which followed changes in health care law on a national basis.

3.3 **Debtor's Prepetition Assets and Liabilities.** The following subsections provide an overview summary of the Debtor's primary Assets and Liabilities according to the Debtor's books and records and its bankruptcy Schedules. This summary may take into consideration any Proofs of Claim filed herein where stated. The Asset values contained herein and/or in the Debtor's Schedules are based on the Debtor's best estimates of current market values or PVA values on the Petition Date and may *not*, and in all likelihood *do not*, accurately reflect liquidation values or what value may ultimately be obtained for these Assets.² ***Holders of Claims are encouraged to review the Schedules and any Amendments for a complete listing of the Debtor's Assets and Liabilities and the Proofs of Claim filed in this case . [ECF No. 24].*** Debtor's Counsel is still working to file some additional **Amendments which are known to be needed**, but has been delayed in working through the details of the properties and claims to assure accuracy. These are anticipated to be filed and parties should check the record if they wish to review same.

3.3.1 **Overview of Debtor's Prepetition Assets.** As of the Petition Date, the Debtor estimated the approximate fair market values of its properties as set forth in the attached **EXHIBIT A** property descriptions, and the parties should review these attachments for relevant detail related to each property location. In summary, the primary assets consist of real estate assets totaling approximately \$4.4 million, being approximately \$2.8 million in commercial real properties, and approximately \$1.6 million in residential properties, as valued by the Debtor at fair market values. The total of Schedules A and B estimated by Debtor was approximately \$4.6 million, based on best estimates of fair market values as well as PVA values in some cases. The PVA values for any agricultural acreage do not accurately reflect fair market value, as it is taxed at an artificially low valuation. Some of the valuations since the filing of the original Schedules have changed based on more current market information and conditions. There are appraisals for some of the properties, and the information available to the Debtor is included in the **EXHIBIT A Descriptions**. It is believed by Debtor that the bank lenders have additional appraisals and other evidences of valuations over the years in their possession, but Debtor has not yet obtained same. Certain pleadings filed by CVNB and FNB call the Debtor's valuations into question, and these banks assert that values are lower.

3.3.2 **Overview of Debtor's Prepetition Liabilities.** As of the Petition Date, the Debtor's along with the Affiliates' estimated prepetition liabilities totaled approximately \$3.5 million, which consist of: (a) secured bank indebtedness upon which Debtor and its Affiliates are jointly and severally obligated, to different degrees, and secured by Debtor's assets totaling approximately \$3.5 million; (b) secured tax claims of approximately \$38,000, primarily being

² See Section 8.3.1 of this Disclosure Statement and Exhibit D attached hereto for the Debtor's Liquidation Analysis.

unpaid *ad valorem* tax obligations on a few of the properties; and (c) unsecured claims totaling approximately \$25,000, excluding the Kusiak claim of approximately \$30,000. In addition, as described herein and as proposed in the Plan, it is virtually impossible to separate out the Debtor's assets and liabilities without also factoring in of the additional assets and liabilities of other related Affiliates and the personal guarantees. The indebtedness is very interwoven and includes mostly joint and several obligations but not exactly identical. Debtor's assets have been pledged in certain obligations to secure indebtedness of the affiliated entity SRC or the Kusiaks, and Mr. and Mr. Kusiak are also obligated as co-signors or guarantors on all or almost all of the secured debt.

3.3.3 Additional Information about Prepetition Assets and Liabilities and Affiliated Indebtedness Issues. As is evidenced by the record including Proofs of Claim, some of the Debtor's properties serve as collateral for indebtedness of SRC, White Lily and/or Mr. and Ms. Kusiak. Some of the indebtedness may be joint and several amongst the Debtor and Affiliates, and other debt is secured by Debtor's assets but Debtor is not obligated on the debt, it only has its assets pledged to secure debt upon which it is not liable. These issues and this Affiliates indebtedness, primarily involving the banks First National Bank of London ("FNB") and Cumberland Valley National Bank ("CVNB"), are proposed to be treated in the Plan as being necessary obligations encumbering the Debtor's assets and property of the Estate which must be treated under the Plan in order for the Debtor to emerge from bankruptcy, and necessary to maximize the overall returns to Creditors for all the interwoven entities. More detail regarding the multiple notes of CVNB and FNB are described below in Sections 6.5.3 and 6.5.4 and in the Plan. As the third parties who are jointly and severally obligated on the vast majority of debt are contributing to the Plan for the joint and several treatment of all the Claims within the Plan, **the Plan also provides that in exchange for these monetary contributions within the Plan, the third parties who are contributing will be protected by an injunction from separate collection efforts against them directly for the Claims being repaid under the Plan, so long as the Plan is being performed and is not in default.**

3.4 Debtor's Postpetition Liabilities. The following is an overview summary of the Debtor's postpetition liabilities.

3.4.1 Professional Fees.

(a) **DelCotto Law Group PLLC.** As described in Section 5.2.1 herein, Debtor was authorized to employ DelCotto Law Group PLLC ("DLG") as its counsel in the Bankruptcy Case. Prior to the filing, DLG received a retainer of \$14,500, which was entirely used pre-filing to apply to pre-filing fees and expenses. After the filing, as of the date hereof, DLG has received no payments from the Debtor, any other party, or from any agreement with any secured lender. All of the Debtor's revenues constitute "rents" from Debtor's properties and are fully encumbered by mortgage liens which include assignments of rents. No secured lender has agreed to any carve-out or other use from their respective rents for any costs of administration, except for CGB, who agreed to a carve-out of \$924.75 per month for the months of May-August as a portion of an agreed cash use budget. Debtor requested approval to obtain a \$25,000 DIP Loan from SRC, a small portion of which was proposed to be used towards any finally allowed professional fees under a cash use budget. That Motion has been continued several times without

adjudication and pending objections from CVNB and FNB on the basis that they have joint and several indebtedness as well as some separate indebtedness with SRC.

DLG's fees and expenses through May 31, including the filing fee, total approximately \$115,000. The total fees and expenses to be incurred up through the Confirmation Date are unknown and subject to the extent of further actions in the case. DLG will seek approval of same as a chapter 11 administrative claim, and if the Plan is confirmed, will agree to accept payments over time as set forth in the Plan Payments Chart.

3.4.2 Ordinary Course.

A certain small dollar amount and number of postpetition ordinary course expenses may be unpaid at any given point in time, which changes on a weekly basis as rents are received and any allowed ordinary expenses paid. Operational costs vary month to month, such as varying utility costs and seasonal maintenance needs. Upon information and belief, the vast majority of ordinary course postpetition invoices have been paid in full as occurred. Any unpaid amounts at plan confirmation are expected to be *de minimis* and will be repaid in full in the ordinary course.

3.5 Current Litigation Involving the Debtor.

3.5.1 Prepetition Litigation. As of the Petition Date, the Debtor was involved in a pending state court foreclosure action, along with the other affiliated indebted parties, initiated by CVNB in September, 2017. Due to certain properties being also subject to first mortgages of FNB and CGB, those two banks were made parties in the action by CVNB as the second lienholder, and they asserted their liens therein. Community Trust Bank was not a party to the litigation as its collateral is not encumbered by CVNB. The action has been stayed as against the Debtor since the filing, but by agreement, CVNB took an agreed judgment against SRC, White Lily, Ms. Kusiak and Mr. Kusiak, on the indebtedness upon which they are obligated. Debtor was aware of this, with the added agreement that CVNB was agreeing not to take any enforcement action against any of the affiliated and jointly and severally obligated parties, except for the sale of one 30.61 acres tract of land owned by the Kusiaks. A copy of that judgment is attached to the CVNB POC No.8 and is in Case No. 17-CI-00783 in Laurel Circuit Court.

ARTICLE IV

CERTAIN EVENTS LEADING UP TO THE COMMENCEMENT OF THE DEBTOR'S CHAPTER 11 CASE

4.1 Precipitating Factors for Debtor and Affiliates. Debtor was generally able to service its real estate purchase money debt as it came due for many years, and hundreds of thousands of dollars of indebtedness has been repaid over the years to the bank lenders. However, the financial cash flow of the Debtor was in the past able to be supplemented as needed from extra cash flow from SRC during any short term times in past years if and when rental revenues did not meet the normal debt service needs.

During and following both the national economic downturn in 2008 followed by the implementation of the Affordable Care Act in 2010-11, the business operations of SRC were in significant flux and upheaval. Changes in the handling and enrollment process for employee benefits plans were up in the air with numerous employers and insurance providers, and other major insurance brokers entered the industry. This was not something only affecting SRC, but a major shift on a national level. Open enrollment periods were also more demanding due to ongoing uncertainties and cost increases for coverage. Ms. Kusiak's commissions and renewal commissions are remitted to SRC as received, and are free and clear of any liens; however, SRC may take ordinary course advances against the receivables with the insurance companies who then recoup same as due in future months. This is relatively common in the industry, as the upfront costs of enrollment must be funded prior to the receipt of the commissions for the work performed.

During 2008-2010, SRC had significant decreases and fluctuations in its annual revenues and work force needs. SRC borrowed sums from CVNB and FNB on lines of credit to support its operations, which loans were stated in SRC notes to be secured by the existing prior mortgages on Debtor's real property assets. This increased debt load on the Debtor assets and the decreased revenues of SRC to supplement the debt service needs created a cash crunch and led to extensions, renewals, "interest only" payments, and eventually, CVNB declared a default on its indebtedness after refusing any further accommodations. CVNB was made aware through personal relations that the Laurel County Cemetery Board was interested in purchasing the "Stockyards" block in downtown London, but the offer was (and has continued to be) only enough to take out the CVNB mortgage indebtedness. After negotiations, and after the Debtor was unable to reach agreement on any sale of the Stockyards block at the depressed value offered, CVNB commenced the Laurel Circuit Court foreclosure action in September, 2017, and this led to the other banks being required to assert their liens also in that action.

Several other financial matters exist and impact the overall situation. There is a several years long dispute with the IRS over past year tax returns of the Kusiaks, primarily involving an audit dispute over various business deduction and double-taxation issues involving SRC. In past years, SRC spent over \$100,000 for legal representation with prior counsel and accountants on attempting to resolve these issues and litigating same. Currently, SRC and the Kusiaks are represented by attorney Kenton Ball who is working on amended returns for prior tax years, and possible refunds or other resolutions with the IRS. The IRS has a tax lien against Mr. and Ms. Kusiak, but the disputed tax years are more than 3 years old and could be discharged. The IRS and the Kusiaks are in a 2-year stand still period by agreement with the IRS. Also, Mr. and Ms. Kusiak took out additional mortgage debt on their personal residence during the economic downturn, a 400 acre farm in Laurel County with residence, with Farm Credit, which debt is current and in the approximate amount of \$2.4 million. This debt is current and being serviced in the ordinary course. Farm Credit is not a party to this bankruptcy proceeding, but is on notice of the Plan process since it involves voluntary contributions from Mr. and Ms. Kusiak on a regular basis.

4.2 **Prepetition Restructuring Efforts and Steps to Avoid Chapter 11 Filing.** Prior to the initiation of the foreclosure litigation, in the summer of 2017, counsel W. Thomas Bunch II, acting for the interrelated borrowers/guarantors, made efforts to work with CVNB to come up with a mutually agreeable debt restructuring plan to include efforts to sell certain of the collateral either

by public auction or commercial listing agreements. These efforts did not progress to any mutually satisfactory resolution, and CVNB initiated a foreclosure action in September, 2017, in Laurel Circuit Court. The fair market value versus a distressed sale value of the “Stockyards” property in downtown London is in dispute, and CVNB will be made whole with only a discounted and distressed value, so it has proceeded in a fashion that Debtor believes strips significant value from the commercial property location, which value upon sale or refinancing would be unencumbered and available to pay all creditors in full or in significant amounts. Debtor and the Affiliates provided financial information and projections for 2018 as part of a work out plan, which projections have proven accurate to date and show that the SRC business operations are trending upwards based on changes in the national market and increased demand for the SRC business model and services. Debtor was forced to file for a formal chapter 11 reorganization process in February, 2018, following further unsuccessful efforts to attempt to resolve matters outside of a formal bankruptcy proceeding, again primarily involving CVNB’s demands for a quick and forced sale of the Stockyards location in isolation, without any agreement on how to proceed on the rest of the related indebtedness issues and the other involved creditors.

ARTICLE V

COMMENCEMENT OF AND EVENTS IN THE CHAPTER 11 CASE

5.1 Commencement of Case.

5.1.1 **Petition Date.** On February 9, 2018, the Debtor filed its voluntary petition for relief under Chapter 11 of the Bankruptcy Code and thereby commenced the Bankruptcy Case.

5.1.2 **Chapter 11 Operating Order.** On February 9, 2018, the Bankruptcy Court entered a Chapter 11 Operating Order [ECF No. 10] in the Debtor’s Bankruptcy Case evidencing that the Debtor had requested and been granted relief under Chapter 11 of the Bankruptcy Code and had thereby become a Debtor in Possession.

5.2 Retention of Professionals.

5.2.1 **Retention of Debtor’s Counsel.** Pursuant to the final Order entered on March 7, 2018 [ECF No. 35], the Debtor was authorized to employ the law firm of DelCotto Law Group PLLC as its counsel in the Bankruptcy Case, effective as of the Petition Date.

5.3 **No Official Committee of Unsecured Creditors.** No official committee of unsecured creditors was appointed by the US Trustee in this case.

5.4 **Cash Collateral/Adequate Protection.** Debtor and the four bank lenders “consented” to the use of cash collateral for the time period February 9, 2018 through April 30, 2018 only for ordinary course operating expenses (utilities, insurance, maintenance, and other repairs) as set forth in the budget filed for this time period at ECF No. 49-1. Cash use for May and June was approved on an interim basis with CVNB and FNB, but again only for ordinary operating expenses. Cash use was approved for May-August with CTB [ECF No. 86] and CGB [ECF No. 87] pursuant to agreed orders with those two banks.

5.5 **Monthly Operating Reports and Projections/Actual Financial Reporting.** Debtor is current on the filing of its monthly operating reports. In support of the Plan, additional financial information and projections for the cash flow of SRC is provided in order to assess the feasibility of the Plan since it relies in part upon the availability of supplemental payments from SRC, for the joint and several indebtedness secured by Debtor's properties.

5.6 **UST Motion to Convert or Dismiss.** Based primarily on alleged grossly inadequate monthly reporting in the first monthly operating report filed by the Debtor, and on allegations by FNB that certain insurance proceeds were mishandled and converted (which have now been resolved with FNB), the UST filed his Motion to convert to chapter 7 or to dismiss the case [ECF No. 88], as being in the best interests of creditors. Creditors should review that Motion for the concerns expressed therein. The Motion remains pending and has not yet been ruled upon. It is possible that the case will be converted to chapter 7 or dismissed prior to Plan confirmation. Debtor disputes the Motion and does not believe that conversion or dismissal is in the best interest of creditors, as more fully explained herein.

5.7 **Plan Formulation Process.** Debtor has worked diligently to prepare a plan of reorganization that it believes is the most fair and equitable among all of its Creditors and parties in interest, understanding that time is of the essence and that capital infusions are necessary to preserve the longer term fair market values and to restructure the debt repayments over time. Due to the extensive joint and several liability and the marshalling issues among and between all the affiliates and the four bank lenders and other creditors, the Plan proposes that all the debt of all the Affiliates as treated in the Plan be restructured as a necessary part of the Plan. **The Plan calls for an ongoing injunction from any independent collection efforts by the four bank lenders holding the joint and several liabilities, so long as the Plan, if confirmed, is complied with by the funding parties and the Reorganized Debtor.**

ARTICLE VI

OVERVIEW OF THE DEBTOR'S PLAN OF REORGANIZATION

6.1 **General Summary.** The Plan contemplates the continued business operations of the Debtor and the payment of all Allowed Claims to the extent set forth in the Plan, in full over the five year term of the Plan. Funds to pay creditors and have adequate reserves to support operations will come from several sources: rental revenues from rented properties; ordinary course sales or refinancings of real property as may occur in the ordinary course following emergence from Chapter 11; a "new value" contribution of Ms. Kusiak of \$50,000 at or before confirmation, to be held as a reserve to secure plan payments; and ongoing monthly cash contributions jointly and severally from SRC, and Mr. and Ms. Kusiak, to fund plan payments during the 5 year Plan term.

In general, all of the Allowed Claims will be paid in full over the term of the 5 year Plan as set forth in the Plan Payment Charts attached to the Plan, or upon such other terms and conditions as the Court orders in the Confirmation Order. Certain of the maturities on existing promissory notes are being significantly shortened to the 5 year Plan term. All bank notes are

being placed on identical terms in an effort to provide fair and equitable and *pari passu* treatment to the four bank lenders who entered into the loans and indebtedness in the joint and several fashion that they each agreed to in making their respective original loans, acting to secure affiliate debt with Debtor assets: monthly repayments at prime plus 1% interest rate; 30 year amortization, and balloon payment in full at the end of 5 years, on or before October 1, 2023. The Debtor believes that this provides a reasonable and conservative approach to its emergence from Chapter 11, while providing some fresh capital to alleviate ongoing payment risk while the Reorganized Debtor pursues fair market sales and refinancings outside the context of foreclosure and chapter 11 bankruptcy. The distressed situation of the prominent Laurel County foreclosure as well as the chapter 11 have rendered fair market efforts impossible.

6.2 **Debtor's Recommendation.** Debtor believes that the Plan is in the best interests of all of its constituencies and will permit the maximum recovery possible for all classes and types of Claims, much greater than any possible recovery in a Chapter 7, a dismissal of the case, or any other liquidation setting, which would, by necessity, implicate additional bankruptcy filings of the affiliates who would be faced with a multi-party race to the courthouse, and significant deficiency claims due. It is Debtor's desire, and the desire of both SRC and Mr. and Ms. Kusiak, that the joint and several obligations be repaid over time in full with interest, to pay off all the joint and several debt in full through the maximization of the values of the properties supplemented by the third party Plan contributions in the interim while properties are begin marketed for sale or refinancing. A 5 year Plan term with balloon payments at or before the end of five years following confirmation is standard and fair under the circumstances, circumstances where the bank lenders were fully aware of the interrelated affiliate nature of their respective loans.

6.3 **Description of Certain Key Plan Terms.** Debtor provides this general summary and description of what it believes to be certain of the key terms of the Plan. This is not a full and complete description of everything contained in the Plan, only of various general and specific Plan provisions. THE PLAN AND THE EXACT LANGUAGE THEREIN CONTROL OVER THIS GENERAL DESCRIPTION AND SHOULD BE REVIEWED CAREFULLY.

6.3.1 **Continued Existence of the Debtor.** The Plan provides for the Debtor to continue to operate post-Confirmation as the "Reorganized Debtor" in the ordinary course of its business, receiving ongoing income from its operations plus administering Plan contributions from the third party affiliates, in order to fund Plan payments to its Creditors. While operating, the Reorganized Debtor may also seek and consummate offers to sell or refinance any of the Debtor's Assets, to raise added funds for Creditors on an earlier time frame than the 5 year Plan term.

6.3.2 **Funding the Plan.** The Reorganized Debtor will fund the Plan payments to Creditors in the ordinary course and according to the Plan treatment terms from a number of sources: (i) post-Confirmation rental revenues; (ii) supplemental monthly payments from SRC and the Kusiaks, jointly and severally, in the amounts set forth in the Plan Payments Chart; (iii) the \$50,000 new value contribution, held in reserve to be used solely for Plan payments as added security in the event of any temporary shortfalls in monthly funds; and/or (iv) ordinary course property sales or refinancings, and the net proceeds thereof following Confirmation. As of the Confirmation Date, and as long as the Reorganized Debtor continues operation, the Reorganized

Debtor shall have the right to collect and use all of its revenues for operations in its full discretion, so long as it is in compliance with all of its Plan payments.

6.3.3 **Vesting of the Debtor's Assets.** At the Confirmation Date, all Assets of the Debtor and the Estate, including all Avoidance Actions and Causes of Action, will revest in and remain with the Reorganized Debtor, free and clear of all liens, claims, interests, and encumbrances, except for those liens specifically provided for in the Plan. If the Reorganized Debtor liquidates any of its Assets which remain subject to a lien post-Confirmation, then it will seek the consent of any Creditor holding a lien upon the particular Asset, to pay same directly at closing of any sale. If the Secured Creditors and the Reorganized Debtor cannot agree to the terms for a private, ordinary-course sale or refinancing, then either party may seek relief from the Court to address any disputes. The Reorganized Debtor and its Assets will remain subject to the jurisdiction of this Court until the Bankruptcy Case is closed or dismissed.

In a chapter 7, it is possible that a Chapter 7 trustee might seek to avoid certain mortgages which were given by the Debtor to allegedly secure debt of other affiliate parties who received the consideration for certain of the loans, and especially for those loans where Debtor is not obligated and the mortgage future advance clauses are called into question. The Plan proposes to release and waive all of these potential lien validity claims as to the four bank lenders, as part of the confirmed Plan, leaving the mortgages in place as have been asserted by the bank creditors. If the Plan is not confirmed, Debtor is not releasing such claims and they may be pursued by the chapter 7 trustee.

6.3.4 **Post-Confirmation Liabilities of the Reorganized Debtor.** The Reorganized Debtor will not have any prepetition liabilities except those expressly assumed and/or addressed under the Plan. The Reorganized Debtor will be responsible for all ongoing business expenses and payments due and owing or contemplated under the Plan.

6.3.5 **Injunctions.** Except as may be otherwise provided in the final and entered Confirmation Order, the Plan provides generally that the entry of the Confirmation Order will constitute an **injunction** against all Creditors whose Allowed Claims are treated in the Plan from taking any actions to commence or continue any action or proceeding that arose before the Effective Date against or affecting the Debtor, the Estate, the Assets, **and against any guarantor or other person or entity who might be obligated on any Claim jointly and severally with the Reorganized Debtor, or whose indebtedness is claimed to be secured by Assets of the Debtor, specifically including SRC and Mr. and Ms. Kusiak, who as joint obligors are making necessary contributions under the Plan,** so long as the Reorganized Debtor is in compliance with the Plan provisions. That is to say, no party in interest may take any steps to collect or otherwise proceed on its claim against any Person co-obligated on a Claim, so long as the Reorganized Debtor is performing and in compliance with the Plan as confirmed. No guarantor of any debt, co-signor of any debt, or borrower whose debt is secured by Debtor assets is being released, but no party may pursue any such affiliated third party so long as the Reorganized Debtor is in Plan compliance.

6.3.6 **Term of Injunction for any Claim against Debtor not Treated and Allowed in the Plan.** Except as may be otherwise provided in the final Confirmation Order,

the Plan provides that the Confirmation Order will permanently enjoin the commencement or prosecution by any person or entity, whether directly, derivatively or otherwise, of any Claims, obligations, suits, judgments, damages, demands, debts, rights, causes of action or liabilities released or modified pursuant to the Plan, except for the treatment as provided for in the Plan as against the Reorganized Debtor.

6.3.7 **Discharge of Claims.** The Plan provides that 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 said Claim shall be discharged against the Debtor in accordance with the provisions of 11 U.S.C. § 1141. The Confirmation Order shall discharge the Debtor from all Claims and other debts that arose before the Confirmation Date and all debts of the kind specified in 11 U.S.C. §§ 502(g), 502(h), or 502(i), whether or not: (i) a Claim based on such debt is allowed pursuant to 11 U.S.C. § 502, or (ii) the holder of a Claim based on such debt has accepted the Plan. There will be no discharge or release of Claims against the joint and several obligors and guarantors thereon, but the Claims will be enjoined from direct pursuit so long as Plan payments are not in default.

6.3.8 **Objections to Claims.** Unless otherwise ordered by the Bankruptcy Court, all objections to Claims, including determinations regarding the priority/type of status of any Claim, shall be filed on or before ninety (90) days following the Effective Date, or forty-five (45) days following the filing of any Claim, whichever is later, without prejudice to the extension of such period upon proper application therefor. The objecting party shall serve a copy of each such objection upon the holder of the Claim in accordance with Fed. R. Bankr. P. 3007.

6.3.9 **Valuation of Secured Claims.** Under 11 U.S.C. § 506, a secured creditor has a “secured claim” to the extent of such creditor’s interest in a Debtor’s interest in the collateral, and an unsecured claim for the balance, if any. 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 11 U.S.C. § 506, or the allowed amount of the creditor’s claim. Under the Plan, if any dispute over valuation occurs with any Secured Creditor, the Debtor reserves the right to request that the Court determine the value of the Creditor’s interest in the collateral which secures the Creditor’s Claim. Under the Plan, any Claim for which a timely objection is not filed shall be deemed Allowed as filed or scheduled. Subject to final order of the Court, the current Plan treats all secured claims, including bank lenders and the secured *ad valorem* tax claims, as being fully secured, which is based on Debtor’s assessment of fair market values of properties, and the impacts of cross-collateralization analysis.

6.3.10 **Procedure for Contingent and Unliquidated Claims.** The Plan provides that Creditors holding contingent or unliquidated Claims shall have sixty (60) 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, the Plan provides that said Claim 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 Debtor, the Estate, or the Assets. The Debtor does not believe that there are any Contingent or Unliquidated Claims.

6.3.11 Executory Contracts and Unexpired Leases.

(a) **Generally.** Under the Plan, the Debtor reserves the right to apply to the Court at any time prior to Confirmation for authority to assume, assign, or reject any Executory Contracts and Unexpired Leases not expressly addressed in the Plan in whole or in part as provided in 11 U.S.C. §§ 365 and 1123. The Plan further provides that all remaining Executory Contracts and Unexpired Leases for which the Debtor has not so moved on or before the Confirmation Date shall be deemed rejected as of said date (the “Rejection Date”); provided, however, that any such motions, requests, proceedings, or actions to seek to assume or reject, or to determine Allowed Cure Claims, pending at the Confirmation Date shall be continued until determined by Final Order of the Bankruptcy Court. A chart describing the Debtor’s Executory Contracts and Unexpired Leases is attached hereto as **Exhibit B**. The Debtor reserves the right to amend Exhibit B and/or move to assume, assign, or reject any other Executory Contracts or Unexpired Leases as described in this Section should it subsequently become aware of any agreements not listed on Exhibit B.

(b) **Specific Assumptions under the Plan.** Under the Plan, the Debtor proposes to assume the following Unexpired Leases and Executory Contracts upon Confirmation:

- (i) Listing Agreements on all Laurel Co. properties;
- (ii) Listing Agreement on the North Carolina property;
- (iii) to the extent necessary, month to month leases in place as of the Petition Date; and
- (iv) any others as listed on Exhibit B.

(c) **Bar Date for Rejection Damages Claims.** The Plan provides that any proof of claim that any third party has with respect to the rejection of any Unexpired Lease or Executory Contract must be filed no later than thirty (30) days after the later of: (i) entry of a Final Order of this Court authorizing such rejection, or (ii) the Rejection Date. Any such Claim for rejection damages shall be treated as a Class 9 Unsecured Claim. There are no such known claims.

(d) **Allowed Cure Claims on Assumed Unexpired Leases and Executory Contracts.** If the Debtor applies for and receives the Court’s authorization to assume an Unexpired Lease or Executory Contract as provided under 11 U.S.C. § 365, other than those Unexpired Leases and Executory Contract specifically addressed in the Plan, the Plan provides that the contract/lease parties shall work to agree to any Cure Claim and repayment terms of same, and either party shall have thirty (30) days following Confirmation to seek allowance of a Cure Claim from the Bankruptcy Court, provided that the Court has not already entered an order specifying the Cure Claim terms. If no such allowance of a Cure Claim is sought within that time period, all such Claims shall be barred.

However, if a Cure Claim is timely sought and thereafter Allowed by the Court, the Plan requires that the Debtor will then consult with the Claimant to negotiate a repayment of the Allowed Cure Claim over a reasonable period, and no longer than over two (2) years. If the parties are unable to reach agreement on the amount or repayment terms of a Cure Claim, it will be submitted to the Court for determination. There are no known claims.

6.3.12 **Causes of Action.** The Plan provides that at the Confirmation Date, all Assets of the Debtor and its Estate, including all Avoidance Actions or other Causes of Action, will revert in and remain with the Reorganized Debtor. The Debtor has not conducted a thorough analysis of potential Avoidance Actions. While certain of the mortgage liens may have deficiencies or grounds for challenge, Debtor intends not to pursue those claims so long as the Plan is confirmed and as part of the Plan treatment due to the multitude of joint and several debt and cross-collateralization issues. However, should the Plan not be confirmed, a chapter 7 trustee may choose to pursue these or other avoidance actions. At present, Debtor has not thoroughly analyzed claims or made any determination about whether it intends to bring any avoidance actions. However, the Debtor reserves its rights to bring such an Avoidance Action or other Cause of Action (if any) prior to or following the Confirmation Date if it subsequently determines otherwise, except as to the mortgage avoidance claims, which are waived upon confirmation.

6.4 **General Summary of Plan Treatment of Unclassified Claims.** *The Plan provisions control over the following generalized summary. All parties should review the Plan and the Confirmation Order.*

6.4.1 **Administrative Claims.**

(a) **Ordinary Course Administrative Claims.** The Plan provides that all Allowed Administrative Claims arising from obligations incurred by the Debtor in the ordinary course of its business prior to the Confirmation Date, including any ordinary course or trade debt Administrative Claims, will be paid and performed by the Reorganized Debtor in the ordinary course of its business in accordance with the terms of any agreements governing, instruments evidencing, or other documents relating to such transactions. The Debtor believes that there are certain “ordinary course” postpetition Administrative Claims which may be due and unpaid at any given point in time, but not substantial amounts, such as insurance, utilities and other regular costs incurred related to the properties. Each such Allowed Claim shall be paid in full as agreed by the parties, or upon Confirmation or Claim Allowance, whichever occurs later, unless otherwise agreed. Debtor projects that the “new value” member contribution will be sufficient to pay all such claims in full if there are any unanticipated amounts due, but Debtor does not know of any sizable ordinary course claims.

(b) **Other Allowed Administrative Claims.** The Plan states that all other holders of Allowed Administrative Claims, including, but not limited to Professional Claims and any other 11 U.S.C. § 503(b)(9) Allowed Claims, if any, shall be paid in full on the Effective Date or as agreed by any such Allowed Creditor. At present, the Debtor does not anticipate that there will be any other Allowed Administrative Claims, beyond the Allowed Administrative Claims for Professional fees and expenses. As reflected in the Plan Payments Chart, the

Professionals (DLG) have agreed to monthly payments over time under the Plan for any finally Allowed Claim. There are no other known Administrative Claims.

6.4.2 **Bar Date for Administrative Claims.** The Plan provides certain time deadlines for certain administrative claimants to seek application for allowance and should be closely reviewed, as any claim that is not timely filed might be disallowed.

6.4.3 **Post-Confirmation Professional Claims.** Post-Confirmation Date Professional Claims will not require Bankruptcy Court approval and will be paid post-Confirmation in the ordinary course from the Reorganized Debtor's business operations.

6.4.4 **United States Trustee Fees.** The Plan provides that all fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930 shall be paid on or before the Effective Date of the Plan. Following Confirmation, the Reorganized Debtor's obligation to pay United States Trustee fees shall continue until the Bankruptcy Case is converted, dismissed, or closed, whichever occurs first, and said fees will be paid by the Reorganized Debtor in the ordinary course as they are incurred, with all fees to be paid before the Bankruptcy Case may be closed. The Reorganized Debtor shall also timely file and serve all reports required by the U.S. Trustee.

6.4.5 **Priority Tax Claims.** As set forth more fully in the Plan, unless otherwise agreed by the holder of a Priority Tax Claim and the Reorganized Debtor, each Tax Creditor will receive, in full satisfaction of its Allowed Priority Tax Claim, deferred cash payments totaling the Allowed amount of such Claim over a period not exceeding five (5) years from the Petition Date, as required by the Bankruptcy Code, which period shall conclude on or about February 9, 2023. The Plan provides that payments on the Allowed Priority Tax Claims will be made beginning on the first Semi-Annual Distribution Date following the Effective Date and shall continue to become due on each subsequent Semi-Annual Distribution Date until the Priority Tax Claims are paid in full. The payments on the Allowed Priority Tax Claims shall be made in equal semi-annual installments of principal and simple interest accruing from the Effective Date at the current rate of interest required by law on the unpaid portion of each Allowed Priority Tax Claim (or upon such other terms determined by the Bankruptcy Court to provide the holders of Priority Tax Claims with deferred cash payments having a value, as of the Effective Date, equal to the Allowed amount of such Priority Tax Claims). The Reorganized Debtor will have the right and discretion to pay any Allowed Priority Tax Claim, or any remaining balance of such Priority Tax Claim, in full, at any time on or after the Effective Date, without premium or penalty and without further order of the Court if cash is available to do so. There are no known Priority Tax Claims against the Debtor as of the Petition Date, but only Secured Tax Claims for *ad valorem* property taxes, which are described in the attached **Exhibit C** and are Classified under the Plan.

6.4.6 **Other Allowed Priority Non-Tax Claims.** Under the Plan, as soon as practicable after the later of the Effective Date and the date the Claim becomes an Allowed Claim, each holder of an Allowed Priority Non-Tax Claim against a Reorganized Debtor will receive in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Non-Tax Claim a Distribution from the applicable Reorganized Debtor: (i) in Cash equal to the unpaid portion of such Allowed Priority Non-Tax Claim against the Debtor, or (ii) in such amounts and on such other terms as may be agreed between the holder of the Allowed Priority Non-Tax

Claim and the Debtor, or (iii) in accordance with the terms of the particular agreement under which such Priority Non-Tax Claim arose. To the extent that any Creditor's total Allowed Priority Non-Tax Claim exceeds the amount entitled to Priority treatment under 11 U.S.C. § 507, the remaining amount of such Claim shall be treated as a Class 16 Allowed Unsecured Claim. There are no known unpaid Priority Non-Tax Claims to be paid under the Plan.

6.5 General Summary of Classification and Plan Treatment of Classified Claims.

The Plan provisions control over the following generalized summary. Also see the Property Descriptions attached as Exhibit A hereto for more detailed information about each property. The exact amount of each Claim as of the Confirmation Date will be determined by agreed order or Court order, since the exact amounts accrued postpetition through the Confirmation Date will need to be determined at a later date.

6.5.1 Class 1: Allowed Secured Claim of Citizens Guaranty Bank. Class 1 is the Allowed Secured Claim of Citizens Guaranty Bank ("CGB") in the approximate total Allowed amount of \$410,000 as of the Petition Date, plus interest from the Petition Date through the Confirmation Date at the rate set forth in the loan documents underlying the Class 1 Claim, plus reasonable attorney's fees and expenses as are agreed or ordered, less all payments received by CGB on or before the Confirmation Date from any jointly and severally obligated party. The Class 1 Claim is Impaired. Debtor estimates the Class 1 Claimant's Allowed Claim will be approximately \$ 410,000 as of the Confirmation Date.

(a) **Debts Comprising the Class 1 Claim.** The Class 1 Claim is comprised of indebtedness in the original principal amount of \$554,864.32 that was incurred by the Debtor on or about December 28, 2011. SRC and Mr. and Ms. Kusiak are jointly and severally obligated on the indebtedness as guarantors. The current principal balance due is approximately \$410,000, plus interest, fees and charges. The current note has a maturity date of January 11, 2027. No proof of claim was filed herein by the Class 1 Claimant but the bank asserted its Claim in the Laurel Circuit Court action.

(b) **Assets Securing the Class 1 Claim.** The Class 1 Claim is secured by a first mortgage lien, MB 998/P800 dated December 28, 2011 in the Laurel County Clerk's Office on the Debtor's real property, buildings and improvements thereon, and rents located at 853 E. 4th Street, London KY. This property is the office location of SRC, and is rented to SRC for \$8,125 per month, pursuant to a month to month tenancy, which rental will continue post-confirmation if the Plan is confirmed. (A second mortgage on this property is held by CVNB, MB 1015/P 08, dated June 28, 2012 and securing up to \$300,000 maximum indebtedness). The Class 1 Claim is believed by Debtor to be fully secured.

(c) **Class 1 Treatment Under the Plan**

In summary, the Plan provides that CGB will retain its liens securing the Class 1 Claim until paid in full under the terms of the Plan and the Plan Payments Chart as attached to the Confirmed Plan. Regular monthly payments on the Class 1 Allowed

Claim shall be made in monthly installments as set forth in the Confirmed Plan. The Plan contemplates all bank indebtedness to be treated the same: prime plus 1% interest rate (5.75% fixed); 30 year amortization, and balloon payment in full on or before October 1, 2023. The Reorganized Debtor may prepay the Class 1 Allowed Claim at any time without penalty, and anticipates that it may do so for certain claims through property sales and ordinary course debt refinancings within the 5 year Plan term.

6.5.2 **Class 2: Allowed Secured Claim of Community Trust Bank.** Class 2 is the Allowed Secured Claim of Community Trust Bank (“CTB”), in the total Allowed amount of \$33,115.95 as of the Petition Date, plus interest from the Petition Date through the Confirmation Date at the rate set forth in the loan documents underlying the Class 2 Claim, plus reasonable attorney’s fees and expenses as are agreed or ordered, less all payments received by CTB on or before the Confirmation Date from any jointly and severally obligated party. The Class 2 Claim is Impaired. Debtor estimates the Class 2 Claimant’s Allowed Claim will be approximately \$35,000 as of the Confirmation Date.

(a) **Debt Comprising the Class 2 Claim.** The Class 2 Claim is comprised of indebtedness in the original principal amount of \$320,000 that was incurred by the Debtor, SRC, and Mr. and Ms. Kusiak, all as co-borrowers, pursuant to a promissory note dated August 22, 2007. The original note matured on August 22, 2017, but was subsequently extended by a written Change in Terms Agreement, extending the maturity date to October 22, 2020. There is a pre-payment penalty under certain circumstances if prepaid prior to the maturity date.

According to the Bank’s proof of claim, [POC No. 5], the current principal balance due at the Petition Date is \$17,285.63, accrued interest as of the Petition Date of \$73.46, past due and unpaid late fees of \$9,473.96, prepetition legal fees of \$416, a “repossession and disposal fee” (which includes payment of prior year’s real property taxes) of \$5,866.90, plus ongoing postpetition interest, costs and reasonable attorney’s fees and expenses.

(b) **Assets Securing the Class 2 Claim.** The Class 2 Claim is secured by a first mortgage lien on the Debtor’s real property, buildings and improvements thereon, and rents for 1257 S. Main Street, London KY, MB849 /P 383. This property is the former store location of White Lily, and is currently rented to White Lily and the Kusiaks for storage space at the rate of \$500/month, pursuant to a month to month tenancy, which rental will continue post-Confirmation if the Plan is confirmed, and pending any sale of the property. The property is currently listed for sale at the listing price of \$400,000. This value does include the need for parking to be deeded from the adjacent parking lot that is subject to the mortgage of CVNB. The Class 2 Claim is believed to be fully secured.

(c) **Class 2 Treatment Under the Plan**

In summary, the Plan provides that CTB will retain its liens securing the Class 2 Claim until paid in full under the terms of the Plan and the Plan Payments Chart as attached to the Confirmed Plan. Regular monthly payments on the Class 2 Allowed Claim shall be made in monthly installments as set forth in the Confirmed Plan. The Plan contemplates all bank indebtedness to be treated the same: prime plus 1% interest rate (5.75% fixed); 30 year amortization, and balloon payment in full on or before October 1, 2023. The Reorganized Debtor may prepay the Class 2 Allowed Claim at any time without penalty, and anticipates that it may do so for certain claims through property sales and ordinary course debt refinancings within the 5 year Plan term.

6.5.3 Class 3: Allowed Secured Claims of Cumberland Valley National Bank. Class 3 consists of the Allowed Secured Claims of Cumberland Valley National Bank (“CVNB”), including all the indebtedness which consists of any joint and several liability and/or is secured by any Assets of the Debtor. Collectively, the total amount of the Allowed Claims is in the approximate principal amount of \$1.85 million as of the Petition Date, plus accrued prepetition and postpetition interest at the rates set forth in the loan documents underlying the Class 3 Claims, plus reasonable attorney’s fees and expenses as are agreed or ordered, less all payments received by CVNB on or before the Confirmation Date by any jointly and severally obligated party. The Class 3 Claims are Impaired. Debtor estimates the Class 3 Claimant’s Allowed Claims will collectively total approximately \$1.7 million as of the Confirmation Date, as CVNB received approximately \$157,000 from the post-bankruptcy agreed foreclosure sale of a 30.61 acre tract of real estate on Keavy Road owned by the Kusiaks. At the gross sales price, the raw acreage sold for approximately \$5, 220 per acre at the foreclosure sale.

(a) **Debts Comprising the Class 3 Claims.** The Class 3 Claims are comprised of indebtedness reflected in 5 promissory notes, and 6 credit cards, all asserted to be Secured Claims, secured by certain real estate assets of the Debtor. The prepetition indebtedness is contained in the following series of loan documents:

(i) Note No. 5569: renewal note dated October 12, 2014, renewing original April 17, 2008 note to purchase stockyards properties in original amount of \$1.442 million. Approximate principal amount is \$808,000 as of Petition Date, plus accrued interest, costs and fees. The note matures by its terms on July 12, 2032. Secured by first mortgage on real estate at 935 Camelot Place including adjacent lots, and 1251-1253-1255 S. Main Street (also known as the “Stockyards Property”), MB878/P514, dated April 17, 2008. Debtor is borrower and mortgagor, and Mr. and Ms. Kusiak are personal guarantors.

(ii) Note No. 6409: renewal note dated October 12, 2014, renewing original note dated June 28, 2010 in original amount of \$100,000. Approximate principal amount of \$60,223.43 plus accrued interest, costs and fees, which matures by its terms on July 12, 2032. Secured by first mortgage on real estate at 1215 Maple Lane, Corbin (MB 515/P383 dated 9/10/09); first mortgage on 30.61 acres at 5959 Keavy Road owned by Kusiaks (MB 935/P311 dated September 10, 2009) (now sold and proceeds applied by CVNB to Note No. 6407); second mortgage on properties

owned by Debtor covered by MB 935/P311 (935 Camelot with adjacent lots, 5617 Keavy Rd., 5175 Keavy Rd, and 38.38 Acres Keavy Rd). SRC is obligor, Debtor is mortgagor, and Mr. and Ms. Kusiak are personal guarantors and mortgagors on the 30.61 acre tract.

(iii) Note No. 6784: renewal note dated October 12, 2014, renewing original note dated September 28, 2011 in original amount of \$500,000. Approximate principal amount of \$333,311.44 plus accrued interest, costs and fees, which matures by its terms on July 12, 2032. Secured by first mortgage on real estate at 1215 Maple Lane, Corbin (MB 515/P383 dated 9/10/09); first mortgage on 30.61 acres at 5959 Keavy Road owned by Kusiaks (MB 935/P311 dated September 10, 2009 (now sold and proceeds applied by CVNB to Note No. 6407); second mortgage on properties owned by Debtor covered by MB 935/P311 (935 Camelot with adjacent lots, 5617 Keavy Rd., 5175 Keavy Rd, and 38.38 Acres Keavy Rd). SRC is obligor, Debtor is mortgagor, and Mr. and Ms. Kusiak are personal guarantors and mortgagors.

(iv) Note No. 6407: renewal note dated October 12, 2014, renewing original note dated June 28, 2010 in original amount of \$350,000. Approximate total principal amount of \$218,186.54 at Petition Date, plus accrued interest, costs and fees, **less** sale proceeds of approximately \$157,000 from May 2018 sale of 30.61 acres at 5959 Keavy Road owned by Kusiaks (MB 935/P311 dated September 10, 2009 (leaving current balance of approximately \$65,000)). Secured by first mortgage on real estate at 1215 Maple Lane, Corbin (MB 515/P383 dated 9/10/09); and second mortgage on properties owned by Debtor covered by MB 935/P311 (935 Camelot with adjacent lots, 5617 Keavy Rd., 5175 Keavy Rd, and 38.38 Acres Keavy Rd). Also subject to Mortgage Modification Agreement dated 4/29/2015 and filed in MB 592/P184 (Whitley) and MB 1079/P259 (Laurel). Ms. Kusiak is borrower, Debtor is mortgagor, and Mr. Kusiak is personal guarantor.

(v) Note No. 0350: renewal note dated October 12, 2014, renewing original note dated June 28, 2012 in original amount of \$227,875.30. Approximate total principal amount of \$196,017.02 plus accrued interest, costs and fees, which matures by its terms on July 12, 2032. Secured by first mortgage on real estate at 1215 Maple Lane, Corbin (MB 515/P383 dated 9/10/09); first mortgage on 30.61 acres at 5959 Keavy Road owned by Kusiaks (MB 935/P311 dated September 10, 2009 (now sold and proceeds applied by CVNB to Note No. 6407); second mortgage on properties owned by Debtor covered by MB 935/P311 (935 Camelot with adjacent lots, 5617 Keavy Rd., 5175 Keavy Rd, and 38.38 Acres Keavy Rd); second mortgage on 853 E. 4th St., London, MB 1015, P08 dated 6/28/12. Mr. and Ms. Kusiak are borrowers, and Debtor and Mr. and Ms. Kusiak are both mortgagors.

(vi) Seven total credit cards, being two (2) credit cards issued to Ms. Kusiak totaling approximately \$41,250 [MC## 120 and 882]; three (3) credit cards issued to SRC totaling approximately \$35,000 [MC## 826, 908 and 385]; one (1) credit card issued to White Lily totaling approximately \$26,000 [MC# 350]; and one (1) credit card issued to Debtor totaling approximately \$5,000 [MC #452]. All secured by second mortgage on 853 E. 4th St., London, MB 1015/P08.

(b) **Assets Securing the Class 3 Claims.** The Class 3 Claims are asserted by CVNB to be secured by first and second mortgage liens, for each obligation, as set forth above. The Class 3 Claims are further secured by an assignment of rents and the rental income arising from the properties upon which

it asserts a first lien, and a junior interest in rents on properties in which it asserts a second lien.

Upon the finality of the Confirmation Order, the state court foreclosure action shall be dismissed, without prejudice. The ongoing pendency of the lawsuit hampers the Reorganized Debtor's ability to seek sales and refinancings, and there is little to no harm to a dismissal without prejudice.

(c) **Class 3 Treatment Under the Plan**

In summary, the Plan provides that CVNB will retain its liens securing the Class 3 Claims, and each part thereof, as exist under the current mortgages, until paid in full under the terms of the Plan and the Plan Payments Chart as attached to the Confirmed Plan. Regular monthly payments on the Class 3 Allowed Claims shall be made in monthly installments as set forth in the Confirmed Plan. The Plan contemplates all bank indebtedness to be treated the same: prime plus 1% interest rate (5.75% fixed); 30 year amortization, and balloon payment in full on or before October 1, 2023. The Reorganized Debtor may prepay any portion of the Class 3 Allowed Claims at any time without penalty, and anticipates that it may do so for certain claims through property sales and ordinary course debt refinancings within the 5 year Plan term.

Although some of the Class 3 Claim notes are the subject of a state court judgment entered post-petition against the Kusiaks and SRC, the Plan reinstates the indebtedness back to the underlying promissory notes and mortgages. Debtor does not believe this changes the treatment, as it could also be combined into one large judgment amount, but it would be the same dollar amounts and same collateral for the sub-parts thereof.

6.5.4 **Class 4: Allowed Secured Claims of First National Bank.** Class 4 consists of the Allowed Secured Claims of First National Bank ("FNB"), including all the indebtedness which consists of any joint and several liability and/or is secured by any Assets of the Debtor. Collectively, the total amount of the Allowed Claims is in the approximate principal amount of \$1.42 million as of the Petition Date, plus accrued prepetition and postpetition interest at the rates set forth in the loan documents underlying the Class 4 Claims, plus reasonable attorney's fees and expenses as are agreed or ordered, less all payments received by FNB on or before the Confirmation Date by any jointly and severally obligated party. The Class 4 Claims are Impaired. Debtor estimates the Class 4 Claimant's Allowed Claims will collectively total approximately \$1.42 million as of the Confirmation Date. FNB also holds an unsecured credit card claim which is treated in Class 9.

(a) **Debts Comprising the Class 4 Claim.** The Class 4 Claims are comprised of indebtedness reflected in 7 promissory notes where Debtor is the borrower along with co-borrowers Mr. and Ms. Kusiak, and 4 promissory notes where SRC is the borrower but are partially secured by Debtor Assets and Mr. and Ms. Kusiak are guarantors. The prepetition indebtedness

of FNB involving all the joint and several obligations are contained in the following series of loan documents:

Note No. 1720 [POC No. 10]: Original note in original principal amount of \$171,995, and subsequently renewed in 2009, 2011, 2014 and 2016. Approximate total amount of \$67,900 plus accrued interest, costs and fees. Secured by North Carolina real estate, DOT 6631/P 089, dated August 16, 2004. Debtor, Mr. Kusiak and Ms. Kusiak are co-borrowers, and Debtor is mortgagor.

Note No. 4630 [POC No. 11]: Original renewal note dated 16/24/11 in original principal amount of \$200,000, and subsequently renewed and modified in 2011. Approximate total amount of \$197,700 plus accrued interest, costs and fees. Secured by North Carolina real estate (DOT 8086/P117 dated February 24, 2009) and 309 W. Dixie ST, London (MB 555/P553 dated August 14, 2002). Debtor, Mr. Kusiak and Ms. Kusiak are co-borrowers, and Debtor is mortgagor.

Note No. 5060 [POC No. 12]: Original renewal note dated 3/4/11 in principal amount of \$72,162 and subsequently renewed and modified on 12/04/11. Approximate total amount due of 46,410 plus accrued interest, costs and fees. Secured by North Carolina real estate (DOT 8448/P888 dated July 16, 2010). Debtor, Mr. Kusiak and Ms. Kusiak are co-borrowers, and Debtor is mortgagor.

Note No. 5650 [POC No. 13]: Original renewal note dated 8/14/2007, in original principal amount of \$112,899, and subsequently renewed and modified in 2008, 2011, 2012 and 2015. Approximate total amount of \$54,500 plus accrued interest, costs and fees. Secured by real estate at 309 W Dixie St, London (MB 555/P 553, dated August 14, 2002). Debtor, Mr. Kusiak and Ms. Kusiak are co-borrowers, and Debtor is mortgagor.

Note No. 5740 [POC No. 14]: Original note dated 10/02/03 in original principal amount of \$171,995, and subsequently renewed in 2011, 2013 and 2015. Approximate total amount of \$39,000 plus accrued interest, costs and fees. Secured by first mortgage on 25.43 acres at 5959 Keavy Road (MB 410/590 dated June 3, 1999) (from Kusiaks) and 5617 Keavy Rd (MB 635/P 437 dated October 2, 2003). Debtor, Mr. Kusiak and Ms. Kusiak are co-borrowers. Mr. and Mrs. Kusiak are mortgagors on 5959 Keavy, and Debtor is mortgagor on 5617 Keavy.

Note No. 6910 [POC No. 15]: Original renewal note dated 4/16/08 in original principal amount of \$110,820, renewed in 2011, 2013, 2015 and 2017. Approximate total amount of \$36,100 plus accrued interest, costs and fees. Secured by first mortgage on 38.38 acres on Keavy Rd (MB 594/P620 dated March 19, 2003). Debtor, Mr. Kusiak and Ms. Kusiak are co-borrowers, and Debtor is mortgagor.

Note No. 6920 [POC No. 16]: Original renewal note dated 4/16/08 in original principal amount of \$72,186, renewed in 2011, 2013, 2015 and 2017. Approximate total amount of \$24,000 plus accrued interest, costs and fees. Secured by first mortgage on house and lot at 5175 Keavy Rd (MB 594/P620 dated March 19, 2003). Debtor, Mr. Kusiak and Ms. Kusiak are co-borrowers, and Debtor is mortgagor.

Note No. 3690: Original renewal note dated 5/7/11 in original principal amount of \$375,400, renewed and modified 11/4/11. Approximate total amount of \$392,100 plus accrued interest, costs and fees. Secured by first mortgages on (i) 309 W Dixie St (MB 555/P553 dated August 14, 2002); (ii) house and 1.48 lot at 5175 Keavy Rd (MB 594/P 620 dated March 19, 2003); (iii) 38.38 Acres on Keavy Rd (MB 594/P620 dated March 19, 2003); and (iv) 22.1 acres at 5617 Keavy (MB 635/P 437 dated October 2, 2003). SRC is borrower, Debtor is mortgagor, and Mr. and Ms. Kusiak are personal guarantors.

Note No. 8070: Original renewal note dated 7/1/11, in original principal amount of \$433,500, renewed and modified on 10/27/11. Approximate total amount of \$441,200 plus accrued interest, costs and fees. Secured by 25.43 acres of real estate at 5959 Keavy Road, (MB 973/P526 dated 12/31/10). SRC is borrower, and Mr. and Ms. Kusiak are mortgagors and personal guarantors.

Note No. 8080: Original renewal note dated 7/1/11, in original principal amount of \$37,437, renewed and modified in 2011, 2012, 2014 and 2016. Approximate total amount of \$27,100 plus accrued interest, costs and fees. Secured by personal savings account at FNB. SRC is borrower, Mr. and Ms. Kusiak are personal guarantors, and Ms. Kusiak is joint party on pledged savings account with her son.

Note No. 9511: Original note dated 3/4/11, renewed and modified on 12/4/11. Approximate total amount of \$36,200 plus accrued interest, costs and fees. Secured by first mortgages on (i) 309 W Dixie St (MB 555/P553 dated August 14, 2002); (ii) house and 1.48 acre lot at 5175 Keavy Rd (MB 594/P 620 dated March 19, 2003); (iii) 38.38 Acres on Keavy Rd (MB 594/P620 dated March 19, 2003); and (iv) 22.1 acres at 5617 Keavy (MB 635/P 437 dated October 2, 2003). SRC is borrower, Debtor is mortgagor and Mr. and Ms. Kusiak are personal guarantors.

(b) **Assets Securing the Class 4 Claim.** The Class 4 Claims are asserted by FNB to be secured by mortgage liens, for each obligation, as set forth above, as well as by the one SRC savings account at FNB. The Class 4 Claims are further secured by an assignment of rents and the rental income arising from the properties upon which it asserts a first lien.

(c) **Class 4 Treatment Under the Plan.** In summary, the Plan provides that FNB will retain its liens securing the Class 4 Claims, as exist under the current mortgages and the account assignment, until paid in full under the terms of the Plan and the Plan Payments Chart as attached to the Confirmed Plan. Regular monthly payments on the Class 4 Allowed Claims shall be made in monthly installments as set forth in the Confirmed Plan. The Plan contemplates all bank indebtedness to be treated the same: prime plus 1% interest rate (5.75% fixed); 30 year amortization, and balloon payment in full on or before October 1, 2023. The Reorganized Debtor may prepay any portion of the Class 4 Allowed Claims at any time without penalty, and anticipates that it may do so for certain claims

through property sales and ordinary course debt refinancings within the 5 year Plan term.

6.5.5. **Class 5: Allowed Secured Tax Claims of City of Corbin.** Class 5 consists of the Allowed Secured Tax Claims of the City of Corbin for real estate *ad valorem* property taxes owed for tax years 2008, 2012, 2016 and 2017, on the property located at 1215 Maple Lane, Corbin KY, in the approximate total amount of \$6200 as of the Petition Date, plus accruing statutory interest at 12% per annum until paid in full, less all payments received by the Class 5 Claimant on or before by the Confirmation Date.

The Plan provides that the Allowed Class 5 Claim shall retain its first priority statutory lien securing the Claim until paid in full. The Allowed Claim shall be paid in monthly installments over 15 months, beginning in October 2018 through December 2019; provided, however, that the property at 1215 Maple Lane is under contract to sell sooner, awaiting financing approval to the tenant/proposed buyer. This sale may occur shortly after confirmation, and the Claims would be paid in full at closing as a first lien on the sales proceeds. Upon repayment in full, the City of Corbin shall release its statutory liens securing the Class 5 Claims. The Class 5 Claims are Impaired.

6.5.6 **Class 6: Allowed Secured Tax Claims of Mid South Capital Partners LP.** Class 6 consists of the Allowed Secured Tax Claims of Mid South Capital Partners LP (“Mid South”) for real estate *ad valorem* property taxes (i) owed for tax year 2016 on property known as “Camelot Place 10 Lots and House” located at 935 Camelot Place and surrounding vacant lots, all in Laurel County, KY; and (ii) owed for tax year 2016 on property known as 1255 South Main Street, London KY. Mid South purchased the outstanding tax bills/Certificates of Delinquency from Laurel county taxing authorities, as is evidenced by its Proof of Claim No. 17 and No. 18. The Allowed Secured Claim consists of (i) the approximate amount of \$8200 as of the Petition Date, plus accruing interest, fees and other charges as may be allowed by statute; and (ii) the approximate amount of \$16,890 as of the Petition Date, plus accruing interest, fees and other charges as may be allowed by statute. The Class 6 Claims are Impaired

The Plan provides that the Allowed Class 6 Claims shall retain their first priority statutory liens securing the Claims until paid in full. The Allowed Claims shall be paid in monthly installments over 15 months, beginning in October 2018 and completing in December 2019, unless the property upon which the lien exists sells prior to that timeline, in which case the Claim(s) would be paid in full at closing as a first lien on the sales proceeds. Upon repayment in full, Mid South shall release its statutory liens securing the Class 6 Claims.

6.5.7 **Class 7: Allowed Secured Tax Claim of Cumberland County North Carolina Tax Collector.** Class 7 consists of the Allowed Secured Tax Claim of Cumberland County North Carolina Tax Collector (“NC Tax Collector”) for real estate *ad valorem* property taxes owed for tax years 2017 and 2018 on property known as “935 Four Wood Drive” located in Fayetteville, NC. The claim is evidenced by Proof of Claim No. 6. The Allowed Secured Claim is in the approximate amount of \$7,625 as of the Petition Date, plus accruing interest at the statutory rate of 10.25%, fees and other charges as may be allowed by statute. The Class 7 Claim is Impaired

The Plan provides that the Allowed Class 7 Claim shall retain its statutory lien securing the Claim until paid in full. The Allowed Claim shall be paid in monthly installments over 15 months, beginning October 2018 and completing in December 2019, unless the North Carolina property sells prior to that timeline, in which case the Claim would be paid in full at closing as a first lien on the sales proceeds. Upon repayment in full, the Claimant shall release its statutory liens securing the Class 7 Claim.

6.5.8 Class 8: Allowed Secured Tax Claims of Laurel County/City of London. Class 8 consists of the Allowed Secured Tax Claims of Laurel County/City of London for real estate *ad valorem* property taxes owed for tax year 2017 on the property located at (i) 935 Camelot, and (ii) 1251-53-55 S. Main St., in the approximate total amount of \$15,500 as of the Petition Date, plus accruing statutory interest at 12% per annum until paid in full, less all payments received by the Class 8 Claimant on or before by the Confirmation Date.

The Plan provides that the Allowed Class 8 Claims shall retain their first priority statutory lien securing the Claim until paid in full. The Allowed Claims shall be paid in monthly installments over 15 months, beginning in October 2018 through December 2019; unless the property sells prior to that timeline, in which case the respective Claims would be paid in full at closing as a first lien on the sales proceeds. Upon repayment in full, the Claimant shall release its statutory liens securing the Class 8 Claims. The Class 8 Claims are Impaired.

6.5.9 Class 9: Other Allowed Secured Claims and Secured Tax Claims. Class 9 consists of all other Secured Claims, if any, excluding the Class 1 through 8 Secured Claims and Secured Tax Claims. The Plan provides that, in satisfaction of any Allowed Secured Claim of any Class 9 Claimant, if any, the Debtor shall, on the Effective Date, or such other date as may be agreed on, at the Debtor's option, either: (i) surrender the collateral to the Claimant to allow it to liquidate said collateral at its discretion; or (ii) pay the amount of such Allowed Secured Claim to the Class 9 Allowed Creditor over time during the life of the Plan. The Class 9 Claims are Impaired. There are no known claims in this Class, but it is reserved out of an abundance of caution for any additional secured claims which may be asserted prior to confirmation.

6.5.10 Class 10: Allowed General Unsecured Claims. Class 10 consists of the Allowed Unsecured Claims against the Debtor other than unclassified Claims, Cure Claims, Priority Tax Claims, Priority Non-Tax Claims, Secured Claims, and Equity Interests. The Plan provides that each holder of an Allowed Claim in Class 10 shall receive monthly pro rata distributions equal to their proportionate share of the entire class, beginning in October, 2018, and continuing for five (5) years at which time a final balloon payment shall pay the Class 10 Claims in full, without interest. The amount of unsecured claims is estimated to be approximately \$25,000, not including the Scheduled Claim of Mr. and Ms. Kusiak. The Insider Claim of the Kusiaks shall receive no payment unless and until all other Claims in the Plan have been paid in full.

6.5.11 Class 11: Equity Membership Interests in the Debtor. Class 11 consists of those Persons or entities holding equity membership Interests in the Debtor, i.e., Star Robbins Kusiak, the sole member of the Debtor. The Plan provides that the Member shall retain her membership interests in the Reorganized Debtor, subject to Confirmation of the Plan and the

Reorganized Debtor being in compliance with the Plan and subject to her funding a new value contribution under the Plan of \$50,000 or such other amount as ordered by the Court in the Confirmation Order. There will be no dividends, member distributions, or any other payments to or on account of the Equity Membership Interests unless and until all Allowed Claims have been paid in full as provided in the Plan. The Class 11 Claims are Impaired.

6.6 Plan Implementation

6.6.1 Parties Responsible for Implementation of the Plan and Compensation for Same. Upon Confirmation, the Plan provides that Ms. Kusiak, acting as the authorized representative of the Reorganized Debtor, will continue to manage the Debtor's operations, subject to the terms of the Plan. Ms. Kusiak will have the authority to take all actions desirable in her business judgment to continue the operations of the Reorganized Debtor, including implementation of the Plan and administration of the Debtor's Estate. For these duties, Ms. Kusiak may also use the services of the bookkeeping employees of SRC to assist in these duties, as was conducted prepetition, where the services are paid for *pro rata* by each company. Ms. Kusiak will receive no compensation for her services for the Reorganized Debtor, but may be reimbursed for any ordinary expenses and costs. The Reorganized Debtor may compensate any outside SRC employees who provide services for the Reorganized Debtor at their normal hourly rates as existed prior to bankruptcy, and may also compensate Mr. Kusiak for repair and maintenance work which he performs on the properties; provided, however, no such payments to Mr. Kusiak may be made unless all Plan payments are current. Any such payments shall be documented by the Reorganized Debtor. The Debtor believes that this compensation arrangement is fair and reasonable under the circumstances.

6.6.2 Means of Implementation. The Debtor will continue to operate post-Confirmation as the Reorganized Debtor in the ordinary course of business, receiving ongoing income from its operations and using all income along with the third party contributions under the Plan to pay its customary operating expenses, necessary capital expenditures, and Plan payments to creditors holding Allowed Claims. The Debtor has projected and assumed restructured debt payments on all of the Claims in amounts it estimates will be the final Allowed Amounts. The Plan payments are summarized in the Plan Payments Chart attached to the Plan and those should be reviewed for the exact repayment structure over the 5 year Plan term. The Affiliates who are contributing ongoing payments under the Plan have signed a binding written commitment attached to the Plan which commits them to make the payments called for under the Plan Payments Chart.

6.6.3 Continued Engagement of Professionals. The Reorganized Debtor 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 to have the Case closed upon substantial consummation. Any professional services rendered Post-Confirmation will not require Court approval.

6.6.4. Ongoing Post-Confirmation Reporting and Financial Recordkeeping. The Reorganized Debtor will pay all United States Trustee fees and will file all post-Confirmation reports required by the United States Trustee's Office. The Reorganized Debtor will also file the

necessary final reports and will request to close the Bankruptcy Case as soon as practicable after Plan payments have begun and once the Plan may be deemed to be substantially consummated. Due to the longer term nature of some of the debt payments, it is anticipated that the Reorganized Debtor will seek to close the case prior to the completion of all of the debt service payments.

ARTICLE VII

RISK FACTORS

7.1 **Risks of Non-Confirmation.** Even if all impaired classes accept or could be deemed to have accepted the Plan, the Plan may not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things: (a) that the confirmation of a plan not be followed by a need for further liquidation or reorganization, and is “feasible” ; (b) that the value of distributions to dissenting holders not be less than the value of distributions to such holders if the debtor were liquidated under Chapter 7 of the Bankruptcy Code; and (c) that the plan and the debtor otherwise comply with the applicable provisions of the Bankruptcy Code and have proposed the Plan in good faith. Although the Debtor believes that the Plan will meet all applicable tests and that it has proposed a confirmable Plan, there can be no assurance that the Bankruptcy Court will reach the same conclusion. The amount of total indebtedness and the interwoven nature of the debt and the collateral creates a complex situation where this Plan calls for all joint and several obligors to fund the Plan and each is waiving whatever claims they may each have for reimbursement, contribution and indemnity as joint and several obligors.

If no Plan can be confirmed, the Chapter 11 Bankruptcy Case may be converted to a Case under Chapter 7 of the Bankruptcy Code, in which case a trustee would be elected or appointed to liquidate the Debtor’s Assets for distribution to Creditors in accordance with the priorities established by the Bankruptcy Code. Also, the UST has a pending motion to either convert or dismiss the case outright, either of which will assure that there will be no fair market exposure of the Property to the market outside of the distressed situation of the pending foreclosure and the bankruptcy. The Debtor firmly believes that Confirmation is preferable to Chapter 7 liquidation or a dismissal/state court foreclosure, because the Plan maximizes the distributions to all Classes of Creditors and interest holders, and any alternative to Confirmation would most likely result in substantial delays, race to the courthouse by the competing bank lenders to Ms. Kusiak and SRC, those entities and Ms. Kusiak being forced into bankruptcy to assure *pro rata* treatment of the exact same creditors to those assets, and in all likelihood, much smaller and lesser recoveries to many of the involved creditors, except for the secured tax liens.

7.2 **Risks of Non-Consensual Confirmation.** Pursuant to the “cramdown” provisions of 11 U.S.C. § 1129, the Bankruptcy Court can confirm the Plan at the Debtor’s request if at least one impaired Class has accepted the Plan (with such acceptance being determined without including the acceptance of any “insider” in such Class) and, with respect to each Impaired class that has not accepted the Plan, the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to impaired Classes. In accordance

with 11 U.S.C. §§ 1129(a)(8) and (b), the Debtor will request Confirmation of the Plan without the acceptance of all impaired Classes entitled to vote.

The Debtor reserves the right to modify the terms of the Plan as necessary for Confirmation without the acceptance of all Impaired Claims. Such modifications could result in less favorable treatment for any non-accepting Classes than the treatment currently provided for in the Plan. Such less favorable treatment could include a distribution of property of a lesser value than that currently provided for in the Plan or no distribution of property whatsoever.

7.3 **Risks of Delays in Confirmation.** Any delay in Confirmation and effectiveness of the Plan could result in, among other things, increased Administrative Claims or contested fights with secured creditors. These or any other negative effects of delays in Confirmation of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court. In this case, the Debtor needs to exit bankruptcy promptly to return to ordinary operations, and to be able to pursue sales and refinancings, including resuming loan payments to lenders, and to prevent the current race to the assets of the Affiliates who are obligated to the multiple parties in varying amounts. Any significant delay could be fatal to the Debtor's abilities to attempt to reorganize, as the ongoing administrative costs are becoming too large to continue in handling the case, as no payments have been agreed to by any of the secured bank lenders for any costs of administration, but for a very small sum with one bank, and they have also objected to any other Affiliates or owners being able to supplement Debtor's business affairs on the basis of the joint and several liabilities in this situation.

7.4 **Risks of Shut Down of Operations.** In its business judgment, the Debtor has determined that maintaining and reorganizing its business operations pursuant to the Plan will provide a much better return for all parties in interest, and in this situation, it also includes ongoing money-making operations and business of SRC and Ms. Kusiak, which are significant and provide a large part of the repayment structure. Due to the interrelated nature of the debt structure, which the four bank lenders willingly entered into, the ongoing business affairs of all the Affiliates rises or falls together by necessity. Debtor is already working to attempt to sell or refinance, but the cloud of the foreclosure, the rumors in the small town of London, KY and the chapter 11 have stymied any such efforts. Debtor and its joint and several debt obligors need to emerge through a Plan in order to maximize the returns and to treat each creditor in a fair and equitable fashion, vs. any situation where one runs to try to get first dibs and jump in front of the others. The shut down of the Debtor will cause multiple other related actions, all of which are harmful to creditors and to others, including numerous jobs at SRC, and disruption in benefits plans administration for thousands of people, all tied together with four local banks over the real estate debt situation of the Debtor.

ARTICLE VIII

PLAN CONFIRMATION

8.1 **Generally.** To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtor, including that the:

- (a) Plan has classified Claims and Interests in a permissible manner;
- (b) Plan complies with the applicable provisions of the Bankruptcy Code;
- (c) Debtor comply with the applicable provisions of the Bankruptcy Code;
- (d) Debtor, as proponents of the Plan, have proposed the Plan in good faith and not by any means forbidden by law;
- (e) Disclosure required by 11 U.S.C. § 1125 has been made;
- (f) Plan has been accepted by the requisite votes of creditors and equity interest holders (except to the extent that cramdown is available under 11 U.S.C. § 1129(b));
- (g) Plan is feasible;
- (h) Plan is in the “best interests” of all holders of Claims or Interests in an impaired Class by providing to creditors or interest holders, on account of such Claims or Interests, property of value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a Chapter 7 liquidation unless each holder of a Claim or Interest in such Class has accepted the Plan;
- (i) Fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, have been paid or the Plan provides for the payment of such fees on the Effective Date;
- (j) Plan provides for the continuation after the Effective Date of all retiree benefits, as defined in 11 U.S.C. § 1114, at the level established at any time prior to Confirmation pursuant to 11 U.S.C. §§ 1114(c)(1)(B) or 1114(g), for the duration of the period that the applicable Debtor has obligated itself to provide such benefits; and
- (k) Disclosures required under 11 U.S.C. § 1129(a)(5) concerning the identity and affiliations of persons who will serve as officers, directors, and voting trustees of the successors to the Debtor has been made.

8.2 **Voting Requirements for Confirmation under the Bankruptcy Code.**

8.2.1 **General Voting Information.**

PLEASE CAREFULLY FOLLOW ALL OF THE INSTRUCTIONS CONTAINED ON THE BALLOT PROVIDED TO YOU. ALL BALLOTS MUST BE COMPLETED AND RETURNED IN ACCORDANCE WITH THE INSTRUCTIONS PROVIDED.

TO BE COUNTED, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE DEADLINE SET BY THE COURT AND AT THE ADDRESS SET FORTH ON YOUR BALLOT. IT IS OF THE UTMOST IMPORTANCE TO THE DEBTOR THAT YOU VOTE PROMPTLY TO ACCEPT THE PLAN. IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE DEBTOR OR ITS COUNSEL.

IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS, IF YOU HOLD MULTIPLE GENERAL UNSECURED CLAIMS, OR UNDER CERTAIN OTHER CIRCUMSTANCES, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN, AND RETURN EACH BALLOT YOU RECEIVE.

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.

IF ANY OF THE CLASSES OF HOLDERS OF IMPAIRED CLAIMS VOTE TO REJECT THE PLAN: (A) THE DEBTOR MAY SEEK TO SATISFY THE REQUIREMENTS FOR CONFIRMATION OF THE PLAN UNDER THE CRAMDOWN PROVISIONS OF 11 U.S.C. § 1129(b) AND, IF REQUIRED, MAY AMEND THE PLAN TO CONFORM TO THE STANDARDS OF SUCH SECTION; OR (B) THE PLAN MAY BE MODIFIED OR WITHDRAWN WITH RESPECT TO A PARTICULAR CREDITOR, OR (C) THE PLAN MAY BE WITHDRAWN IN ITS ENTIRETY.

8.2.2 **Classes Entitled to Vote on the Plan.**

(a) **Generally.** Pursuant to the Bankruptcy Code, only classes of claims against or equity interests in a debtor that are “impaired” under the terms of a plan of liquidation or reorganization are entitled to vote to accept or reject a plan. A class is “impaired” if the legal, equitable, or contractual rights attaching to the claims or interests of that class are modified, other than by curing defaults and reinstating maturity. Classes of Claims and Interests that are not impaired are *not* entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims and Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to have rejected the Plan unless such Class otherwise indicates acceptance. *The classification of Claims and Interests under the Plan is*

summarized, together with an indication of whether each Class of Claims or Interests is impaired, in Section 6.5.

(b) **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 by Court Order, you will be allowed to vote your Claim in the amount estimated by said 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.

8.2.3 **Voting Procedures and Requirements.**

(a) **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 Debtor on or before the Voting Deadline. Fed. R. Bankr. P. 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 Debtor will present the results of the voting to the Bankruptcy Court at the Confirmation Hearing.

(i) **Lost or Damaged Ballots.** If you are entitled to vote and you did not receive a ballot, received a damaged ballot, or lost your ballot, please contact Tresine Callahan at DelCotto Law Group PLLC at (859) 231-5800 or tcallahan@dlgfir.com. Also, this Disclosure Statement, the Plan, and all of the related Exhibits are available upon request to any party in interest by contacting the Debtor's counsel.

(ii) **Effective Transmittal of Ballots.** Votes cannot be transmitted orally or by facsimile. Accordingly, you are urged to return your signed and completed ballot by hand delivery, overnight service, email, or regular U.S. mail, promptly.

(b) **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) holders of at least two-thirds in the total dollar amount of Allowed Claims in that class, and (ii) a majority in number of holders of Claims in that class, vote to accept the Plan.

8.3 **General Requirements for Confirmation under the Bankruptcy Code.**

8.3.1 **Best Interests of Creditors/Liquidation Analysis.** Notwithstanding acceptance of the Plan by each impaired Class, to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a Claim or Interest in any such impaired Class who has not voted to accept the Plan. Accordingly, if an Impaired Class does not unanimously accept the Plan, the “best interests” test requires that the Bankruptcy Court find that the Plan provides to each member of such Impaired Class a recovery on account of the member’s Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date.

To estimate what members of each impaired Class of Claims or Interests would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the aggregate dollar amount that would be available if the Chapter 11 Bankruptcy Case was converted to case under Chapter 7 of the Bankruptcy Code and the Debtor’s Assets were liquidated by a Chapter 7 trustee (the “Liquidation Value”). The Liquidation Value would consist of the net proceeds from the disposition of the assets of the Debtor, augmented by any cash held by the Debtor.

The Liquidation Value available to holders of Unsecured Claims and Interests would be reduced by, among other things: (a) the Claims of secured creditors to the extent of the value of their collateral; (b) the costs, fees, and expenses of the liquidation, as well as other administrative expenses of the Debtor’s Chapter 7 case; (c) unpaid Administrative Claims of the Chapter 11 Case; and (d) Priority Tax and Non-Tax Claims. The Debtor’s costs of liquidation in Chapter 7 would include the compensation of a trustee, as well as of counsel, auctioneers, and of other professionals retained by a trustee, asset disposition expenses, applicable taxes, litigation costs, claims arising from the wind down operations of the Debtor during the pendency of the Chapter 7 case, and all unpaid Administrative Claims incurred by the Debtor during the Chapter 11 case that are allowed in the Chapter 7 case. The Debtor believes that the liquidation also would generate an increase in claims due to the interwoven affairs present in this situation.

The information contained in **Exhibit D** attached hereto provides a summary of the Debtor’s estimates of Liquidation Values of the Debtor’s Assets, assuming a hypothetical Chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the Debtor’s Assets or surrender them to mortgage lenders who would foreclose and have deficiency claims.

The Liquidation Analysis attached hereto reflects that impaired Creditors would receive less than full repayment at a liquidation, if it were to occur on the Effective Date of the Plan, in comparison to the full repayment they are projected to receive over the Plan term. In order for the Plan to be confirmed under these circumstances, each impaired class of creditors must accept the Plan or receive at least as much under the Plan than they would in a liquidation on the Effective Date of the Plan.

In summary, the Debtor believes that Chapter 7 liquidation of the Debtor would result in significantly less recovery to all creditors except for the Secured Tax Claimants, who will

be paid in full as first liens in any scenario. Debtor believes that the Plan will provide a much greater ultimate return to holders of Claims than a Chapter 7 liquidation.

8.3.2 **Feasibility of Plan.** Section 1129(a)(11) of the Bankruptcy Code requires that confirmation of a plan not be likely to be followed by the liquidation of the Debtor or any successor to the Debtor, or the need for further financial reorganization, unless such liquidation or reorganization is proposed in the Plan. Based on the Debtor's analysis, the Reorganized Debtor will have sufficient assets and business operations to accomplish its tasks under the Plan, which includes the new value contribution and the ongoing monthly Plan payments from the joint and several obligors. Therefore, the Debtor believes that its reorganization pursuant to the Plan will meet the feasibility requirements of the Bankruptcy Code. To support this contention, the Debtor's financial projections of Plan repayments and which verifies the financial wherewithal of the joint and several parties to fund their ongoing contributions under the Plan, are attached hereto as **Exhibit E**. Further, the new value contribution of \$50,000 or such other sum as may be ordered by the Court will provide an ample cushion to secure any shortfalls and the Plan provides it can only be used for Plan payments under the Plan and no other purpose. This cushion helps to assure feasibility and ability to address any possible fluctuations in rental income or extraordinary expenses related to any of the properties. Also attached as **Exhibit F** are a compilation of information regarding the affairs of SRC and Ms. Kusiak, to verify these parties' abilities to fund Plan payments which will supplement monthly rents. All of these payments will continue at the same time as the Reorganized Debtor continues to actively seek refinancing and sales of various of the properties in the ordinary course post- Confirmation.

8.3.3 **Compliance with Applicable Provisions of the Bankruptcy Code.** Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtor has considered each of these issues in the development of the Plan and believes that the Plan complies with all provisions of the Bankruptcy Code.

8.4 **Confirmation.**

8.4.1 **Confirmation Hearing.** The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on whether the Debtor has fulfilled the Confirmation requirements of 11 U.S.C. § 1129. The Confirmation Hearing has been or will be scheduled by Order of the Court and you will or have received notice of the hearing by separate notice/order. If you have any questions concerning the hearing, please contact the undersigned counsel.

8.4.2 **Objections to Confirmation.** Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection, and the amount of the Claim or Interest held by the objector. Any such objections must be filed and served upon the persons designated in the notice of the Confirmation Hearing and in the manner and by the deadline described therein.

8.4.3 **Methods of Confirmation.**

(a) **Confirmation Based on Plan Acceptance.** A plan is accepted by an Impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. In addition to this voting requirement, 11 U.S.C. § 1129 requires that a plan be accepted by each holder of a claim or interest in an Impaired class or that the plan otherwise be found to be in the best interests of each holder of a claim or interest in an impaired class by the Bankruptcy Court.

(b) **Confirmation through Cramdown.** The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, so long as at least one Impaired class of claims has accepted it. These “cramdown” provisions are set forth in 11 U.S.C. § 1129(b). As indicated above, the Plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of 11 U.S.C. § 1129(a), it: (a) is “fair and equitable;” and (b) “does not discriminate unfairly” with respect to each Class of Claims or Interests that is impaired under, and has not accepted, the Plan. The “fair and equitable” standard, also known as the “absolute priority rule,” requires, among other things, that unless a dissenting class of unsecured claims or a class of interests with respect to a debtor receives full compensation for its allowed claims or allowed interests, no holder of allowed claims or interests with respect to such debtor in any junior class may receive or retain any property on account of such claims or interests. With respect to a dissenting class of secured claims, the “fair and equitable” standard requires, among other things, that holders either: (a) retain their liens and receive deferred cash payments with a value as of the effective date equal to the value of their interest in property of the debtor’s estate; or (b) receive the indubitable equivalent of their secured claims. The “fair and equitable” standard has also been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than 100% of its allowed claims or allowed interests. The Debtor believes that, if necessary, the Plan may be crammed down over the dissent of certain Classes of Claims, in view of the treatment proposed for such Classes.

The requirement that the Plan not “discriminate unfairly” means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank. The Debtor does not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan. Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan, as it applies to any particular Debtor, is not confirmable pursuant to 11 U.S.C. § 1129 will not limit or affect: (a) the confirmability of the Plan as it applies to any other Debtor; or (b) the Debtor’s ability to modify the Plan, as it applies to any particular Debtor, to satisfy the provisions of 11 U.S.C. § 1129(b).

8.5 **Alternatives to Confirmation.** 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, or a dismissal of the Case, and foreclosure efforts by the bank lenders. If the Court denies confirmation, the Debtor or any other party in interest could propose a different Plan. The Debtor believes such an alternative plan would result in less return to creditors than the distributions to creditors pursuant to the Plan as described herein, due to the joint and several issues. Before proposing the present Plan, the Debtor

explored other alternatives and engaged in negotiations with lenders, but could never reach agreement on possible alternatives. Debtor believes 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 not result in a better recovery for any Class and will cause harm to multiple other parties who are ordinary course participants in the non-Debtor business affairs of SRC and Ms. Kusiak.

ARTICLE IX

CERTAIN FEDERAL TAX CONSEQUENCES

IRS Circular 230 Disclosure: To ensure compliance with requirement imposed by the IRS, we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or (ii) promoting, marketing, or recommending to another party any transaction or matter addressed herein.

9.1 General.

A DESCRIPTION OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THE DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE, TREASURY REGULATIONS, JUDICIAL DECISIONS, AND ADMINISTRATIVE DETERMINATIONS, ALL AS IN EFFECT ON THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN ANY OF THESE AUTHORITIES OR IN THEIR INTERPRETATION MAY HAVE RETROACTIVE EFFECT, WHICH MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. NO RULING HAS BEEN REQUESTED FROM THE IRS, NO LEGAL OPINION HAS BEEN REQUESTED FROM COUNSEL CONCERNING ANY TAX CONSEQUENCE OF THE PLAN, AND NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT.

THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO THE DEBTOR OR HOLDERS OF CLAIMS. FOR EXAMPLE, THE DESCRIPTION DOES NOT ADDRESS ISSUES OF SPECIAL CONCERN TO CERTAIN TYPES OF TAXPAYERS, SUCH AS DEALERS IN SECURITIES, LIFE INSURANCE COMPANIES, FINANCIAL INSTITUTIONS, TAX-EXEMPT ORGANIZATIONS, AND FOREIGN TAXPAYERS, NOR DOES IT ADDRESS TAX CONSEQUENCES TO HOLDERS OF INTERESTS IN THE DEBTOR. THIS DESCRIPTION DOES NOT DISCUSS THE POSSIBLE STATE TAX OR NON-U.S. TAX CONSEQUENCES THAT MIGHT APPLY TO THE DEBTOR OR TO HOLDERS OF CLAIMS.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM. HOLDERS OF CLAIMS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS

REGARDING THE FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF THE PLAN.

9.2 **Tax Consequences of Payment of Allowed Claims Pursuant to Plan Generally.**

The federal income tax consequences of the implementation of the Plan to the holders of Allowed Claims will depend, among other things, on the consideration to be received by the holder, whether the holder reports income on the accrual or cash method, whether the holder receives distributions under the Plan in more than one taxable year, whether the holder's Claim is Allowed or disputed on the Effective Date, and whether the holder has taken a bad debt deduction or worthless security deduction with respect to its claim.

9.2.1 **Recognition of Gain or Loss.** In general, a holder of an Allowed Claim should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim, less the holder's tax basis in the Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Allowed Claim and the holder, the length of time the holder held the Claim, and whether the Claim was acquired at a market discount. If the holder realizes a capital loss, the holder's deduction of the loss may be subject to limitation. The holder's tax basis for any property received under the Plan generally will equal the amount realized. The holder's amount realized generally will equal the sum of the cash and the fair market value of any other property received by the holder under the Plan on the Effective Date or a subsequent distribution date, less the amount (if any) treated as interest, as discussed below.

9.2.2 **Post-Effective Date Distributions.** Because certain holders of Allowed Claims, including Disputed Claims that ultimately become Allowed Claims, may receive cash distributions after the Effective Date, the imputed interest provisions of the Internal Revenue Code may apply and cause a portion of the subsequent distribution to be treated as interest. Additionally, because holders may receive distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the holder may be deferred. All holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their Claims.

9.2.3 **Receipt of Interest.** Holders of Allowed Claims will recognize ordinary income to the extent that they receive cash or property that is allocable to accrued but unpaid interest which the holder has not yet included in its income. If an Allowed Claim includes interest, and if the holder receives less than the amount of the Allowed Claim pursuant to the Plan, the holder must allocate the Plan consideration between principal and interest. The holder may take the position that the amounts received pursuant to the Plan are allocable first to principal, up to the full amount of principal, and only then to interest. However, the proper allocation of Plan consideration between principal and interest is unclear, and holders of Allowed Claims should consult their own tax advisors in this regard. If the Plan consideration allocable to interest with respect to an Allowed Claim is less than the amount that the holder has previously included as interest income, the previously included but unpaid interest may be deducted, generally as a loss.

9.2.4 **Bad Debt or Worthless Securities Deduction.** A holder who receives, in respect of an Allowed Claim, an amount less than the holder's tax basis in the Claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under 26 U.S.C. § 166(a) or a worthless securities deduction under 26 U.S.C. § 165(g). The rules governing the character, timing, and amount of bad debt and worthless securities deductions place considerable emphasis on the facts and circumstances of the holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Allowed Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

9.2.5 **Information Reporting and Withholding.** Under the Internal Revenue Code's backup withholding rules, the holder of an Allowed Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan, unless the holder comes within certain exempt categories (which generally include corporations) and, when required, either demonstrates that categorization or provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Holders of Allowed Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

9.3 **Certain U.S. Federal Income Tax Consequences to the Debtor.** In the event that the Debtor sells any of its Assets, the Debtor will generally recognize a gain or loss on the sale of those Assets, equal to the difference between the amount realized on the sale and the adjusted tax basis of the Assets being sold. Debtor is a single member LLC and all tax consequences flow through to Ms. Kusiak. Additionally, if the Debtor conveys appreciated (or depreciated) property (i.e. property having an adjusted tax basis less (or greater) than its fair market value) to a creditor in cancellation of full recourse debt, the Debtor must recognize taxable gain or loss equal to the excess or shortfall, respectively, of such fair market value over that adjusted basis. This gain or loss may be ordinary income or loss, capital gain or loss, or a combination of each, and may be offset against any applicable net operating loss carry-forwards from previous tax years.

Further, the discharge of a recourse debt obligation by the Debtor in exchange for the Debtor's payment of cash and/or transfer of property with a fair market value that is less than the adjusted issue price of the debt obligation (as determined for U.S. federal income tax purposes) may give rise to cancellation of indebtedness ("COD") income. COD income must generally be included in the Debtor's gross income, subject to certain statutory or judicial exceptions that may limit the amount of COD income required to be included. One such statutory exception applies to certain Debtor whose discharge of indebtedness is granted in a case brought under Title 11 of the United States Code (relating to bankruptcy), pursuant to a court-approved plan of reorganization.

For the foregoing reasons, the precise amount of taxable gain or loss, COD income, or both that the Debtor may realize as a result of effectuation of the Plan cannot be determined until the date of the exchange.

ARTICLE X

ADDITIONAL INFORMATION, RECOMMENDATIONS, AND CONCLUSION

10.1 **Additional Information.** Any statements in this Disclosure Statement concerning the provisions of any document are not necessarily complete, and in each instance, reference is made to such document for the full text thereof. Certain documents described or referred to in this Disclosure Statement have not been attached as exhibits because of the impracticability of furnishing copies of these documents to all recipients of this Disclosure Statement. The Debtor will file all exhibits to the Plan with the Bankruptcy Court, and the exhibits also will be available upon request from the Debtor's counsel.

10.2 **Recommendations and 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.

For all of the reasons set forth in this Disclosure Statement, the Debtor believes that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtor urge all holders of Claims in voting Classes to vote to accept the Plan and to evidence their acceptance by duly completing and returning their ballots so that they will be received on or before the Voting Deadline.

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Dated: June 8, 2018

Respectfully submitted,

HOPE INDUSTRIES, LLC

By: /s/ Star Robbins Kusiak
Designated Representative of the
Debtor

Tendered by:

DELCOTTO LAW GROUP PLLC

/s/ Laura Day DelCotto
Laura Day DelCotto, Esq.
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COUNSEL FOR DEBTOR AND
DEBTOR IN POSSESSION

Z:\Clients\Hope Industries, LLC (LDD- TC)\Pleadings\DS And Plan drafts and related\DS- 201804.docx

| <u>Address</u> | <u>Mortgagee</u> | <u>Mortgage position</u> | <u>Mortgagor</u> | <u>Recorded</u> | <u>Book</u> | <u>Page</u> | <u>Secures</u> | <u>Borrower</u> | <u>Co-signors/ Guarantors</u> | <u>Status of property</u> | <u>Tax liens</u> |
|--|-------------------|--------------------------|------------------|-----------------|-------------|-------------|--------------------|--|--------------------------------------|---|------------------|
| 1.) 853 E. Fourth Street | Citizens Guaranty | 1st | Hope Industries | 1/3/12 | 998 | 800 | Note | Hope Industries | Star Robbins & Co., Star & Walter | Month-to-month lease with Star Robbins & Co. \$8,125/month | |
| | CVNB | 2nd | Hope Industries | 7/12/12 | 1015 | 8 | Note (0350) | Star & Walter | | | |
| | | | | | | | Credit Card (120) | Star | | | |
| | | | | | | | Credit Card (882) | Star | | | |
| | | | | | | | Credit Card (908) | Star Robbins & Co. | | | |
| | | | | | | | Credit Card (385) | Star Robbins & Co. | | | |
| | | | | | | | Credit Card (826) | Star Robbins & Co. | | | |
| | | | | | | | Credit Card (350) | White Lily | | | |
| | | | | | | | Credit Card (1452) | Hope Industries | | | |
| 2.) 1257 S. Main St. | Community Trust | 1st | Hope Industries | 8/23/07 | 849 | 383 | Note | Hope Industries, Star Robbins & Co., Star & Walter | | Month-to-month lease w/ White Lily & Kusiaks for storage \$500/month Listing Agreement \$400,000 | |
| 3.) 5617 Keavy Rd. (22.1A) | FNB | 1st | Hope Industries | 10/7/03 | 635 | 437 | Note (5740) | Hope Industries | Star & Walter | Month-to-month lease w/ The Lawhorns \$400/month | |
| | | | | | | | Note (3690) | Star Robbins & Co. | | | |
| | | | | | | | Note (39511) | Star Robbins & Co. | | | |
| | CVNB | 2nd | Hope Industries | 10/6/09 | 935 | 311 | Note (6407) | Star | Walter | | |
| | | | | | | | Note (0350) | Star & Walter | | | |
| | | | | | | | Note (6409) | Star Robbins & Co. | Star & Walter | | |
| | | | | | | | Note (6784) | Star Robbins & Co. | Star & Walter | | |
| 4.) 5959 Keavy Rd. (25.43 A tract) (Owned by the Kusiaks) | FNB | 1st | Walter & Star | 6/8/99 | 410 | 590 | Note (5740) | Hope Industries | Star & Walter | Kusiak's personal residence | |
| | FNB | 2nd | Walter & Star | 1/3/11 | 973 | 526 | Note (8070) | Star Robbins & Co. | | single adjacent tract | |
| 5.) Keavy 38.38 acres | FNB | 1st | Hope Industries | 3/21/03 | 594 | 620 | Note (6910) | Hope Industries | Star & Walter | Raw land | |
| | | | | | | | Note (3690) | Star Robbins & Co. | | | |
| | | | | | | | Note (39511) | Star Robbins & Co. | | | |
| | CVNB | 2nd | Hope Industries | 10/6/09 | 935 | 311 | Note (6407) | Star | Walter | | |
| | | | | | | | Note (0350) | Star & Walter | | | |
| | | | | | | | Note (6409) | Star Robbins & Co. | Star & Walter | | |
| | | | | | | | Note (6784) | Star Robbins & Co. | Star & Walter | | |
| 6.) 5175 Keavy Rd (1.48 A w house) | FNB | 1st | Hope Industries | 3/21/03 | 594 | 620 | Note (6920) | Hope Industries | Star & Walter | Month-to-month lease w/ The Brousseaus \$850/month | |
| | | | | | | | Note (3690) | Star Robbins & Co. | | | |
| | | | | | | | Note (39511) | Star Robbins & Co. | | | |
| | CVNB | 2nd | Hope Industries | 10/6/09 | 935 | 311 | Note (6407) | Star | Walter | | |
| | | | | | | | Note (0350) | Star & Walter | | | |
| | | | | | | | Note (6409) | Star Robbins & Co. | Star & Walter | | |
| | | | | | | | Note (6784) | Star Robbins & Co. | Star & Walter | | |
| 7.) 309 West Dixie St. | FNB | 1st | Hope Industries | 8/21/02 | 555 | 553 | Note (5650) | Hope Industries | Star & Walter | Month-to-month lease w/ White Lily \$1,500/month | |
| | | | | | | | Note (4630) | Hope Industries, Star & Walter | | | |
| | | | | | | | Note (3690) | Star Robbins & Co. | | | |
| | | | | | | | Note (39511) | Star Robbins & Co. | | | |

| | | | | | | | | | | | |
|--|------|-----|-----------------|---------|------|-----|-------------|------------------------------------|---------------|--|--|
| 8.) 1215 Maple Lane | CVNB | 1st | Hope Industries | 10/7/09 | 515 | 383 | Note (6407) | Star | Walter | Sales contract w/ the Rivas month-to-month lease pending financing \$1,000/month | City of Corbin \$6,207.14 |
| | | | | | | | Note (0350) | Star & Walter | | | |
| | | | | | | | Note (6409) | Star Robbins & Co. | Star & Walter | | |
| | | | | | | | Note (6784) | Star Robbins & Co. | Star & Walter | | |
| 9.) 935 Camelot Place and adjoining 10 lots | CVNB | 1st | Hope Industries | 4/19/08 | 878 | 514 | Note (5569) | Hope Industries | Star & Walter | 935 Camelot is leased to the Rileys on month-to-month basis at \$2,000/month. The 10 lots are under a listing agreement for \$22,000/lot. | (1) Mid South Capital Partners \$8,257.96 (2) Laurel County \$5,031.30 |
| | CVNB | 2nd | Hope Industries | 10/6/09 | 935 | 311 | Note (6407) | Star | Walter | | |
| | | | | | | | Note (0350) | Star & Walter | | | |
| | | | | | | | Note (6409) | Star Robbins & Co. | Star & Walter | | |
| | | | | | | | Note (6784) | Star Robbins & Co. | Star & Walter | | |
| 10.) 1251 S. Main St. (Rockhouse) | CVNB | 1st | Hope Industries | 4/19/08 | 878 | 514 | Note (5569) | Hope Industries | Star & Walter | Listing Agreement \$165,000 | |
| 11.) 1253 S. Main St. (Dairy Dog) | CVNB | 1st | Hope Industries | 4/19/08 | 878 | 514 | Note (5569) | Hope Industries | Star & Walter | Listing Agreement \$175,000 | |
| 12.) 1255 S. Main St. (Stockyards) | CVNB | 1st | Hope Industries | 4/19/08 | 878 | 514 | Note (5569) | Hope Industries | Star & Walter | Month-to-month lease w/ The Wilsons and Patton Family Enterprises, LLC \$3,000/month Listing Agreement \$1,400,000 | (1)Mid South Capital Partners \$16,888.38 (2) Laurel County \$10,539.57 |
| 13.) 936 Four Wood | FNB | 1st | Hope Industries | 8/20/04 | 6631 | 89 | Note (1720) | Hope Industries | Star & Walter | Listing Agreement \$450,000; property has been taken off the market while repairs are being made. Should re-list for higher value, appx. \$515,000 | Cumberland County \$7,627.50 |
| | FNB | 2nd | Hope Industries | 2/27/09 | 8086 | 117 | Note (4630) | Hope Industries & Star & Walter | | | |
| | FNB | 3rd | Hope Industries | 8/5/10 | 8448 | 888 | Note (5060) | Hope Industries & Star & Walter | | | |

| <u>EXHIBIT B - EXECUTORY CONTRACTS AND UNEXPIRED LEASES</u> | | | |
|--|---|------------------------------|--------------------------|
| Contract or Lease Party | Nature of Agreement | Estimated Cure Amount | Current Intention |
| Hope Industries, LLC | | | |
| Star Robbins & Company | Lease for office building.- month to month | \$0 | Assume |
| The White Lily Florals and Gifts | Lease for floral and gift shop.-month to month | \$0 | Assume |
| Stuart Wilson, Rebecca Wilson and Patton Family Enterprises, LLC | Lease for stockyard facility, parking area, flea market and restaurant-month to month. | \$0 | Assume |
| Gene and Barbara Lawhorn | Lease for residential property- month to month . | \$0 | Assume |
| Timothy, Daniel and Roland Brousseau | Lease for residential property-month to month. | \$0 | Assume |
| Bryan and Kristy Riley | Lease for residential property-month to month. | \$0 | Assume |
| White Lily and Kusiaks | Lease for old White Lily-storage-month to month | \$0 | Assume |
| C-21 Advantage Realty | Exclusive Right to Sell Contract - 10 lots in Camelot Place | \$0 | Assume |
| Steve Robinson | Commercial Exclusive Right to Sell/Lease Contract - 1253 S. Main St. (Dairy Dog) | \$0 | Assume |
| Steve Robinson | Commercial Exclusive Right to Sell/Lease Contract - 1255 S. Main St. (Stock Yards and Land) | \$0 | Assume |
| C-21 Advantage Realty | Commercial Exclusive Right to Sell/Lease Contract - 1257 S. Main St. (White Lily) | \$0 | Assume |
| C-21 Advantage Realty | Exclusive right to sell contract - 1251 S. Main St. (Rock House) | \$0 | Assume |
| David and Angela Rivas | Lease for residential property-month to month | \$0 | Assume |
| David Rivas | Sales contract - 1215 Maple Lane | \$0 | Assume |
| NextHome Integrity First | Exclusive Right to Sell Listing Agreement - 936 Four Wood Dr. (North Carolina) | \$0 | Assume |

HOPE INDUSTRIES, LLC - EXHIBIT C - SECURED PROPERTY TAX CLAIMS

| Creditor | Description | POC Secured Amount | POC No. |
|--|--|--------------------|---------|
| City of Corbin | Real estate <i>ad valorem</i> property tax - 1215 Maple Lane | \$1,453.87 | 1 |
| City of Corbin | Real estate <i>ad valorem</i> property tax - 1215 Maple Lane | \$1,500.78 | 2 |
| City of Corbin | Real estate <i>ad valorem</i> property tax - 1215 Maple Lane | \$1,570.63 | 3 |
| City of Corbin | Real estate <i>ad valorem</i> property tax - 1215 Maple Lane | \$1,681.86 | 4 |
| Cumberland County North Carolina Tax Collector | Real estate <i>ad valorem</i> property tax - 936 Four Wood Drive | \$7,627.50 | 6 |
| Mid South Capital Partners LP | Real estate <i>ad valorem</i> property tax - 935 Camelot Place and 10 lots | \$8,257.96 | 17 |
| Mid South Capital Partners LP | Real estate <i>ad valorem</i> property tax - 1255 S. Main St (stockyards) | \$16,888.38 | 18 |
| Laurel County/City of London | Real estate <i>ad valorem</i> property tax - 1255 S. Main St (stockyards) | \$10,539.57 | – |
| Laurel County/City of London | Real estate <i>ad valorem</i> property tax - 935 Camelot Place and 10 lots | \$5,031.30 | – |
| Totals | | \$54,551.85 | |

Chapter 7 Liquidation Analysis¹

I. Introduction

The following is a Liquidation Analysis prepared by the Debtor, including certain projected information on Affiliates who are jointly and severally obligated on indebtedness with the Debtor and who are assisting in funding the Plan payments to Allowed Claims. This Liquidation Analysis reflects the projected outcome of the hypothetical, orderly liquidation of the Debtor's assets under Chapter 7 of the Bankruptcy Code. Further, based on same, it is anticipated that there would be sizable deficiency claims and that chapter 7 bankruptcies of the joint and several obligors would be anticipated to be required for all joint and several claims and deficiency claims if the Debtor's assets are not maximized for Secured Creditors. As reflected in the Analysis, projected proceeds from the orderly liquidation of the Debtor's assets are substantially less than the estimated recoveries under the Plan for Allowed Claims.

If the Debtor's Chapter 11 case were to be converted to a case under Chapter 7 of the Bankruptcy Code, a Chapter 7 trustee would be elected or appointed to liquidate the Debtor's assets for distribution to holders of Allowed Claims or to abandon secured assets to secured lenders if there is no perceived equity for other parties in interest. The cash amount available for distribution to general unsecured creditors in a Chapter 7 case consists of the proceeds resulting from the disposition of assets of the Debtor, reduced by the costs of liquidation and the payment of Allowed Secured Claims, Priority Claims, and Administrative Claims, including allowed costs of administration of both the Chapter 11 Bankruptcy Cases as well as the Chapter 7 case.

The Debtor has reviewed and analyzed the liquidation that would result from conversion of this Chapter 11 Bankruptcy Case to a case under Chapter 7, and the Liquidation Analysis reflects the Debtor's **estimates** of recoveries in a post-conversion Chapter 7 case of the Debtor. Under the facts and circumstances of this Bankruptcy Case, the Debtor submits that the assumptions made herein are reasonable. Debtor projects that a chapter 7 trustee would abandon most of the properties or stay relief would be sought and granted, based on fire sale values. Secured lenders would sell their respective collateral at fire sale values, and seek further collection from the joint and several parties. Due to the multiple obligations and issues of prevention of a race to the courthouse against whatever assets are available from the joint and several obligors, it is anticipated that SRC and the Kusiaks would also be forced to file chapter 7. SRC has some minimal FF&E assets and cash on hand, but its cash flow stream comes from the insurance license of Ms. Kusiak and all commissions income is payable first to Ms. Kusiak, who holds the license. SRC has no present ability to operate without Ms. Kusiak's licensing, so it would be immediately defunct. Ms. Kusiak has certain renewal commissions which would be included in her bankruptcy estate in some amount, but due to the fact that earning said commissions going forward is based on continued servicing of the accounts, following chapter 7, the accounts would be cancelled and immediately placed with other brokers. It is unknown how much would be in her bankruptcy estate and how much would be post-filing income, free and clear of all creditor claims following her chapter 7 discharge. The Kusiak's farm is believed to be fully encumbered and would not generate any distribution for creditors.

The Liquidation Analysis assumes that, in a Chapter 7 liquidation, the trustee would seek to liquidate assets promptly, as required by law. The Liquidation Analysis assumes that the Chapter 7 trustee would liquidate assets during the approximately 90-day period following a hypothetical

¹ All capitalized terms not otherwise defined herein shall have the meanings given to them in the Debtor's Plan of Reorganization or the accompanying Disclosure Statement.

conversion, or would quickly determine to abandon the assets back to secured bank lenders, who would proceed with stay relief and foreclosure sales. Debtor believes that no creditors but for the secured bank creditors, and the secured *ad valorem* tax claims, would receive anything in a conversion setting, and further, that multiple bankruptcies of SRC and Mr. and Ms. Kusiak would be necessary to deal with anticipated sizeable deficiency claims on joint and several liabilities, which would be discharged with minimum distribution, if any.

II. Disclaimers and Variances.

The process of estimating recoveries in a Chapter 7 case is uncertain due to economic, business, litigation, and other contingencies. The underlying estimates and projections supporting the attached Liquidation Analysis have been prepared by the Debtor and have *not* been examined by independent accountants or appraisers.

The Claim amounts used in the Liquidation Analysis are the Debtor's estimates based on Claims that have been scheduled and filed to date. The actual amount of Allowed Claims could vary materially from these estimates.

Neither the Debtor nor its professional advisors make any representations of the accuracy of these estimates and projections or a Chapter 7 trustee's ability to meet the estimates and projections. The assumptions underlying the estimates and projections are subject to significant uncertainties. Unanticipated results, positive or negative, may occur. Therefore, by its nature, the Liquidation Analysis is uncertain. Nonetheless, the Liquidation Analysis represents the Debtor's current and best estimates of the financial results from a hypothetical conversion of its Bankruptcy Case to a case under Chapter 7 and the associated liquidation of assets under the circumstances described above.

Hope Industries, LLC

| Asset (Owner) | Fair Market Value ¹ | Liquidation Value |
|---|--------------------------------|--------------------|
| Cash & Checking Accounts² | | |
| Account receivable from SRC to Debtor | \$199,728.40 | \$0 |
| Cash on hand at conversion date –in multiple DIP rents bank accounts | Appx\$ 15,000 | \$remit to lenders |
| | | |
| Real Property³ (encumbered by Secured Creditor liens except at noted) | | |
| 301 W. 16 th St. (no lien) | \$35,000.00 | \$21,000.00 |
| 309 W. Dixie Street | \$195,000.00 | \$117,000.00 |
| 853 E. Fourth Street (7.39 acres and house) | \$450,000.00 | \$270,000.00 |
| 853 E. Fourth Street (14.61 acres) | \$50,000.00 | \$30,000.00 |
| 935 Camelot Place | \$400,000.00 | \$240,000.00 |
| 10 lots at Camelot | \$220,000.00 ⁴ | \$90,000.00 |
| 1215 Maple Lane | \$156,626.00 ⁵ | \$93,000 |
| 1251 S. Main Street | \$165,000.00 ⁶ | \$0 |
| 1253 S. Main Street | \$175,000.00 ⁷ | \$0 |
| 1255 S. Main Street (includes 1251-53-55 under ch 7 analysis) | \$1,400,000.00 | \$850,000.00 |
| 1257 S. Main Street | \$400,000.00 | \$100,000 |
| 5175 Keavy Road (1.48A w house) | \$190,000.00 | \$110,000.00 |
| 5617 Keavy Road (22.1A w mobile home) (at \$5,200 per acre) | \$115,000 | \$70,000 |
| 38.38 acres at Keavy Road | \$200,000.00 | \$120,000.00 |
| 936 Four Wood Drive (updated value based on NC realtor) | \$500,000.00 | \$270,000.00 |
| | | |
| | | |
| Vehicles | | |
| None | | |
| | | |
| | | |
| Office Equipment, Furnishings, Supplies | | |
| None | | |
| | | |
| | | |
| Inventory | | |
| None | | |
| | | |
| | | |
| Business Machinery and Equipment | | |
| None | | |
| | | |
| | | |
| Security Deposits (subject to offset rights of holder) | | |
| Utility deposit (936 Four Wood Drive) | \$1,000.00 | \$0 |
| | | |
| Total Fair Market Value of Assets: | <u>\$4,513,326.00</u> | |
| Total Assets Available for Distribution in Liquidation or abandoned to Lenders | | <u>\$2,380,000</u> |

¹ All values listed are as of the Petition Date and are based on the values estimated by Debtor at FMV.² Values of cash, checking accounts, and accounts receivable³ Liquidation value of real property is based on a 40% reduction of the estimated fair market value.⁴ Value based upon listing price.⁵ Value based upon Court approved sale contract.⁶ Value based upon listing price.⁷ Value based upon listing price.

| | | |
|--|-------------------------------|--|
| (Less Chapter 7 Expenses) | Document Page 51 of 75 | <u>(\$80,000)⁸</u> |
| Total Available for Distribution after Payment of Chapter 7 Expenses | | Under \$2.0 million plus or minus |
| (Less Distributions to Secured Claims – on total Secured Claims of appx. \$3.6 million) | | <u>(\$)100%</u> |
| Total Available for Distribution After Payment of Secured Claims | | <u>\$0.00</u> |
| Total Available for Distribution to other Claims | | <u>\$0.00</u> |

⁸ Chapter 7 expenses are estimated to include 3% trustee fee plus auctioneers, other costs of sale, trustee counsel, etc.

| | | EXHIBIT E | | | | | | | | | | | | | | | | Estimated Financial Projections | | | | | | | |
|---|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------------------|--------------|------------|--------------|------------|--------------|----|----------------|
| | | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 | Jun-18 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | | FY 19 | FY 20 | FY 21 | FY 22 | FY 23 | | | |
| Beginning Cash Balance | | \$ | 50,000.00 | | | | | | | | | | | | | | | | | | | | | | |
| Gross Cash Flow | | | | | | | | | | | | | | | | | | | | | | | | | |
| Revenues | | | | | | | | | | | | | | | | | | | | | | | | | |
| Rents | | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$17,375.00 | \$ | 208,500.00 | \$ | 208,500.00 | \$ | 208,500.00 | | | |
| 3rd Party Contribution | | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$14,000.00 | \$ | 168,000.00 | \$ | 168,000.00 | \$ | 168,000.00 | | | |
| Subtotal Revenues | | \$31,375.00 | \$ | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$31,375.00 | \$ | 376,500.00 | \$ | 376,500.00 | \$ | 376,500.00 | | | |
| Tax Liens (15 mo. Pay off @ 12% int) | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1215 Maple | | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$447.68 | \$ | \$5,372.19 | \$ | - | \$ | - | \$ | - | |
| Four Wood | | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$550.12 | \$ | \$6,601.49 | \$ | - | \$ | - | \$ | - | |
| 935 Camelot | | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$992.11 | \$ | \$11,903.32 | \$ | - | \$ | - | \$ | - | |
| 1255 South Main | | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$2,048.67 | \$ | \$24,584.04 | \$ | - | \$ | - | \$ | - | |
| Subtotal Tax Liens | | \$ | \$4,038.59 | \$ | \$4,038.59 | \$ | \$4,038.59 | \$ | \$4,038.59 | \$ | \$4,038.59 | \$ | \$4,038.59 | \$ | \$4,038.59 | \$ | \$ | \$48,463.04 | \$ | - | \$ | - | \$ | - | |
| Secured Banks (Prime +1/month) | | | | | | | | | | | | | | | | | | | | | | | | | |
| CTB (total) | | \$ | 204.25 | \$ | 204.25 | \$ | 204.25 | \$ | 204.25 | \$ | 204.25 | \$ | 204.25 | \$ | 204.25 | \$ | 204.25 | \$ | 2,451.00 | \$ | 2,451.00 | \$ | 2,451.00 | \$ | 32,466.77 |
| COB (total) | | \$ | 2,392.65 | \$ | 2,392.65 | \$ | 2,392.65 | \$ | 2,392.65 | \$ | 2,392.65 | \$ | 2,392.65 | \$ | 2,392.65 | \$ | 2,392.65 | \$ | 28,711.80 | \$ | 28,711.80 | \$ | 28,711.80 | \$ | 380,324.97 |
| FNB (total) - CC | | \$ | 8,297.82 | \$ | 8,297.82 | \$ | 8,297.82 | \$ | 8,297.82 | \$ | 8,297.82 | \$ | 8,297.82 | \$ | 8,297.82 | \$ | 8,297.82 | \$ | 99,573.84 | \$ | 99,573.84 | \$ | 99,573.84 | \$ | 1,318,985.53 |
| CV (total) | | \$ | \$9,991.93 | \$ | \$9,991.93 | \$ | \$9,991.93 | \$ | \$9,991.93 | \$ | \$9,991.93 | \$ | \$9,991.93 | \$ | \$9,991.93 | \$ | \$9,991.93 | \$ | \$119,903.16 | \$ | \$119,903.16 | \$ | \$119,903.16 | \$ | 1,423,183.19 |
| Bank Subtotal | | \$ | \$20,886.65 | \$ | \$20,886.65 | \$ | \$20,886.65 | \$ | \$20,886.65 | \$ | \$20,886.65 | \$ | \$20,886.65 | \$ | \$20,886.65 | \$ | \$20,886.65 | \$ | \$250,639.80 | \$ | \$250,639.80 | \$ | \$250,639.80 | \$ | \$3,154,960.46 |
| Total Secured Payments Subtotal | | \$ | \$2,451.00 | \$ | \$2,451.00 | \$ | \$2,451.00 | \$ | \$2,451.00 | \$ | \$2,451.00 | \$ | \$2,451.00 | \$ | \$2,451.00 | \$ | \$2,451.00 | \$ | \$28,711.80 | \$ | \$28,711.80 | \$ | \$28,711.80 | \$ | \$380,324.97 |
| Leftover Revenues* | | \$ | 6,449.76 | \$ | 6,449.76 | \$ | 6,449.76 | \$ | 6,449.76 | \$ | 6,449.76 | \$ | 6,449.76 | \$ | 6,449.76 | \$ | 6,449.76 | \$ | 77,397.16 | \$ | 125,860.20 | \$ | 125,860.20 | \$ | 125,860.20 |
| Other Plan Payments | | | | | | | | | | | | | | | | | | | | | | | | | |
| Admin/Legal | | \$ | 5,000.00 | \$ | 5,000.00 | \$ | 5,000.00 | \$ | 5,000.00 | \$ | 5,000.00 | \$ | 5,000.00 | \$ | 5,000.00 | \$ | 5,000.00 | \$ | 60,000.00 | \$ | 60,000.00 | \$ | - | \$ | - |
| UST Fees | | \$ | 650.00 | \$ | - | \$ | - | \$ | 975.00 | \$ | 975.00 | \$ | 975.00 | \$ | 975.00 | \$ | 975.00 | \$ | 3,900.00 | \$ | 3,900.00 | \$ | 2,600.00 | \$ | 2,600.00 |
| Unsecured | | \$ | 377.57 | \$ | 377.57 | \$ | 377.57 | \$ | 377.57 | \$ | 377.57 | \$ | 377.57 | \$ | 377.57 | \$ | 377.57 | \$ | 4,530.84 | \$ | 4,530.84 | \$ | 4,530.84 | \$ | 3,398.13 |
| Subtotal | | \$ | \$6,027.57 | \$ | \$5,377.57 | \$ | \$5,377.57 | \$ | \$6,352.57 | \$ | \$5,377.57 | \$ | \$5,377.57 | \$ | \$6,352.57 | \$ | \$5,377.57 | \$ | \$68,430.84 | \$ | \$68,430.84 | \$ | \$7,130.84 | \$ | \$7,130.84 |
| Total Cash Expenditures & Plan Payments | | \$ | \$30,592.81 | \$ | \$30,302.81 | \$ | \$30,302.81 | \$ | \$31,277.81 | \$ | \$30,302.81 | \$ | \$30,302.81 | \$ | \$31,277.81 | \$ | \$30,302.81 | \$ | \$367,533.68 | \$ | \$319,070.64 | \$ | \$257,770.64 | \$ | \$257,770.64 |

*Not including \$50,000 Beginning Cash Balance

| Secured Tax Breakdown* | |
|--|--------------|
| 1215 Maple - 2017 Property Taxes | \$ 1,453.87 |
| 1215 Maple - 2012 Property Taxes | \$1,500.78 |
| 1215 Maple - 2012 Property Taxes | \$1,570.63 |
| 1215 Maple - 2008 Property Taxes | \$1,681.86 |
| Four Wood- Ad Valorem Taxes (2017-2018) | \$7,627.50 |
| 935 Camelot Place - 2016- Midsouth Capital Partners | \$8,257.94 |
| 935 Camelot Place-2017- Due 04/2018 Laurel County | \$5,031.30 |
| 1255 South Main - 2016- Midsouth Capital Partners | \$16,888.38 |
| 1255 South Main -2017-Due 4/2018 Laurel County | \$10,539.57 |
| Total Tax Debt | \$ 54,551.85 |
| * Broken down to pay in 15 months | |
| Contributions and payments will be funded through ordinary course property sales or refinances | |

| Bank | Note | Borrower | Guarantor | Approximate Balance Due At Confirmation | Collateral | Priority 1st/2nd | Banks Value | Debtors Value | Rental Income | Estimated Monthly Operating Costs Including Taxes and Insurance | Net Rev. | Int. Rate Prime +1 | 30yr Am Payment / Monthly | 10yr Balloon | Int. Rate Prime +1 | 30yr Am Payment | 5yr Balloon | 3rd Party Contribution Based on 30yr Am 10Yr Balloon |
|------|--------------|---------------------------|----------------------|---|---|--|-----------------|-----------------|------------------|---|-------------|-----------------------|---------------------------------|-------------------|-----------------------|--------------------|-------------------|--|
| CGB | 68780 | Hope Ind | SRC | \$ 410,000.00 | 853 E. 4th St | 1st | | \$ 450,000.00 | \$ 8,125.00 | \$ 402.36 | \$ 7,722.64 | 5.75% | (\$2,392.65) | (\$340,792.61) | 5.75% | (\$2,392.65) | (\$380,324.97) | \$ 5,329.99 |
| CTB | 520368 | Hope Ind | | \$ 35,000.00 | 1257 S. Main St | 1st | \$ 434,000.00 | \$ 275,000.00 | \$ 500.00 | \$ 675.61 | \$ (175.61) | 5.75% | (\$204.25) | (\$29,092.05) | 5.75% | (\$204.25) | (\$32,466.77) | \$ (379.86) |
| CVNB | 5569 | Hope Ind | Star & Walter Kusiak | \$ 880,000.00 | 1.)1255 S. Main St, 1251&1253 S. Main St. 2.) 935 Camelot Place | 1st on 1255,1251,1 253 S. Main St. 2nd on all others | \$ 1,470,000.00 | \$ 1,700,000.00 | \$ 3,000.00 | \$ 1,547.19 | \$ 1,452.81 | 5.75% | (\$5,135.44) | (\$731,457.31) | 5.75% | (\$5,135.44) | (\$816,307.24) | \$ (3,682.63) |
| CVNB | 6409 | SRC | Walter Kusiak | \$ 66,000.00 | 1.)1215 Maple Lane, Corbin KY 2.) Stockyards, 1251 & 1253 S. Main St. 3.) 935 Camelot Place 4.) 853 E. 4th St. 5.)38.8 Acres Keavy Rd. 6.) 5617 Keavy Rd. DoubleWide and 22 Acres | 1st on 1215 Maple Lane, 2nd on all others | | \$ 165,000.00 | \$ 1,000.00 | \$ 149.82 | \$ 850.18 | 5.75% | (\$385.16) | (\$54,859.30) | 5.75% | (\$385.16) | (\$61,223.04) | \$ 465.02 |
| CVNB | 6407 | Star and Walter Kusiak | | \$ 83,000.00 | 1.) 38.8 Acres Keavy Rd. 2) 5617 Keavy Rd, Doublewide & 22acres. 3) 935 Camelot Place | 1st on 935 Camelot, 2nd on all others | | \$ 390,000.00 | \$ 2,000.00 | \$ 477.93 | \$ 1,522.07 | 5.75% | (\$484.37) | (\$68,989.72) | 5.75% | (\$484.37) | (\$76,992.62) | \$ 1,037.70 |
| CVNB | 6784 | SRC | Star & Walter Kusiak | \$ 363,200.00 | 1.)1215 Maple Lane, Corbin KY 2.) Stockyards, 1251 & 1253 S. Main St. 3.) 935 Camelot Place 4.) Land on E. 4th St. 5.)38.8 Acres Keavy Rd. 6.) 5617 Keavy Rd. DoubleWide and 22 Acres 7.) 5175 Keavy Rd | 2nd | | | | | \$ - | 5.75% | (\$2,119.54) | (\$301,892.38) | 5.75% | (\$2,119.54) | (\$336,912.26) | \$ (2,119.54) |
| CVNB | 350 | Star and Walter Kusiak | | \$ 215,000.00 | 853 E. 4th St. | 2nd | | | | | \$ - | 5.75% | (\$1,254.68) | (\$178,708.32) | 5.75% | (\$1,254.68) | (\$199,438.70) | \$ (1,254.68) |
| CVNB | CC's Balance | SRC,Star R. Hope | | \$ 105,000.00 | | | | | | | \$ - | 5.75% | (\$612.75) | (\$87,276.16) | 5.75% | (\$612.75) | (\$97,400.30) | \$ (612.75) |
| | | | | \$ 1,712,200.00 | | | | | \$ 2,255,000.00 | \$ 6,000.00 | \$ 2,174.94 | \$ 3,825.06 | \$ (9,991.93) | \$ (1,423,183.19) | | \$ (9,991.93) | \$ (1,588,274.16) | \$ (6,166.87) |
| FNB | 1720 | Hope Ind | Star & Walter Kusiak | \$ 70,000.00 | 936 Fourwood Dr, Fayetteville, NC | 1st | \$ 338,100.00 | \$ 515,000.00 | | \$ 645.77 | \$ (645.77) | 5.75% | (\$408.50) | (\$58,184.10) | 5.75% | (\$408.50) | (\$64,933.53) | \$ (1,054.27) |
| FNB | 4630 | Hope Ind | Star & Walter Kusiak | \$ 204,000.00 | 309 W. Dixie St. London, KY/936 Fourwood Dr Fayetteville, NC | 2nd | | | | | \$ - | 5.75% | (\$1,190.49) | (\$169,565.10) | 5.75% | (\$1,190.49) | (\$189,234.86) | \$ (1,190.49) |
| FNB | 5060 | Hope Ind | Star & Walter Kusiak | \$ 48,500.00 | 936 Fourwood Dr, Fayetteville, NC | 2nd | | | | | \$ - | 5.75% | (\$283.03) | (\$40,313.27) | 5.75% | (\$283.03) | (\$44,989.66) | \$ (283.03) |
| FNB | 5650 | Hope Ind | Star & Walter Kusiak | \$ 55,700.00 | 309 W. Dixie St. London, KY | 1st | \$ 118,500.00 | \$ 135,000.00 | \$ 1,500.00 | \$ 232.39 | \$ 1,267.61 | 5.75% | (\$325.05) | (\$46,297.92) | 5.75% | (\$325.05) | (\$51,668.54) | \$ 942.56 |
| FNB | 5740 | Hope Ind | Star & Walter Kusiak | \$ 40,300.00 | 22 Acres @ 5617 Keavy Rd/309 W. Dixie St/5175 Keavy Rd | 1st on 5617 Keavy Rd 2nd on all others | \$ 99,450.00 | \$ 82,000.00 | \$ 400.00 | \$ 75.72 | \$ 324.28 | 5.75% | (\$235.18) | (\$33,497.42) | 5.75% | (\$235.18) | (\$37,383.16) | \$ 89.10 |
| FNB | 6910 | Hope Ind | Star & Walter Kusiak | \$ 37,500.00 | House and 38.8 Acres on Keavy Rd | 1st | \$ 192,000.00 | \$ 275,000.00 | | | \$ - | 5.75% | (\$218.84) | (\$31,170.06) | 5.75% | (\$218.84) | (\$34,785.82) | \$ (218.84) |
| FNB | 6920 | Hope Ind | Star & Walter Kusiak | \$ 24,800.00 | 5175 Keavy Rd & 1.38 Acres | 1st | \$ 141,000.00 | \$ 167,000.00 | \$ 850.00 | \$ 170.78 | \$ 679.22 | 5.75% | (\$144.73) | (\$20,613.80) | 5.75% | (\$144.73) | (\$23,005.02) | \$ 534.49 |
| FNB | CC | Hope | | \$ 10,000.00 | | | | | | | \$ - | | | | | | | \$ - |
| | | | | \$ 490,800.00 | | | | | \$ 1,174,000.00 | \$ 2,750.00 | \$ 1,124.66 | \$ 1,625.34 | \$ (2,805.82) | \$ (399,641.68) | | \$ (2,805.82) | \$ (446,000.59) | \$ (1,180.48) |

| | | | | | | | | | | | | | | | | | | |
|-----------------|------|-----|----------------------|-----------------|--|-----|-----------------|--------------|-------------|--------------|-------|----------------|-------------------|-----------------|----------------|-------------------|-----------------|---------------|
| FNB | 3690 | SRC | | \$ 410,000.00 | 38.38 acres and 22 Acres on Keavy Rd | 2nd | | | | | | 5.75% | (\$2,392.65) | (\$340,792.61) | 5.75% | (\$2,392.65) | (\$380,324.97) | \$ (2,392.65) |
| FNB | 8070 | SRC | Star & Walter Kusiak | \$ 464,800.00 | Stables, Garage & 25 Acres @ Keavy rd./Modular home and 2 acres | 2nd | | | | | | 5.75% | (\$2,712.45) | (\$386,342.45) | 5.75% | (\$2,712.45) | (\$431,158.64) | \$ (2,712.45) |
| FNB | 8080 | SRC | | \$ 27,800.00 | Savings Account | | | | | | | 5.75% | (\$162.23) | (\$23,107.40) | 5.75% | (\$162.23) | (\$25,787.89) | \$ (162.23) |
| FNB | 9511 | SRC | | \$ 38,500.00 | 309 W. Dixie St, 38 acres on Keavy rd, 5175 Keavy Rd, 22acres @ 5617 Keavy Rd. | 2nd | | | | | | 5.75% | (\$224.68) | (\$32,001.26) | 5.75% | (\$224.68) | (\$35,713.44) | \$ (224.68) |
| | | | | \$ 941,100.00 | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | \$ (5,492.00) | \$ (782,243.72) | | \$ (5,492.00) | \$ (872,984.94) | \$ (5,492.00) |
| Total All Banks | | | | \$ 3,589,100.00 | | | \$ 4,154,000.00 | \$ 17,375.00 | \$ 4,377.57 | \$ 12,997.43 | Total | \$ (20,886.66) | \$ (2,974,953.25) | | \$ (20,886.66) | \$ (3,320,051.43) | \$ (7,889.23) | |

| Bank | Note | Borrower | Approximate Balance Due At Confirmation | Collateral | Priority 1st/2nd | Banks Value | Debtors Value |
|-------------|--------|------------------------------------|---|--|---|-----------------|-----------------|
| CGB | 68780 | Hope Ind. & SRC | \$ 410,000.00 | 853 E. 4th St | 1st | | \$ 450,000.00 |
| CTB | 520368 | Hope Ind | \$ 35,000.00 | 1257 S. Main St | 1st | \$ 434,000.00 | \$ 275,000.00 |
| CVNB | 5569 | Hope Ind. & Star Robbins-Kusiak | \$ 880,000.00 | 1.)1255 S. Main St, 1251&1253 S. Main St. 2.) 935 Camelot Place | 1st on 1255,1251, 1253 S. Main St. 2nd on all others | \$ 1,470,000.00 | \$ 1,700,000.00 |
| CVNB | 6409 | SRC & Walter Kusiak | \$ 66,000.00 | 1.)1215 Maple Lane, Corbin KY 2.) Stockyards, 1251 & 1253 S. Main St. 3.) 935 Camelot Place 4.) 853 E. 4th St. 5.)38.8 Acres Keavy Rd. 6.) 5617 Keavy Rd. DoubleWide and 22 Acres | 1st on 1215 Maple Lane, 2nd on all others | | \$ 165,000.00 |
| CVNB | 6407 | Star and Walter Kusiak | \$ 90,000.00 | 1.) 38.8 Acres Keavy Rd. 2) 5617 Keavy Rd, Doublewide & 22acres. 3) 935 Camelot Place | 1st on 935 Camelot, 2nd on all others | | \$ 390,000.00 |

| | | | | | | | |
|------------------------|--------------|------------------------------|---------------|---|-----|--|--|
| CVNB | 6784 | SRC & Star and Walter Kusiak | \$ 363,200.00 | 1.)1215 Maple Lane, Corbin KY 2.) Stockyards, 1251 & 1253 S. Main St. 3.) 935 Camelot Place 4.) Land on E. 4th St. 5.)38.8 Acres Keavy Rd. 6.) 5617 Keavy Rd. DoubleWide and 22 Acres 7.) 5175 Keavy Rd | 2nd | | |
| CVNB | 350 | Star and Walter Kusiak | \$ 215,000.00 | 853 E. 4th St. | 2nd | | |
| CVNB | CC's Balance | SRC,Star R. Hope | \$ 105,000.00 | | | | |
| \$ 1,719,200.00 | | | | \$ 2,255,000.00 | | | |

| | | | | | | | |
|------------|------|-------------------------------|---------------|--|---|--|---------------|
| FNB | 1720 | Hope Ind/Star & Walter Kusiak | \$ 70,000.00 | 936 Fourwood Dr, Fayetteville, NC | 1st | | \$ 515,000.00 |
| FNB | 4630 | Hope Ind/Star & Walter Kusiak | \$ 204,000.00 | 309 W. Dixie St. London, KY/936 Fourwood Dr Fayetteville, NC | 2nd | | |
| FNB | 5060 | Hope Ind/Star & Walter Kusiak | \$ 48,500.00 | 936 Fourwood Dr, Fayetteville, NC | 2nd | | |
| FNB | 5650 | Hope Ind/Star & Walter Kusiak | \$ 55,700.00 | 309 W. Dixie St. London, KY | 1st | | \$ 135,000.00 |
| FNB | 5740 | Hope Ind/Star & Walter Kusiak | \$ 40,300.00 | 22 Acres @ 5617 Keavy Rd/309 W. Dixie St/5175 Keavy Rd | 1st on 5617 Keavy Rd 2nd on all others | | \$ 82,000.00 |
| FNB | 6910 | Hope Ind/Star & Walter Kusiak | \$ 37,500.00 | House and 38.8 Acres on 5175 Keavy Rd & 1.58 Acres | 1st | | \$ 275,000.00 |
| FNB | 6920 | Hope Ind/Star & Walter Kusiak | \$ 24,800.00 | | 1st | | \$ 167,000.00 |
| FNB | CC | Hope | \$ 10,000.00 | | | | |

\$ 490,800.00

\$ 1,174,000.00

| | | | | | | | |
|------------|------|---------------------------|---------------|---|-----|--|--|
| FNB | 3690 | SRC | \$ 410,000.00 | 58.58 acres and 22 Acres | 2nd | | |
| FNB | 8070 | SRC/ Star & Walter Kuciel | \$ 464,800.00 | Stables, Garage & 25 Acres @ Keary | 2nd | | |
| FNB | 8080 | SRC | \$ 27,800.00 | Savings Account | | | |
| FNB | 9511 | SRC | \$ 38,500.00 | 509 W. Dixie St, 58 acres on Keary rd, 5175 Keary | 2nd | | |

\$ 941,100.00

Total All Banks

\$ 3,596,100.00

\$ 4,154,000.00

| Rental Income | Estimated Monthly Operating Costs Including Taxes and Insurance | Net Rev. | Int. Rate Prime +1 | 30yr Am Payment | 10yr Balloon | Int. Rate Prime +1 | 30yr Am Payment | 5yr Balloon | 3rd Party Contribution Based on 30yr Am 10Yr Balloon |
|---------------|---|-------------|--------------------|-----------------|----------------|--------------------|-----------------|----------------|--|
| \$ 8,125.00 | \$ 402.36 | \$ 7,722.64 | 6.75% | (\$2,659.25) | (\$349,734.10) | 6.75% | (\$2,659.25) | (\$384,890.41) | \$ 5,063.39 |

| | | | | | | | | | |
|-----------|-----------|-------------|-------|------------|---------------|-------|------------|---------------|-------------|
| \$ 500.00 | \$ 675.61 | \$ (175.61) | 6.75% | (\$227.01) | (\$29,855.35) | 6.75% | (\$227.01) | (\$32,856.50) | \$ (402.62) |
|-----------|-----------|-------------|-------|------------|---------------|-------|------------|---------------|-------------|

| | | | | | | | | | |
|-------------|-------------|-------------|-------|--------------|----------------|-------|--------------|----------------|---------------|
| \$ 3,000.00 | \$ 1,547.19 | \$ 1,452.81 | 6.75% | (\$5,707.66) | (\$750,648.79) | 6.75% | (\$5,707.66) | (\$826,106.24) | \$ (4,254.85) |
| \$ 1,000.00 | \$ 149.82 | \$ 850.18 | 6.75% | (\$428.07) | (\$56,298.66) | 6.75% | (\$428.07) | (\$61,957.97) | \$ 422.11 |
| \$ 2,000.00 | \$ 477.93 | \$ 1,522.07 | 6.75% | (\$583.74) | (\$76,770.90) | 6.75% | (\$583.74) | (\$84,488.14) | \$ 938.33 |

| | | | | | | | | | |
|-------------|-------------|-------------|-------|----------------|-------------------|-------|----------------|-------------------|---------------|
| | | \$ - | 6.75% | (\$2,355.71) | (\$309,813.23) | 6.75% | (\$2,355.71) | (\$340,956.58) | \$ (2,355.71) |
| | | \$ - | 6.75% | (\$1,394.49) | (\$183,397.15) | 6.75% | (\$1,394.49) | (\$201,832.78) | \$ (1,394.49) |
| | | \$ - | 6.75% | (\$681.03) | (\$89,566.05) | 6.75% | (\$681.03) | (\$98,569.50) | \$ (681.03) |
| \$ 6,000.00 | \$ 2,174.94 | \$ 3,825.06 | | \$ (11,150.70) | \$ (1,466,494.78) | | \$ (11,150.70) | \$ (1,613,911.20) | \$ (7,325.64) |

| | | | | | | | | | |
|-------------|-----------|-------------|-------|--------------|----------------|-------|--------------|----------------|---------------|
| | \$ 645.77 | \$ (645.77) | 6.75% | (\$454.02) | (\$59,710.70) | 6.75% | (\$454.02) | (\$65,713.00) | \$ (1,099.79) |
| | | \$ - | 6.75% | (\$1,323.14) | (\$174,014.04) | 6.75% | (\$1,323.14) | (\$191,506.45) | \$ (1,323.14) |
| | | \$ - | 6.75% | (\$314.57) | (\$41,370.98) | 6.75% | (\$314.57) | (\$45,529.72) | \$ (314.57) |
| \$ 1,500.00 | \$ 232.39 | \$ 1,267.61 | 6.75% | (\$361.27) | (\$47,512.66) | 6.75% | (\$361.27) | (\$52,288.77) | \$ 906.34 |
| \$ 400.00 | \$ 75.72 | \$ 324.28 | 6.75% | (\$261.39) | (\$34,376.30) | 6.75% | (\$261.39) | (\$37,831.91) | \$ 62.89 |
| | | \$ - | 6.75% | (\$243.22) | (\$31,987.87) | 6.75% | (\$243.22) | (\$35,203.39) | \$ (243.22) |
| \$ 850.00 | \$ 170.78 | \$ 679.22 | 6.75% | (\$160.85) | (\$21,154.65) | 6.75% | (\$160.85) | (\$23,281.18) | \$ 518.37 |
| | | \$ - | | | | | | | \$ - |

\$ 2,750.00 \$ 1,124.66 \$ 1,625.34 \$ (3,118.46) \$ (410,127.20) \$ (3,118.46) \$ (451,354.41) \$ (1,493.12)

| | | | | | | | | | |
|--|--|--|-------|---------------|-----------------|-------|---------------|-----------------|---------------|
| | | | 6.75% | (\$2,659.25) | (\$349,734.10) | 6.75% | (\$2,659.25) | (\$384,890.41) | \$ (2,659.25) |
| | | | 6.75% | (\$3,014.68) | (\$396,479.04) | 6.75% | (\$3,014.68) | (\$436,334.30) | \$ (3,014.68) |
| | | | 6.75% | (\$180.31) | (\$23,713.68) | 6.75% | (\$180.31) | (\$26,097.45) | \$ (180.31) |
| | | | 6.75% | (\$249.71) | (\$32,840.88) | 6.75% | (\$249.71) | (\$36,142.15) | \$ (249.71) |
| | | | | \$ (6,103.96) | \$ (802,767.70) | | \$ (6,103.96) | \$ (883,464.30) | \$ (6,103.96) |

\$ 17,375.00 \$ 4,377.57 \$12,997.43 Total \$ (23,259.38) \$ (3,058,979.13) \$ (23,259.38) \$ (3,366,476.82) \$ (10,261.95)

| Bank | Note | Borrower | Guarantor | Approximate Balance Due At Confirmation | Collateral | Priority 1st/2nd | Rental Income | Estimated Monthly Operating Costs Including Taxes and Insurance |
|------|--------|---------------------------|----------------------|---|--|---|------------------|---|
| CGB | 68780 | Hope Ind | SRC | \$ 410,000.00 | 853 E. 4th St | 1st | \$ 8,125.00 | \$ 402.36 |
| CTB | 520368 | Hope Ind | | \$ 35,000.00 | 1257 S. Main St | 1st | \$ 500.00 | \$ 675.61 |
| CVNB | 5569 | Hope Ind | Star & Walter Kusiak | \$ 880,000.00 | 1.)1255 S. Main St, 1251&1253 S. Main St. 2.) 935 Camelot Place | 1st on 1255,1251, 1253 S. Main St. 2nd on all others | \$ 3,000.00 | \$ 1,547.19 |
| CVNB | 6409 | SRC | Walter Kusiak | \$ 66,000.00 | 1.)1215 Maple Lane, Corbin KY 2.) Stockyards, 1251 & 1253 S. Main St. 3.) 935 Camelot Place 4.) 853 E. 4th St. 5.)38.8 Acres Keavy Rd. 6.) 5617 Keavy Rd. DoubleWide and 22 Acres | 1st on 1215 Maple Lane, 2nd on all others | \$ 1,000.00 | \$ 149.82 |
| CVNB | 6407 | Star and Walter Kusiak | | \$ 90,000.00 | 1.) 38.8 Acres Keavy Rd. 2) 5617 Keavy Rd, Doublewide & 22acres. 3) 935 Camelot Place | 1st on 935 Camelot, 2nd on all others | \$ 2,000.00 | \$ 477.93 |

| | | | | | | | | |
|-------------|--------------|------------------------|----------------------|------------------------|---|-----|--|--|
| CVNB | 6784 | SRC | Star & Walter Kusiak | \$ 363,200.00 | 1.)1215 Maple Lane, Corbin KY 2.) Stockyards, 1251 & 1253 S. Main St. 3.) 935 Camelot Place 4.) Land on E. 4th St. 5.)38.8 Acres Keavy Rd. 6.) 5617 Keavy Rd. DoubleWide and 22 Acres 7.) 5175 Keavy Rd | 2nd | | |
| CVNB | 350 | Star and Walter Kusiak | | \$ 215,000.00 | 853 E. 4th St. | 2nd | | |
| CVNB | CC's Balance | SRC,Star R. Hope | | \$ 105,000.00 | | | | |
| | | | | \$ 1,719,200.00 | \$ 6,000.00 \$ 2,174.94 | | | |

| | | | | | | | | |
|------------|------|----------|----------------------|---------------|--|---|-------------|-----------|
| FNB | 1720 | Hope Ind | Star & Walter Kusiak | \$ 70,000.00 | 936 Fourwood Dr, Fayetteville, NC | 1st | | \$ 645.77 |
| FNB | 4630 | Hope Ind | Star & Walter Kusiak | \$ 204,000.00 | 309 W. Dixie St. London, KY/936 Fourwood Dr Fayetteville, NC | 2nd | | |
| FNB | 5060 | Hope Ind | Star & Walter Kusiak | \$ 48,500.00 | 936 Fourwood Dr, Fayetteville, NC | 2nd | | |
| FNB | 5650 | Hope Ind | Star & Walter Kusiak | \$ 55,700.00 | 309 W. Dixie St. London, KY | 1st | \$ 1,500.00 | \$ 232.39 |
| FNB | 5740 | Hope Ind | Star & Walter Kusiak | \$ 40,300.00 | 22 Acres @ 5617 Keavy Rd/309 W. Dixie St/5175 Keavy Rd | 1st on 5617 Keavy Rd 2nd on all others | \$ 400.00 | \$ 75.72 |
| FNB | 6910 | Hope Ind | Star & Walter Kusiak | \$ 37,500.00 | House and 38.8 Acres on 5175 Keavy Rd & 1.58 Acres | 1st | | |
| FNB | 6920 | Hope Ind | Star & Walter Kusiak | \$ 24,800.00 | | 1st | \$ 850.00 | \$ 170.78 |
| FNB | CC | Hope | | \$ 10,000.00 | | | | |

\$ 490,800.00 \$ 2,750.00 \$ 1,124.66

| | | | | | | | | |
|-----|------|-----|----------------------|---------------|---------------------------|-----|--|--|
| FNB | 3690 | SRC | | \$ 410,000.00 | 58.58 acres and 22 Acres | 2nd | | |
| FNB | 8070 | SRC | Star & Walter Kusiak | \$ 464,800.00 | Stables, Garage & 25 | 2nd | | |
| FNB | 8080 | SRC | | \$ 27,800.00 | Acres @ Keary | | | |
| FNB | 9511 | SRC | | \$ 38,500.00 | Savings Account | | | |
| | | | | | 509 W. Dixie St, 58 acres | 2nd | | |
| | | | | | on Keary rd. 5175 Keary | | | |

\$ 941,100.00

Total All Banks \$ 3,596,100.00 \$ 17,375.00 \$ 4,377.57

| | | | | |
|-----------------|-------------------------------|----------------------------|--------------------|---|
| | | | | 3rd Party Contribution Based on 30yr Am 10Yr Balloon |
| Net Rev. | Int. Rate Prime +1 | 30yr Am Payment | 5yr Balloon | |

| | | | | | | | | | | |
|-------------|-------|--------------|----------------|-------------|--|--|--|--|--|--|
| \$ 7,722.64 | 5.75% | (\$2,392.65) | (\$380,324.97) | \$ 5,329.99 | | | | | | |
|-------------|-------|--------------|----------------|-------------|--|--|--|--|--|--|

| | | | | | | | | | | |
|-------------|-------|------------|---------------|-------------|--|--|--|--|--|--|
| \$ (175.61) | 5.75% | (\$204.25) | (\$32,466.77) | \$ (379.86) | | | | | | |
|-------------|-------|------------|---------------|-------------|--|--|--|--|--|--|

| | | | | | | | | | | |
|-------------|-------|--------------|----------------|---------------|--|--|--|--|--|--|
| \$ 1,452.81 | 5.75% | (\$5,135.44) | (\$816,307.24) | \$ (3,682.63) | | | | | | |
| \$ 850.18 | 5.75% | (\$385.16) | (\$61,223.04) | \$ 465.02 | | | | | | |
| \$ 1,522.07 | 5.75% | (\$525.22) | (\$83,485.97) | \$ 996.85 | | | | | | |

| | | | | | | | | | | |
|-------------|-------|----------------|-------------------|---------------|--|--|--|--|--|--|
| \$ - | 5.75% | (\$2,119.54) | (\$336,912.26) | \$ (2,119.54) | | | | | | |
| \$ - | 5.75% | (\$1,254.68) | (\$199,438.70) | \$ (1,254.68) | | | | | | |
| \$ - | 5.75% | (\$612.75) | (\$97,400.30) | \$ (612.75) | | | | | | |
| \$ 3,825.06 | | \$ (10,032.78) | \$ (1,594,767.52) | \$ (6,207.72) | | | | | | |

| | | | | | | | | | | |
|-------------|-------|--------------|----------------|---------------|--|--|--|--|--|--|
| \$ (645.77) | 5.75% | (\$408.50) | (\$64,933.53) | \$ (1,054.27) | | | | | | |
| \$ - | 5.75% | (\$1,190.49) | (\$189,234.86) | \$ (1,190.49) | | | | | | |
| \$ - | 5.75% | (\$283.03) | (\$44,989.66) | \$ (283.03) | | | | | | |
| \$ 1,267.61 | 5.75% | (\$325.05) | (\$51,668.54) | \$ 942.56 | | | | | | |
| \$ 324.28 | 5.75% | (\$235.18) | (\$37,383.16) | \$ 89.10 | | | | | | |
| \$ - | 5.75% | (\$218.84) | (\$34,785.82) | \$ (218.84) | | | | | | |
| \$ 679.22 | 5.75% | (\$144.73) | (\$23,005.02) | \$ 534.49 | | | | | | |
| \$ - | | | | \$ - | | | | | | |

\$ 1,625.34

\$ (2,805.82) \$ (446,000.59) \$ (1,180.48)

| | | | | | | | | | | |
|--|-------|---------------|-----------------|---------------|--|--|--|--|--|--|
| | 5.75% | (\$2,392.65) | (\$380,324.97) | \$ (2,392.65) | | | | | | |
| | 5.75% | (\$2,712.45) | (\$431,158.64) | \$ (2,712.45) | | | | | | |
| | 5.75% | (\$162.23) | (\$25,787.89) | \$ (162.23) | | | | | | |
| | 5.75% | (\$224.68) | (\$35,713.44) | \$ (224.68) | | | | | | |
| | | \$ (5,492.00) | \$ (872,984.94) | \$ (5,492.00) | | | | | | |

\$12,997.43

\$ (20,927.51) \$ (3,326,544.78) \$ (7,930.08)

This information is deemed highly confidential and may not be shared without the express written consent. It is for illustrative purposes only.

SRC - 2016, 2017 & 2018 Production Score Board & Analysis

| | |
|--|--|
| | Green Shading represents actual results |
| | Blue Shading represents projections |
| | Peach Shading represents "Explanatory notes/anticipated testimony of Star R. Kusiak" |

| | 2016 | 2017 | 2018 |
|---------------|--------------------|--------------------|--------------------|
| Goal | \$3,000,000 | \$3,000,000 | \$3,750,000 |
| Actual | \$2,102,009 | \$3,095,426 | \$654,722 |
| | | | To Date |

| | 2016 | 2017 | 2018 | % Difference 2017 -vs- 2018 | % Difference 2016 -vs- 2018 | Type of Enrollment |
|-----------------|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|---|
| January | \$20,083.14 | \$10,044.26 | \$82,695.18 | 823% | 412% | Service Work |
| February | \$26,113.74 | \$21,186.02 | \$70,154.18 | 331% | 269% | Service Work |
| March | \$29,266.40 | \$79,480.34 | \$106,050.36 | 133% | 362% | Service Work |
| April | \$235,526.24 | \$40,160.16 | \$171,363.00 | 427% | 73% | 2016=450 EE new group & 2018 was Service Work |
| May | \$194,610.04 | \$82,273.20 | \$222,440.88 | 270% | 114% | 2016=450 EE new group & 2018 was Service Work |
| | \$505,599.56 | \$233,143.98 | \$654,721.60 | | | |

| | | | |
|------------------|-----------------------|-----------------------|-----------------------|
| June | \$20,900.44 | \$31,677.34 | \$180,000.00 |
| July | \$41,254.72 | \$181,505.36 | \$220,000.00 |
| August | \$28,408.64 | \$29,324.72 | \$150,000.00 |
| September | \$212,288.06 | \$61,381.90 | \$150,000.00 |
| October | \$487,342.98 | \$1,455,606.76 | \$1,250,000.00 |
| November | \$472,168.28 | \$1,005,561.04 | \$1,000,000.00 |
| December | \$334,046.74 | \$97,224.50 | \$150,000.00 |
| | \$1,596,409.86 | \$2,862,281.62 | \$3,100,000.00 |
| Total | \$2,102,009.42 | \$3,095,425.60 | \$3,754,721.60 |

| | |
|--|--------------------|
| Projected premium 2018 | \$3,754,722 |
| Actual Rolling 12 months Premium June 2017 - May 2018 | \$3,517,003 |

On this page you see historical results from 2016 through current date in 2018. These premiums illustrated what SRC produced during the periods stated. At the top you will see the Goals and Results for 2016 and 2017. You will also see the Goals for 2018 and the premium written to date.

In the next section, you will see the breakdown of production by month for January -May for the years 2016-2018. Also illustrated in this section is the % of difference in 2018 versus 2016 and in 2018 versus 2017. It is important to note all of the 2018 premium is from Service Work. In 2016 the increase in April and May came from a new case acquisition that enrolled in late April and early May. This is significant in understanding the trend shifts we are seeing at SRC. The market has shifted back to what is typical and normal for our business model.

In the next section you will see our results for 2016 and 2017 with a comparison of our expected results for the balance of 2018. These numbers for 2018 are based on existing customer re-enrollments and new customer acquisitions expected. Later in this body of work you will see more details and a probability of cases onboarding for 2018.

At the bottom, you will see our projected premium for 2018 based on current trends and you will see our rolling 12 month actual premium.

GOALS = 2016 Was Severely Less than Projected due to unforeseen issues arising from a new broker relationship, 2017 exceeded Goal, 2018 is significantly Higher to date.

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SRC 2018 Revenue

Projections compiled in January versus Actual Revenues Received through May

Presented to the banks prior to filing bankruptcy, in an attempt to avoid the need to pursue this action.

| | |
|--|--|
| | Green Shading represents actual results |
| | Blue Shading represents projections |
| | Peach Shading represents "Explanatory notes/anticipated testimony of Star R. Kusiak" |

| | | Revenue Projections compiled in January | Actual Revenue Received | Difference in Projected and Actual |
|--|--|--|----------------------------|------------------------------------|
| | January | \$128,423 | \$134,376 | \$5,953 |
| | February | \$137,769 | \$132,612 | -\$5,157 |
| | March | \$120,772 | \$120,402 | -\$370 |
| | April | \$120,772 | \$131,725 | \$10,953 |
| | May | \$130,772 | \$165,419 | \$34,647 |
| | DIFFERENCE IN PROJECTED REVENUE AND ACTUAL REVENUE RECEIVED TO DATE | | | \$46,026 |

In this chart we projected our revenues for the year broken down by month. It is important to note, there are variances due to the timing of deductions, customer billing processes, and carrier application of premiums once recieved. We have very little control over how quickly all of these steps take place. This can sometime cause revenues to fluxuate from month to month.

One of the key reasons you see an increase in our monthly projections, as the year progressed, is tied directly to the upward trend in service work premium shown in other charts.

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SRC 2018 Expenses/Costs

Projections compiled in January compared to Actual paid through May

Projected Expenses Presented to the Banks to try and avoid Bankruptcy

| | |
|--|--|
| | Green Shading represents actual results |
| | Blue Shading represents projections |
| | Peach Shading represents “Explanatory notes/anticipated testimony of Star R. Kusiak” |

| | Projected Expense in January Plan | Actual Expenses Paid | Difference in Projected and Actual |
|--|--------------------------------------|-------------------------|---------------------------------------|
| January | \$161,611 | -\$135,723 | \$25,888 |
| February | \$135,611 | -\$137,689 | -\$2,078 |
| March | \$123,611 | -\$135,398 | -\$11,787 |
| April | \$123,611 | -\$113,502 | \$10,109 |
| May | \$129,611 | -\$148,856 | -\$19,245 |
| DIFFERENCE IN PROJECTION AND ACTUAL TO DATE | | | \$2,887 |

In this chart we projected our expenses for the year broken down by month. It is important to note, there are variances due to the timing of commissions due and paid, due to the same variances listed in the previous page. We have very little control over how quickly customers remit payment and carriers process those payments. This can sometime cause timing of payments or expenses in the budget to fluxuate from month to month to match actual cash flow.

One of the key reasons you see an increase in our monthly expense projections, as the year progressed, is tied directly to when revenue was received and also impacted by the upward trend in service work. Also, some differences were from pay periods that fell in one month or the other. For instance, March had a 5th payroll and June 1st payroll was issued on May 31st.

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UPDATED Mid Year 2018 Revenue Projected

| | Original Revenue Projection January | Updated Revenue Projection June |
|-----------|-------------------------------------|---------------------------------|
| June | \$123,772 | \$135,772 |
| July | \$127,772 | \$139,772 |
| August | \$174,212 | \$174,212 |
| September | \$174,212 | \$174,212 |
| October | \$208,000 | \$208,000 |
| November | \$208,000 | \$208,000 |
| December | \$174,212 | \$174,212 |

In this chart, in January we submitted our projected revenues for the year broken down by month. Due to the increase in production we have updated revenue projections for the rest of 2018.

SAME AS BEFORE, it is important to note, there are variances due to the timing of commissions due and paid, due to the same variances listed in the previous page. We have very little control over how quickly customers remit payment and carriers process those payments. This can sometime cause timing of payments or expenses in the budget to fluxuate from month to month to match actual cash flow.

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Updated Mid Year 2018 Expenses Projected

Expenses/Costs have increased (primarily payroll) due to additional new business, the rise in service production, and the increased projections for the upcoming enrollment season.

| | Original Expense Projection Beginning of 2018 | Updated Expense Projection Mid Year 2018 |
|-----------|--|--|
| June | \$123,611 | \$135,000 |
| July | \$123,611 | \$139,500 |
| August | \$123,611 | \$139,500 |
| September | \$131,611 | \$147,611 |
| October | \$144,611 | \$160,611 |
| November | \$144,611 | \$160,611 |
| December | \$144,611 | \$155,611 |

In this chart, in January we submitted our projected expense/costs for the year broken down by month. Due to the increase in workload we have updated expense/cost projections for the rest of 2018.

SAME AS BEFORE, it is important to note, there are variances due to the timing of commissions due and paid, due to the same variances listed in the previous page. This may have month to month impacts on expenditures. We have very little control over how quickly customers remit payment and carriers process those payments. This can sometime cause timing of payments or expenses in the budget to fluxuate from month to month to match actual cash flow.

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Updated Projections Mid Year 2018

Budget needs have changed due to additional new business, the rise in service production, and the projections for the upcoming enrollment season.

| | Original Expense Projection Beginning Year 2018 | Updated Expense Projection Mid Year 2018 | Updated Revenue Projection Mid Year 2018 | NET Projected | Notes |
|------------------|---|--|--|---------------|--|
| June | \$123,611 | \$135,000 | \$135,772 | \$772 | |
| July | \$123,611 | \$139,500 | \$139,772 | \$272 | |
| August | \$123,611 | \$139,500 | \$174,212 | \$34,712 | |
| September | \$131,611 | \$147,611 | \$174,212 | \$26,601 | |
| October | \$144,611 | \$160,611 | \$208,000 | \$47,389 | This illustrates taking a minimal advance during enrollment season |
| November | \$144,611 | \$160,611 | \$208,000 | \$47,389 | This illustrates taking a minimal advance during enrollment season |
| December | \$144,611 | \$155,611 | \$174,212 | \$18,601 | |

In this chart, in January we submitted our projected expense/costs for the year broken down by month. Due to the increase in workload we have updated expense/cost projections for the rest of 2018. This chart also shows the updated revenue projections for the balance of 2018.

SAME AS BEFORE, it is important to note, there are variances due to the timing of commissions due and paid, due to the same variances listed in the previous page. This may have month to month impacts on expenditures. We have very little control over how quickly customers remit payment and carriers process those payments. This can sometime cause timing of payments or expenses in the budget to fluxuate from month to month to match actual cash flow.

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Revenue Projection 2019

| | Closing Probability | Eligible Lives | Per Capita | SRC Portion | Average Commission | Annual Revenue | Advance Available | Monthly Earned |
|----------------|---------------------|----------------|------------|-------------|--------------------|----------------|-------------------|----------------|
| Prospect ONE | 95% | 850 | \$400 | 70% | 60% | \$142,800 | \$71,400 | \$11,900 |
| Prospect TWO | 95% | 190 | \$400 | 70% | 60% | \$31,920 | \$15,960 | \$2,660 |
| Prospect THREE | 50% | 1600 | \$400 | 70% | 60% | \$268,800 | \$134,400 | \$22,400 |
| Prospect FOUR | 75% | 600 | \$400 | 70% | 60% | \$100,800 | \$50,400 | \$8,400 |
| Prospect FIVE | 75% | 950 | \$400 | 70% | 60% | \$159,600 | \$79,800 | \$13,300 |
| Prospect SIX | 50% | 500 | \$400 | 70% | 60% | \$84,000 | \$42,000 | \$7,000 |
| Prospect SEVEN | 95% | 750 | \$400 | 70% | 65% | \$136,500 | \$68,250 | \$11,375 |
| Prospect EIGHT | 50% | 1200 | \$400 | 70% | 60% | \$201,600 | \$100,800 | \$16,800 |
| Prospect NINE | 30% | 2800 | \$400 | 70% | 60% | \$470,400 | \$235,200 | \$39,200 |
| Prospect TEN | 30% | 6000 | \$400 | 70% | 60% | \$1,008,000 | \$504,000 | \$84,000 |
| Re-Enrollment | 100% | 100 | \$100 | 70% | 60% | \$4,200 | \$2,100 | \$350 |
| Re-Enrollment | 100% | 5500 | \$25 | 75% | 60% | \$61,875 | \$30,938 | \$5,156 |
| Re-Enrollment | 100% | 190 | \$520 | 75% | 60% | \$44,460 | \$22,230 | \$3,705 |
| Re-Enrollment | 100% | 6000 | \$50 | 70% | 65% | \$136,500 | \$68,250 | \$11,375 |
| Re-Enrollment | 100% | 200 | \$50 | 100% | 60% | \$6,000 | \$3,000 | \$500 |
| Re-Enrollment | 100% | 500 | \$75 | 70% | 60% | \$15,750 | \$7,875 | \$1,313 |
| Re-Enrollment | 100% | 50 | \$100 | 70% | 60% | \$2,100 | \$1,050 | \$175 |
| Re-Enrollment | 100% | 1200 | \$50 | 70% | 60% | \$25,200 | \$12,600 | \$2,100 |
| Re-Enrollment | 100% | 200 | \$75 | 70% | 60% | \$6,300 | \$3,150 | \$525 |
| Re-Enrollment | 100% | 450 | \$100 | 70% | 60% | \$18,900 | \$9,450 | \$1,575 |
| Re-Enrollment | 100% | 1600 | \$25 | 70% | 60% | \$16,800 | \$8,400 | \$1,400 |
| Re-Enrollment | 100% | 1800 | \$50 | 70% | 60% | \$37,800 | \$18,900 | \$3,150 |
| Re-Enrollment | 100% | 550 | \$100 | 70% | 60% | \$23,100 | \$11,550 | \$1,925 |
| Re-Enrollment | 100% | 450 | \$100 | 70% | 60% | \$18,900 | \$9,450 | \$1,575 |
| Re-Enrollment | 100% | 650 | \$100 | 70% | 60% | \$27,300 | \$13,650 | \$2,275 |
| Re-Enrollment | 100% | 2500 | \$25 | 100% | 60% | \$37,500 | \$18,750 | \$3,125 |
| Re-Enrollment | 100% | 200 | \$75 | 70% | 60% | \$6,300 | \$3,150 | \$525 |
| Re-Enrollment | 100% | 20 | \$100 | 100% | 60% | \$1,200 | \$600 | \$100 |
| Re-Enrollment | 100% | 190 | \$400 | 100% | 60% | \$45,600 | \$22,800 | \$3,800 |
| Re-Enrollment | 100% | 3000 | \$100 | 70% | 60% | \$126,000 | \$63,000 | \$10,500 |
| Re-Enrollment | 100% | 75 | \$250 | 70% | 60% | \$7,875 | \$3,938 | \$656 |
| Re-Enrollment | 100% | 150 | \$100 | 100% | 60% | \$9,000 | \$4,500 | \$750 |
| Re-Enrollment | 100% | 10 | \$100 | 100% | 60% | \$600 | \$300 | \$50 |
| Re-Enrollment | 100% | 750 | \$50 | 70% | 60% | \$15,750 | \$7,875 | \$1,313 |
| Re-Enrollment | 100% | 220 | \$125 | 70% | 60% | \$11,550 | \$5,775 | \$963 |
| Re-Enrollment | 100% | 450 | \$10 | 70% | 60% | \$1,890 | \$945 | \$158 |
| Re-Enrollment | 100% | 200 | \$125 | 70% | 60% | \$10,500 | \$5,250 | \$875 |

This chart, while very long and detailed, is perhaps one of the most important charts to understand in analyzing Revenue Projections. Historically, our team is one of the best in the industry in accurately projecting what our production results and revenues will be based on each specific customer.

Illustrated first are our top 10 Prospective New Customers for 2018, which the majority will enroll during 4th quarter and will determine 2019 Revenue and Budget. Each Prospect has a closing probability assigned based on where we are in the prospecting process. We believe our numbers are conservative.

Next in the first column after new prospects, you will see our Re-Enrollments planned for 2018. These represent existing customers who will be enrolled this year.

Per Capita in the fourth column is the average annual premium written on each eligible employee. This will vary based on the type and year of enrollment. New cases will typically range from \$400 to \$650 per capita with some groups hitting as high as \$800+. We have illustrated all of our new prospects conservatively at \$400 per capita. You will see some re-enrollments at as low as \$25. These are typically self serve groups with no new product offerings or changes this cycle.

The next column represents SRC's share of the case. When working with brokers, this share is typically from 70% to 80%. When opening the case in house we retain 100% of comp.

Commissions on each product line varies. Some products pay 100% first year commission and 5% renewal, while others pay only 10% level throughout the life of the policy. Our overall Average first year comp is typically around 60%.

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Revenue Projection 2019

| | Closing Probability | Eligible Lives | Per Capita | SRC Portion | Average Commission | Annual Revenue | Advance Available | Monthly Earned |
|---------------|---------------------|----------------|--------------------------------------|-------------|--------------------|----------------|-------------------|----------------|
| Re-Enrollment | 100% | 7500 | \$10 | 70% | 60% | \$31,500 | \$15,750 | \$2,625 |
| Re-Enrollment | 100% | 250 | \$350 | 70% | 60% | \$36,750 | \$18,375 | \$3,063 |
| Re-Enrollment | 100% | 15 | \$100 | 100% | 60% | \$900 | \$450 | \$75 |
| Re-Enrollment | 100% | 60 | \$150 | 100% | 60% | \$5,400 | \$2,700 | \$450 |
| Re-Enrollment | 100% | 600 | \$10 | 70% | 60% | \$2,520 | \$1,260 | \$210 |
| Re-Enrollment | 100% | 180 | \$100 | 80% | 65% | \$9,360 | \$4,680 | \$780 |
| Re-Enrollment | 100% | 1200 | \$150 | 70% | 65% | \$81,900 | \$40,950 | \$6,825 |
| Re-Enrollment | 100% | 350 | \$350 | 70% | 65% | \$55,738 | \$27,869 | \$4,645 |
| | | 52800 | Total NEW Business Revenue Potential | | | \$3,547,438 | \$1,773,719 | \$295,620 |

SUBTRACT

| | | | | | |
|-------------------------|-------|---|-------------|-------------|-----------|
| Prospects less than 95% | 13650 | | \$2,293,200 | \$1,146,600 | \$191,100 |
| | | Net Revenue New Prospectes less than 95% Probability | \$1,254,238 | \$627,119 | \$104,520 |
| Prospects less than 75% | 12100 | | \$2,032,800 | \$1,016,400 | \$169,400 |
| | | Net Revenue New Prospects Less than 75% Probability | \$1,514,638 | \$757,319 | \$126,220 |

Current 2019 Renewal Based on Continued Service to Current Client Base

| | |
|---------------|--------------------|
| Carrier One | \$16,000.00 |
| Carrier Two | \$8,000.00 |
| Carrier Three | \$35,000.00 |
| Carrier Four | \$4,000.00 |
| Carrier Five | \$2,000.00 |
| Misc | \$4,000.00 |
| | \$69,000.00 |

95% Probability Cases

| | |
|-------------------------|-----------------|
| Revenue Projection 2019 | \$104,520 |
| Renewal 2019 | \$69,000 |

GROSS Revenue 2019 \$173,520

75% Probability Cases

| | |
|-------------------------|-----------------|
| Revenue Projection 2019 | \$126,220 |
| Renewal 2019 | \$69,000 |

GROSS Revenue 2019 \$195,220

This page summarizes revenue from all cases. Again you will see the green shade for what are already customers. We did use the green shade to illustrate what is the most conservative estimate on the revenues based on existing customers and only prospects with a 95% probability of closing and enrolling during 2018.

This page also illustrates current renewals that are paid based on continuing to service the current client base. This renewal amount is added to the revenue generated from new business written in 2018 for each of the 2019 Gross Revenue totals.

Most conservatively, the 95% probability and the re-enrollment of existing clients is the number we will count on for 2019 initial projections. The next number, based on prospects with a 75% or higher probability is illustrated as a guide to the potential 2019 revenue based on this level of results.

The final number projected takes our 2018 GOAL and follows the formula to show potential revenue should we meet or exceed our goals.

SRC's persistency is one of the highest in our industry; however, there will be some slippage or turnover each year.

| 2018 GOAL | SRC Portion | AVG Comp | Annual Comp | Monthly |
|-------------|-------------|----------|--------------|------------------|
| \$3,750,000 | 70% | 60% | \$1,575,000 | \$131,250 |
| | | | Renewal 2019 | \$69,000 |
| | | | | \$200,250 |

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SRC Revenue & Expense Projection for 2019

This assumes the illustrated production of renewals, re-enrollments and current prospects with a 95% probability of closing.

| <u>Budget Going into 2019</u> | Revenue Projection | Operating Costs (Rent Included) With 5% Increase over 2018 base budget prior to OE | NET 2019 | Proposed Plan Monthly Contribution Amount | Net |
|-------------------------------|--------------------|--|----------|--|----------|
| January | \$173,520 | \$146,475 | \$27,045 | \$14,000 | \$13,045 |
| February | \$173,520 | \$146,475 | \$27,045 | \$14,000 | \$13,045 |
| March | \$173,520 | \$146,475 | \$27,045 | \$14,000 | \$13,045 |
| April | \$173,520 | \$146,475 | \$27,045 | \$14,000 | \$13,045 |
| May | \$173,520 | \$156,475 | \$17,045 | \$14,000 | \$3,045 |
| June | \$173,520 | \$150,475 | \$23,045 | \$14,000 | \$9,045 |
| July | \$173,520 | \$150,475 | \$23,045 | \$14,000 | \$9,045 |
| August | \$173,520 | \$150,475 | \$23,045 | \$14,000 | \$9,045 |
| September | \$173,520 | \$160,475 | \$13,045 | \$14,000 | -\$955 |
| October | \$198,520 | \$175,475 | \$23,045 | \$14,000 | \$9,045 |
| November | \$198,520 | \$175,475 | \$23,045 | \$14,000 | \$9,045 |
| December | \$198,520 | \$175,475 | \$23,045 | \$14,000 | \$9,045 |

This chart projects revenues and expenses for 2019 broken down by month. The revenues are based on being able to hold advances during fourth quarter enrollments to a bare minimum. If additional advances are required, revenues will be impacted.