

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON-SALEM DIVISION**

In re:

Esby Corporation

Debtor-in-Possession

**CASE NO: 17-50228
CHAPTER 11**

DISCLOSURE STATEMENT

November 20, 2017

Ferguson, Hayes, Hawkins & DeMay, PLLC

/s/ Brian P. Hayes

Brian P. Hayes

45 Church street

Post Office Box 444

Concord, North Carolina 28026-0444

(704) 788-3211

(704) 795-0293 Facsimile

Attorney for Debtor

State Bar No. 27017

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF NORTH CAROLINA
WINSTON-SALEM DIVISION**

In re:

Esby Corporation

Debtor-in-Possession

**CASE NO: 17-50228
CHAPTER 11**

DISCLOSURE STATEMENT

November 20, 2017

Pursuant to the provisions of Section 1125(b) of the Bankruptcy Code, **Esby Corporation** ("Debtor") hereby submits the following information:

I. INTRODUCTION

A. Purpose of This Document

The purpose of this Disclosure Statement (the "Disclosure Statement") is to provide each holder of a claim against the Debtor with adequate information about the Debtor and the Plan of Reorganization (the "Plan") that each holder of a claim may make an informed decision about whether to accept or reject the Plan.

Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan,
- Why the Debtor believes the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

The Plan describes:

- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- The classification of claims and interests and the treatment of the classes of claims and interests, including a description of whether each class is impaired or unimpaired.

Be sure to read the Plan as well as the Disclosure Statement. It is the Plan itself that will, if confirmed, establish your rights.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Confirm the Plan

The hearing at which the Court will determine whether to confirm the Plan will be scheduled by the Court and you will receive an Order setting forth the date, time and place.

2. Deadline For Objecting to the Adequacy of Disclosure and Confirmation of the Plan

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court and served upon the Debtor's attorney.

3. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact the Debtors' attorney at the address shown at both the front and the end of this Disclosure Statement.

II. CLASSIFICATION AND TREATMENT OF CLASSES OF CLAIMS AND INTERESTS

The Plan, which accompanies this Disclosure Statement, is incorporated herein by reference. Sections III and IV of the Plan describe the classification of claims and interests and the treatment of the classes of claims and interests, including a description of whether each class is impaired or unimpaired.

THE PLAN CONTEMPLATES A CONTINUATION OF THE DEBTOR'S BUSINESS. IN ACCORDANCE WITH THE PLAN, THE DEBTOR INTENDS TO SATISFY CREDITOR CLAIMS FROM INCOME EARNED THROUGH CONTINUED OPERATIONS OF THEIR BUSINESSES.

The particular method for payment of each creditor is outlined in Section IV of the Plan. All funds will be distributed in accordance with the priorities of the Bankruptcy Code and as described more fully in the Plan.

The particular method for payment of each creditor is outlined in Section IV of the Plan. The total of general unsecured claims as of the date of the filing of this Plan is set forth therein and is based upon: 1) the claims filed as of the date of the filing of the Plan; 2) the claims scheduled (an undisputed) by the Debtor; and 3) and estimated deficiency claims. The last day for creditors to file proofs of claim was **June 29, 2017 for general creditors and August 29, 2017**, for governmental entities.

The Debtor's liabilities will be paid according to the priorities of the Bankruptcy Code and the Orders of this Court. The specific amounts and terms of payment will be made according to the treatment of each respective creditor.

A. The Purpose of the Plan of Reorganization

As required by the Bankruptcy Code, the Plan places claims and equity interests in various classes and describes the treatment that each class will receive. The Plan also states whether each class of claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the amount provided by the Plan.

B. Administrative Expenses and Priority Claims

The following types of claims are addressed in the Plan:

1. Administrative Costs. Administrative costs are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Bankruptcy Code. Administrative expenses may also include the value of any goods sold to the Debtors in the ordinary course of business and received within twenty (20) days before the Petition Date.
2. Priority Tax Claims. Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Bankruptcy Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding five (5) years.

C. Classes of Claims and Equity Interests

The following classes are also addressed in the Plan. The Plan describes the proposed treatment that they will receive under the Plan:

1. Classes of Secured Claims. Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Bankruptcy Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured claim. The specific classes are described in Section IV of the Plan.
2. Classes of Priority Unsecured Claims. Certain priority claims that are referred to in §§ 507(a)(1), (4), (5), (6), and (7) of the Bankruptcy Code are required to be placed in classes. The Bankruptcy Code requires that each holder of such a claim receive cash on the effective date of the Plan equal to the allowed amount of such claim. However, a class of holders of such claims may vote to accept different treatment.
3. Class of General Unsecured Claims. General unsecured claims are those which not secured by property of the estate and are not entitled to priority under § 507(a) of the Bankruptcy Code.

4. Classes of Equity Interest Holders. Equity interest holders are parties who hold an ownership interest (*i.e.*, equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members.

III. HISTORY AND BUSINESS STRUCTURE

The Debtor filed its voluntary petition seeking relief under Chapter 11 of the Bankruptcy Code on March 2, 2017, Case No. 17-50228. The Debtor is a North Carolina Corporation with its operations being conducted in Salisbury North Carolina. The Debtor is engaged in the business of rental properties, and has been in business since September 21, 1998. B. Clay Lindsay, Jr. is the president and a fifty percent (50%) share holder in the company. Connie Lindsay, the spouse of B. Clay Lindsay, is the secretary and a fifty percent (50%) share holder in the company. The Debtor's rental properties consist presently of several residential rental home units.

Prepetition, the Debtor executed various promissory notes and incurred secured obligations constituting liens against the Debtor's property. As of the Petition Date, the following claims have been asserted by Secured Creditors against their collateral:

Creditor	Collateral	Amount
Wells Fargo	3155 W. Innes St. and 3175 West Innes St., Salisbury, NC	\$90,904.60
First Bank	3145 W. Innes St., Salisbury, NC	\$34,217.79
First Bank	12 Pine Tree Rd., Salisbury, NC	\$266,145.21
Yadkin Bank/First National Bank (2 nd Lien/Split Claim)	12 Pine Tree Rd., Salisbury, NC	\$105,295.16

The Rowan County Tax Collector has a \$13,337.43 claim against the Debtor arising from their assessment of real property taxes. The Internal Revenue Service ("IRS") has filed an amended claim showing \$0.00.

The Debtor's immediate financial hardship which led to the filing of the Chapter 11 petition involved foreclosures upon two of the residential rental properties. This was a result of the financial deterioration that occurred during the general *recession* from 2008 as well as the turnover of tenants associated with the rental properties. The debtor sustained a loss of rents and repairs/maintenance due to this turnover. The debtor owned and maintained the rental properties

for more than 11 years prior to the immediate crisis without issues prior to the economic pressures of the recession.

The Plan proposes to restructure the Debtor's obligations to its creditors. Restructuring the obligations of its creditors is central to the Debtor's ability to continue operations and repay creditors, as proposed by the Plan.

Attached as Exhibit A is a list of the claims against the Debtor. Exhibit A also shows the proposed payment under the Plan.

Attached hereto as Exhibit B is the Debtor's income and expenses from **March, 2017** through **September, 2017**.

Attached hereto as Exhibit C is the Debtor's projections of all income and expenses for **October, 2017** through **April, 2018**. For purposes of the projections, the Debtor has made the following assumptions concerning their income and expenses:

- The Debtor has not assumed any new income not already in existence at this time.
- The Debtor will mutually lose the income and the monthly payment obligation related to the 12 Pine Tree Rd, Salisbury, NC property upon the sale of the same.
- The monthly expenses of the Debtors relate primarily to the limited expenses involved in maintaining the real property taxes, insurance, and maintenance (if any). The officers of the debtor, as interested parties, have and will volunteer labor for continuing business operations.
- The Debtor has not at this time adjusted income as the source of income is limited to real property rentals, and no increase is anticipated at the present time.

IV. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Except as specified in the in Section IV of the Plan, herein or otherwise previously assumed by an Order of the Court, all contracts which exist between the Debtor and any individual or entity, whether such contract be in writing or oral, which have not heretofore been assumed in this Plan or by separate Orders of the Court are hereby specifically rejected; provided, however, that this provision is not intended to reject and does not reject any agreement for the renewal or the extension of any loan or funds, presently binding and in effect between the Debtor and any secured creditor. The Debtor hereby assumes all leases currently in effect in which the Debtor is the lessor, except as may be otherwise specifically stated herein.

Any person with a Claim arising from such rejection shall be deemed to hold a general unsecured claim and shall file a proof of claim within sixty (60) days of the Effective Date or be forever barred from asserting any Claim relating to such rejection, unless a separate Order of the Court has been entered which establishes a different deadline for filing such claim.

V. MEANS OF IMPLEMENTATION AND EXECUTION OF PLAN

A. The Debtor proposes to make payments under the Plan from funds on hand and from post-petition earnings.

B. With respect to each claim described above in Article IV, except as otherwise expressly provided in Article IV, the Debtor shall keep the collateral insured pursuant to the terms of the/each security instrument (i.e., the deed of trust, mortgage, security agreement or other applicable security instrument) (hereinafter referred to as the "Security Instrument," whether singular or plural) which secures the debt. If the Debtors fail to make a payment as provided herein within fifteen (15) days after its due date or fails to keep the collateral insured as provided herein within thirty (30) days after written notice from the secured creditor of such failure, the secured creditor may declare the debt in default, give notice thereof to the Debtor, and exercise its remedies against the collateral that secures the debt. The provisions of the Security Instrument that allow the secured creditor to foreclose on the collateral in the event of a default and all other provisions of the Security Instrument that relate to the collateral shall remain in effect. Any financial covenants or other covenants in any of the loan documents relating to the debt, including but not limited to the Security Instrument, that do not relate to the preservation, protection, repossession or foreclosure of the collateral shall not be effective post-confirmation.

C. Distributions under the Plan shall be made on the Distribution Date; provided however, that Court approved professionals may be paid as such fees and expenses are approved by the Court. Any distribution required to be made hereunder on a day other than a business day shall be made on the next succeeding business day.

D. No distribution of less than twenty-five dollars (\$25.00) shall be required to be made to any holder of an allowed unsecured claim. Instead, the Debtor shall have the option of retaining such funds to be distributed at the time of the final distribution in accordance with the Plan.

E. If any distribution remains unclaimed for a period of 90 days after it has been delivered, or attempted to be delivered, such unclaimed property shall be forfeited by such holder of the claim and the Disbursing Agent shall not attempt to make any further distribution of such holder of the claim. Undistributed property shall be returned to the Debtor for distribution in accordance with the Plan.

F. All transactions avoided or otherwise set aside pursuant to Sections 544, 547, 548, and/or 549, if any, shall be preserved for the benefit of the Estate pursuant to Section 551 and applicable case law. Funds received from such transactions shall be distributed to creditors according to the priorities of the Code. In the case of any lien that has been avoided which encumbered certain properties of the Debtors and has since been avoided, the lien shall remain on the public record and shall remain an encumbrance upon the real property. However, all distributions made towards such deed of trust shall be distributed not to the named beneficiary of such deed of trust, but shall instead be paid to the Disbursing Agent for distribution to creditors. **The debtor does not anticipate any avoidance action nor recovery.**

G. All payments or distributions made by the Debtor shall be applied as indicated in the respective treatment for each creditor, or if no such application of payments is specified, then

payments shall be applied first to outstanding interest and then to principal. In the event that a creditor claims that it is entitled to costs and/or attorneys' fees, such creditor must file a fee application with the Court and such costs and attorneys' fees must be approved by the Court prior to such costs and attorneys' fees becoming part of the creditor's allowed claim.

H. The Debtor will execute and deliver all documentation to the Court and to all parties in interest who are entitled to receive the same as required by the terms of the Plan and the Bankruptcy Code.

I. The Debtor shall take such other action as necessary to satisfy the other terms and requirements of the Plan and the Bankruptcy Code.

J. Except as expressly stated in the Plan, or allowed by a Final Order of the Bankruptcy Court, no interest, penalty, or late charge shall be allowed on any claim subsequent to the Petition Date, unless otherwise required by the Bankruptcy Code. No attorneys' fees or expenses shall be paid with respect to any claim except as specified herein or as allowed by a Final Order of the Court.

K. Confirmation of this plan shall constitute a finding that the Debtor does not waive, release, or discharge, but rather retains and reserves any and all pre-petition claims and any and all post-petition claims that it could or might assert against any party or entity arising under or otherwise related to any state or federal statute, state or federal common law, and any and all violations arising out of rights or claims provided for by the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, or the Local Rules of this Court, including all rights to assert and pursue any and all avoidance actions, preference actions, and any other actions pursuant to §§ 545, 546, 547, 548, and 550 of the Bankruptcy Code, except to the extent such avoidance actions, preference actions, or other actions were assigned to a creditor(s) as part of the Debtor's Plan. Further, the Debtor retains all rights to assert and pursue all claims under § 542 of the Bankruptcy Code, including without limitation actions to seek turnover of estate assets, actions to recover accounts receivable, and/or actions to invalidate setoffs.

L. All objections to claims, fee applications, and adversary proceedings will be filed with the Court within sixty (60) days after the Effective Date; provided however, that the Debtor retains the right to object or otherwise pursue any claims against secured creditors relating to the payoff and/or satisfaction of their secured claims.

M. Following the Effective Date, the Debtor shall no longer be required to serve or otherwise provide notice of any motions, applications, or other pleadings filed in this case on or to any creditor or claimant which has been paid in full and thus is no longer a claimant, without the need for the Debtor to take any further action as to this matter.

N. Pursuant to § 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of notes or equity securities under the Plan, the creation of any mortgage, or other security interest, the making or assignment of any lease or sublease, or the making or delivery of any instrument of transfer under, in furtherance of, or in connection with the Plan, including without limitation, deeds, or bills of sale or assignments of personal property executed in connection with any of the transactions contemplated under the Plan, will not be subject to any stamp, real estate transfer, mortgage recording, sales, use, or other similar

tax. Each of the relevant state or local governmental officials or agents will forego the collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment consistent with the applicable provisions of the Plan.

O. Current Court approved professionals shall not be subject to the fee application process for services rendered post-confirmation in furtherance of implementation of the confirmed Plan.

P. The Debtor intends to maintain its current management structure subsequent to the Effective Date.

**VI. ACCEPTANCE OR REJECTION OF PLAN;
EFFECT OF REJECTION BY AN IMPAIRED CLASS**

A. Each Impaired Class Entitled to Vote Separately. Each impaired class of claims shall be entitled to have the holders of claims therein vote separately as a class to accept or reject the Plan.

B. Acceptance by a Class of Creditors. Consistent with § 1126(c) of the Bankruptcy Code, and except as provided in § 1126(e) of the Bankruptcy Code, a class of claims shall have accepted the Plan if the Plan is accepted by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the allowed claims of that class that have timely and properly voted to accept or reject the Plan.

C. Claimants Entitled to Vote. Holders of impaired claims shall be entitled to vote if:

(1) Such claim has been filed against the respective Debtor in a liquidated amount or has been listed on that Debtor's schedules other than as contingent, unliquidated or disputed, and as to which no proof of claim has been filed. The claim shall be allowed solely for the purpose of voting on the Plan in the amount in which such claim has been filed or listed on the Debtor's schedules;

(2) Such claim has been filed against the Debtor or listed on the Debtor's schedules and is the subject of an existing objection filed by that Debtor, and is temporarily allowed for voting purposes by order of the Court in accordance with Federal Rule of Bankruptcy Procedure 3018;

(3) Such claim has been filed in an undetermined amount, in which case the creditor shall not be entitled to vote unless the respective Debtor and the holder of the claim agree on an amount for voting purposes or the Court enters an order setting the amount of the claim that the creditor may ballot.

(4) Any entity holding two or more duplicate claims shall be entitled to vote only one claim.

D. Confirmation Hearing. The Court will set a hearing on the confirmation of the Plan to determine whether the Plan has been accepted by the requisite number of creditors and whether the other requirements for confirmation of the Plan have been satisfied.

E. Acceptances Necessary to Confirm the Plan. At the hearing of confirmation of the Plan, the Court shall determine, among other things, whether the Plan has been accepted by each impaired class. Under § 1126 of the Bankruptcy Code, an impaired class of Creditors is deemed to accept the Plan if at least two-thirds (2/3) in amount and more than one-half (1/2) in number vote to accept the Plan. Further, unless there is unanimous acceptance of the Plan by an impaired class, the Court must also determine that class members will receive property with a value, as of the Effective Date of the Plan, that is not less than the amount that such class member would receive or retain if the Debtors were liquidated as of the Effective Date of the Plan under Chapter 7 of the Bankruptcy Code.

F. Confirmation of Plan Without Necessary Acceptances. The Bankruptcy Code provides that the Plan may be confirmed even if it is not accepted by all impaired Classes. In order to be confirmed without the requisite number of acceptances of each impaired class, the Court must find that at least one impaired class has accepted the Plan without regard to the acceptances of insiders, and the Plan does not discriminate unfairly against, and is otherwise fair and equitable, to such impaired class. In the event that any class votes against the plan, the Debtor requests and moves the Court under the provisions of the Plan entitled "Cramdown," for confirmation pursuant to the "cramdown" provisions of § 1129(b) of the Bankruptcy Code. In connection therewith, the Debtor shall be allowed to modify the proposed treatment of the allowed claims in any class that votes against the Plan consistent with § 1129(b)(2)(A).

VII. "CRAMDOWNS" FOR IMPAIRED CREDITORS NOT ACCEPTING THE PLAN

In respect to any class of creditors impaired but not accepting the Plan by the requisite majority in number or two-thirds in amount, the proponent of this Plan requests the Court to find that the Plan does not discriminate unfairly and is fair and equitable in respect to each class of claims or interests that are impaired under the Plan and that the Court confirm the Plan without such acceptances by the said impaired classes. The Debtor will also request that the Court establish a value for any assets, the value of which is in dispute between either Debtor and any secured creditor, at a valuation hearing under § 506 of the Bankruptcy Code, to be scheduled at the same time as the hearing on confirmation of the Plan.

VIII. DISCLAIMER

All parties are advised and encouraged to read this Disclosure Statement and the Plan in their entirety before voting to accept or reject the Plan or before voting on any other matter as provided for herein.

Statements made in this Disclosure Statement are qualified in their entirety by reference to the Plan itself, the Disclosure Statement, and all exhibits annexed thereto. The statements contained

in this Disclosure Statement are made only as of the date hereof. No assurances exist that the statements contained herein will be correct any time hereafter.

The information contained in this Disclosure Statement is included herein for purposes of soliciting acceptances of the Plan and may not be relied upon for any purpose other than to determine how to vote on the Plan. No representations concerning the Debtor are authorized by the Debtor other than as set forth in this Disclosure Statement. Any other representations or inducements made to solicit your acceptance that are not contained in this Disclosure Statement should not be relied upon by you in arriving at your decision to accept or reject the Plan.

With respect to adversary proceedings, contested matters, other actions or threatened actions, this Disclosure Statement shall not constitute or be construed as an admission of any fact or liability, stipulation, or waiver; rather, this Disclosure Statement shall constitute statements made in connection with settlement negotiations.

This Disclosure Statement shall not be admissible in any non-bankruptcy proceeding involving the Debtor or any other party. Furthermore, this Disclosure Statement shall not be construed to be conclusive advice on the legal effects, including, but not limited to the tax effects, of the Debtor's Plan of Reorganization. You should consult your legal or tax advisor on any questions or concerns regarding the tax or other legal consequences of the Plan.

The information contained herein is not the subject of a certified audit and formal appraisals. The Debtor's records are dependent upon internal accounting methods. As a result, valuations and liabilities are estimated. Although substantial efforts have been made to be complete and accurate, the Debtor is unable to warrant or represent the full and complete accuracy of the information contained herein.

IX. PAYMENTS UNDER PLAN ARE IN FULL AND FINAL SATISFACTION OF DEBT

Except as otherwise provided in Section 1141 of the Bankruptcy Code, or the Plan, the payments and distributions made pursuant to the Plan will be in full and final satisfaction, settlement, release, and discharge, as against the Debtor, of any and all claims against, and interests in, the Debtor, as defined in the Bankruptcy Code, including, without limitation, any Claim or Equity Interest accrued or incurred on or before the Confirmation Date, whether or not (i) a proof of claim or interest is filed or deemed filed under § 501 of the Bankruptcy Code, (ii) such Claim or Equity Interest is allowed under § 501 of the Bankruptcy Code, or (iii) the holder of such Claim or Equity Interest has accepted the Plan.

X. PROVISIONS FOR VOTING ON A PLAN

A. Creditors Allowed to Vote and Deadline. Creditors holding allowed claims are entitled to vote to accept or reject the Plan. The Court has fixed a date by which ballots upon the proposed Plan must be filed with counsel for the Debtor as an agent of the Court. Even though a creditor may not choose to vote, or may vote against the Plan, the creditor will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities in each class of creditors and/or is confirmed by the Court. Creditors

who fail to vote will not be counted in determining acceptance or rejection of the Plan. Allowance of a claim or interest for voting purposes does not necessarily mean the claim will be allowed or disallowed for purposes of distribution under the terms of the Plan. Any claim to which an objection has been or will be made will be allowed for distribution only after determination by the Court. Such determination of allowed status may be made before or after the Plan is confirmed.

B. Voting Provisions. In order for the Plan to be accepted by the class of creditors holding general unsecured claims, creditors that hold at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in the total number of allowed claims of creditors voting on the Plan must accept the Plan. Under certain limited circumstances more fully described in 11 U.S.C. Section 1129(b), the Court may confirm the Plan by a "cramdown" notwithstanding the rejection thereof by more than one-third (1/3) in amount or one-half (1/2) in number of the creditors voting on the Plan. The Debtor intends to seek confirmation under 11 U.S.C. Section 1129(b) in the event any class of creditors rejects the Plan.

C. Representations Limited. No representation concerning the Debtor, particularly regarding future business operations or the value of the Debtor's assets, has been authorized by the Debtor except as set forth in this statement. You should not rely on any other representations or inducements offered to you to secure your acceptance or decide how to vote on the Plan. Any person making representations or inducements concerning acceptance or rejection of the Plan should be reported to counsel for the Debtor.

While every effort has been made to provide the most accurate information available, the Debtor is unable to warrant or represent that all information is without inaccuracy. No known inaccuracies are set forth herein. Further, much of the information contained herein consists of projections of future performance. While every effort has been made to ensure that the assumptions are valid and that the projections are as accurate as can be made under the circumstances, the Debtor has not undertaken to certify or warrant the absolute accuracy of the projections.

No formal appraisals have been undertaken of the Debtor's property for the purpose of preparing this Disclosure Statement. The property values which were assigned and summarized below are the best estimate of the values of the property as of the time of the filing of this Disclosure Statement. However, the Debtor has sought the opinions of persons experienced in valuing property in arriving at its estimates of values. These values may differ from values placed on the property at the time of the filing of the petition for relief and the subsequent schedules.

XI. ACCEPTANCE AND CONFIRMATION

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing to consider confirmation of the Plan. The confirmation hearing will be scheduled at a time and place to be determined by the Bankruptcy Court. The confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the confirmation hearing.

At the confirmation hearing, the Bankruptcy Court will determine whether the requirements of § 1129 of the Bankruptcy Code have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. These requirements include determinations by the Bankruptcy Court that (i) the Plan has classified Claims in a permissible manner; (ii) the Plan is in the "best interests" of all Creditors; (iii) the Plan is feasible; (iv) the Plan has been accepted by the requisite number and amount of Creditors in each Class entitled to vote on the Plan, or that the Plan may be confirmed without such acceptances; (v) the Plan and its proponent comply with various technical requirements of the Bankruptcy Code; (vi) the Debtor has proposed the Plan in good faith; (vii) any payments made or promised in connection with the Plan are subject to the approval of the Bankruptcy Court as reasonable; and (viii) the Plan provides specified recoveries for certain priority claims. The Debtor believes that all of these conditions have been or will be met prior to the Confirmation Hearing.

A. **Classification of Claims.** The Bankruptcy Code requires that a plan place each creditor's claim in a class with "substantially similar" claims. The Debtor believes that the Plan's classification of claims complies with the requirements of the Bankruptcy Code and applicable case law.

B. **The Best Interests Test.** Notwithstanding acceptance of the Plan in accordance with Section 1126 of the Bankruptcy Code, the Bankruptcy Court must find, whether or not any party in interest objects to Confirmation, that the Plan is in the best interests of the Creditors. Bankruptcy courts have generally defined "best interests" as the Bankruptcy Code's requirement that, under any plan of reorganization, each member of an impaired class of creditors must receive or retain, on account of its claim, property of a value, as of the effective date of the plan, that is not less than the amount such creditor would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code. The Debtor believes that the Plan is in the best interests of all Creditors.

To determine what the Creditors would receive if the Debtor was liquidated under Chapter 7, the dollar amount that would be generated from the liquidation of the Debtor's assets in a chapter 7 liquidation case needs to be considered. The amount that would be available for the satisfaction of Claims would consist of the Debtor's interest in the net proceeds resulting from the disposition of the Estate's assets, augmented by the Debtor's interest in the cash on hand. The Estate's interest would be further reduced by the amount of any Secured Claims, the costs and expenses of the liquidation, and such additional Administrative Claims and Priority Claims that may result from the termination of the Debtor's business. These calculations are set forth in a liquidation analysis attached to this Disclosure Statement.

The costs of liquidation under chapter 7 would become Administrative Claims with the highest priority against the proceeds of liquidation. Such costs would include the fees payable to a chapter 7 trustee, as well as those that might be payable to attorneys, financial advisors, appraisers, accountants and other professionals that such a trustee may engage to assist in the liquidation.

After satisfying Administrative Claims arising in the course of the chapter 7 liquidation, the proceeds of the liquidation would then be payable to satisfy any unpaid expenses incurred during the time the Case was pending under chapter 11, including compensation for the Debtor,

attorneys, financial advisors, appraisers, accountants and other professionals retained by the Debtor.

For the reasons discussed above, the Debtor has concluded that the Plan provides Creditors with a recovery that has a present value at least equal to the present value of the distribution that such Person would receive if the Estate were liquidated under chapter 7 of the Bankruptcy Code.

BECAUSE THE LIQUIDATION ANALYSIS AND ANY PROJECTIONS WHICH MAY BE PROVIDED BY THE DEBTOR ARE BASED UPON A NUMBER OF ASSUMPTIONS AND ARE INHERENTLY SUBJECT TO SIGNIFICANT UNCERTAINTIES THAT ARE BEYOND THE DEBTOR'S CONTROL, THERE CAN BE NO ASSURANCE THAT THE LIQUIDATION VALUES WOULD, IN FACT, BE REALIZED IN THE EVENT OF A LIQUIDATION UNDER CHAPTER 7 OR THAT THE FINANCIAL PROJECTIONS WILL BE REALIZED. ACTUAL RESULTS MAY BE HIGHER OR LOWER THAN THOSE SHOWN IN THE EXHIBITS, POSSIBLY BY MATERIAL AMOUNTS.

C. **Feasibility of the Plan.** Section 1129(a)(11) of the Bankruptcy Code requires a judicial determination that confirmation of the Plan will not likely be followed by liquidation or the need for further financial reorganization of the Debtor or any other successor to the Debtor under the Plan, unless such liquidation or reorganization is proposed in the Plan. The Debtor believed that the Debtor will be able to meet its obligations under the Plan.

D. **Confirmation.** The Plan may be confirmed if the holders of impaired Classes of Claims accept the Plan. Classes of Claims that are not impaired are deemed to have accepted the 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 maturities or by full payment in cash.

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by the holders of two-thirds (2/3) in dollar amount and a majority in number of allowed claims in that class. This calculation includes only those holders of claims who actually vote to accept or reject the Plan. Votes on the Plan are being solicited only from holders of Allowed Claims in impaired Classes who are expected to receive distributions.

In the event that an impaired Class does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Debtors' request if (i) all other requirements of § 1129(a) of the Bankruptcy Code are satisfied, and (ii) as 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 such non-accepting Class. **THE DEBTOR BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF ALL CREDITORS AND STRONGLY RECOMMENDS THAT ALL PARTIES ENTITLED TO VOTE CAST THEIR BALLOTS IN FAVOR OF ACCEPTING THE**

PLAN. Nevertheless, the Debtor has requested that the Bankruptcy Court confirm the Plan over the rejection of any non-accepting Class in the event all other elements of § 1129(a) of the Bankruptcy Code are satisfied.

A plan "does not discriminate unfairly" if the legal rights of a non-accepting class are treated in a manner that is consistent with the treatment of other classes whose legal rights are intertwined with those of the non-accepting class, and no class receives payments in excess of that which it is legally entitled to receive. The Debtor believed that, under the Plan, all holders of impaired Claims are treated in a manner that is consistent with the treatment of other holders of Claims with which any of their legal rights are intertwined. Accordingly, the Debtor believes the Plan does not discriminate unfairly as to any impaired class of Claims.

The condition that a plan be "fair and equitable" generally requires that an impaired class that has not accepted the plan must receive certain specified recoveries, as set forth in § 1129(b)(2) of the Bankruptcy Code. The Debtor believes that the Plan meets the thresholds specified in this section of the Bankruptcy Code.

XII. EFFECT OF CONFIRMATION

A. Except as otherwise provided in the Plan, the confirmation of the Plan vests all of the property of the estate in the Debtor.

B. **Injunction.** As of the Confirmation Date, except as otherwise provided in the Plan or the Confirmation Order, all persons that have held, currently hold, or may hold a claim, equity interest, or other debt or liability that is treated pursuant to the terms of the Plan or that is otherwise enjoined pursuant to §1141 of the Code, are enjoined from taking any of the following actions on account of any such claims, equity interests, debtors or liabilities, other than actions brought to enforce obligations under the Plan: (i) commencing or continuing in any manner any action or other proceeding; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting, or enforcing any lien or encumbrance; (iv) asserting a setoff or right of recoupment of any kind against any debt, liability, or obligation; and/or (v) commencing or continuing, in any manner or in any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation order. Notwithstanding the foregoing, the Plan does not release or waive any claims that the Debtor may have against any party in interest. This injunction shall not affect any creditor's ability to enforce rights against non-Debtors and non-Debtor property.

XIII. SIMILAR TREATMENT FOR EACH CLAIM WITHIN A CLASS

The claims stated in the Plan, by modification, Court Order, or other legally appropriate manner, may be modified throughout the course of payment under the Plan. The Debtor, upon full payment as called for under the notes and deeds of trust, shall be entitled to have the note marked paid and satisfied and the deed of trust canceled as a matter of record, by the Trustee, or by appropriate application to this Bankruptcy Court, and upon a showing that the full amount of the monthly payments were made by the Debtor.

XIV. PROVISIONS GOVERNING DISTRIBUTIONS

A. Delivery of Distributions in General. Distributions to holders of allowed claims shall be made: (i) at the addresses set forth in the proofs of claim filed by such holders; (ii) at the addresses set forth in any written notices of address change submitted to the Court or Attorney for the Debtor after the date on which any related proof of claim was filed; or, if the information described in clauses (i) or (ii) is not available, (iii) at the addresses reflected in the Debtors' schedules of liabilities.

B. Distribution Dates. It is the intent of the Plan that the distribution shall occur as early as practicable following the Effective Date.

XV. RECOMMENDATION AND CONCLUSION

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE GREATEST RECOVERY TO CREDITORS AND IS IN THE BEST INTEREST OF CREDITORS, THEREFORE, THE DEBTOR RECOMMENDS THAT ALL CREDITORS VOTE TO ACCEPT THE PLAN.

XVI. OTHER SOURCES OF INFORMATION AVAILABLE TO CREDITORS AND PARTIES IN INTEREST

Additional motions, affidavits, orders or other documentation that might be of interest to any holder of a claim against the Debtors in this proceeding are shown on the docket sheet maintained by the Clerk's office. Copies of the docket sheet and actual items can be obtained from the office of the Clerk of the Bankruptcy Court:

United States Bankruptcy Court
Middle District of North Carolina Bankruptcy Court
226 South Liberty Street
Winston-Salem, NC 27101
(336) 397-7785

Respectfully submitted, this the 20th day of November, 2017.

Ferguson, Hayes, Hawkins & DeMay, PLLC

/s/ Brian P. Hayes

BRIAN P. HAYES

State Bar No. 27017

Post Office Box 444

Concord, North Carolina 28026-0444

(704) 788-3211

(704) 795-0293 Facsimile

Attorney for Debtor

EXHIBIT A

Class	Claim Type	Collateral	Creditor	Collateral		Claim No.	Claim		Payment	Treatment
				Value	Collateral		Amount	To be Determined		
1	Administrative	Ferguson, Hayes, et al.	Rowan Co. Tax Collector	N/A	N/A	1	To be Determined	\$105.00/mo until sale of Pine St. 100% with statutory interest within 60 mos.	Per Court Order	
2	Tax Claims - Secured			Various Real Property.	Fully Secured.		\$13,337.43		Paid in Full with Interest at the Statutory Rate within 60 mos. of petition date.	
2	Tax Claims - Priority		IRS			6	\$0.00	\$0.00	Per Court Order	
3	Secured		Wells Fargo	3155 W. Innes	\$275,000.00	4	\$90,904.60	\$767.00/mo.	6.00% interest w/ 15 year Amortization	
4	Secured		First Bank	3145 W. Innes	\$120,000.00	3	\$34,217.79	\$294.30/mo.	6.00% interest w/ 15 year Amortization with 3 year balloon	
5	Secured		First Bank	12 PineTree Rd	\$350,000.00	2	\$266,125.41	\$1,220.00/mo. Reflecting interest at 5.5%	Sale of Real Property within 18 mo. Or automatic stay lift	
6	Split - Secured/Unsecured		First National Bank of Penn	12 PineTree Rd	\$83,874.59	5	\$105,295.16	\$294.30/mo. Reflecting interest at 5.5% on secured portion	Sale of Real Property within 18 mo. Or automatic stay lift	
7	Unsecured		None Known	N/A	N/A	N/A	N/A	N/A	N/A	
8	Equity Security Holders		B. Clay Linsay/Connie Linsay							

EXHIBIT B

March, 2017 - September, 2017 Income and Expenses

	March	April	May	June	July	August	September
Monthly Income							
12 Pine Street	850.00	850.00	1,700.00	850.00		850.00	850.00
3145 W. Innes Street	0.00	425.00	750.00	750.00	750.00	750.00	750.00
3175 W. Innes Street	0.00	750.00	750.00	762.00	762.00	775.00	775.00
3155 W. Inness Street	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>800.00</u>	<u>850.00</u>
TOTAL	<u>850.00</u>	<u>2,025.00</u>	<u>3,200.00</u>	<u>2,362.00</u>	<u>1,512.00</u>	<u>3,175.00</u>	<u>3,225.00</u>
Monthly Expenses							
Property Maintenance	860.00			773.50			
Chapter 11 Fees Quarterly Fee	0.00	325.00	0.00	0.00	325.00	0.00	0.00
Bank Fee	3.00	22.00	0.00	0.00	0.00	0.00	0.00
Grounds Maintenance	0.00	0.00	0.00	75.00	0.00	0.00	0.00
Utilities	0.00	0.00	38.34	0.00	0.00	0.00	0.00
Property Repairs	0.00	0.00	100.00	0.00	0.00	0.00	0.00
Property Management	0.00	52.50	152.50	151.20	151.20	152.50	152.50
Insurance	0.00	0.00	512.75	143.00	627.75	0.00	627.75
North Carolina Dept of Rev	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>60.00</u>
TOTAL	<u>863.00</u>	<u>399.50</u>	<u>803.59</u>	<u>1,142.70</u>	<u>1,103.95</u>	<u>152.50</u>	<u>840.25</u>



October, 2017- April, 2018 Estimated Income and Expenses

	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>
Estimated Income							
12 Pine Street	\$1,400.00	\$1,400.00	\$1,400.00	\$1,400.00	\$1,400.00	\$1,400.00	\$1,400.00
3145 W. Innes Street	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00	\$750.00
3175 W. Innes Street	\$775.00	\$775.00	\$775.00	\$775.00	\$775.00	\$775.00	\$775.00
3155 W. Innes Street	\$900.00	\$900.00	\$900.00	\$900.00	\$900.00	\$900.00	\$900.00
Total	<u>\$3,825.00</u>	<u>\$3,825.00</u>	<u>\$3,825.00</u>	<u>\$3,825.00</u>	<u>\$3,825.00</u>	<u>\$3,825.00</u>	<u>\$3,825.00</u>
Estimated Expenses							
Property Management	\$152.50	\$152.50	\$152.50	\$152.50	\$152.50	\$152.50	\$152.50
Insurance	\$213.91	\$213.91	\$213.91	\$213.91	\$213.91	\$213.91	\$213.91
Chapter 11 Fees	\$325.00	\$0.00	\$0.00	\$325.00	\$0.00	\$0.00	\$0.00
Total	<u>\$691.41</u>	<u>\$366.41</u>	<u>\$366.41</u>	<u>\$691.41</u>	<u>\$366.41</u>	<u>\$366.41</u>	<u>\$366.41</u>