IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

In re~~:~~	:	**CHAPTER 11**
	:	
EARTH PRIDE ORGANICS, LLC	:	**Bky No. 17-13816(ELF)**
LANCASTER FINE FOODS, INC.	:	
	:	
Debtors	:	**JOINTLY ADMINISTERED**
	:	

AMENDED
DISCLOSURE STATEMENT
PROPOSED BY
DEBTORS-IN-POSSESSION

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I. INTRODUCTION

On May 31, 2017, Earth Pride Organics, LLC and Lancaster Fine Foods. Inc. (the "Debtors") filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Pennsylvania. The case was assigned to Chief Bankruptcy Judge Eric L. Frank.

A. PURPOSE OF THE DISCLOSURE STATEMENT

The purpose of the Disclosure Statement is to provide creditors and holders of interest with such information as would enable a hypothetical, reasonable individual or entity typical of the holders of claims or interest to make informed judgments in voting on the Plan. This Disclosure Statement does not purport to be a complete description of the Plan, the financial status of the Debtors, the applicable provisions of the Bankruptcy Code or of other matters that may be deemed significant by creditors or other parties-in-interest. This Disclosure Statement necessarily involves a series of compromises between extensive "raw data" and the language in documents or statues on the one hand and considerations of readability and usefulness on the other. For further information, you should examine the Plan directly and you may want to consult your legal and financial advisors.

You are urged to carefully read the contents of this Disclosure Statement before making your decision to accept or reject the Plan. Particular attention should be directed to the provisions of the Plan affecting or impairing your rights as they existed before the institution of this case.

NO REPRESENTATIONS CONCERNING THE DEBTORS' OPERATIONS, PARTICULARLY AS TO THE VALUE OF ANY OF ITS PROPERTY, ARE AUTHORIZED BY THE DEBTORS EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT. IN DECIDING WHETHER TO ACCEPT THIS PLAN, YOU SHOULD NOT RELY UPON ANY REPRESENTATIONS OR INDUCEMENTS OTHER THAN THOSE IN THE DISCLOSURE STATEMENT.

B. ACCEPTANCE AND CONFIRMATION

The Bankruptcy Court has fixed ________________, ~~2017~~2018, as the date by which holders of claims against, and holders of interest in, the Debtors must vote to accept or reject the Plan. Creditors whose claims are impaired by the Plan may vote by filling out the enclosed ballot and sending it in the envelope provided for that purpose to: **Paul B. Maschmeyer, Esquire, at the law offices of Maschmeyer Marinas, Doylestown, PA 19103.** In order to be counted, Ballots must be received by 5:00 p.m. EST on __________________, 2017. **THE VOTE OF EACH CREDITOR IS IMPORTANT**. Creditors whose claims are not impaired by the Plan may not vote as they are conclusively presumed to have accepted the Plan. In order for the Plan to be accepted by any class of creditors, it must be accepted by creditors who hold at least two-thirds in dollar amount of the claims in such class as to which votes are cast, and who comprise more than one-half of the voting creditors holding claims in such class. **THESE CALCULATIONS ARE BASED ONLY ON THE CLAIMS AMOUNTS AND NUMBERS OF CREDITORS WHO**

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ACTUALLY VOTE. An abstention by a creditor will not count towards acceptance or rejection of the Plan.

C. NOTICE OF HEARING

On _____________, ~~2017~~2018, at _____.m~~.,~~, a hearing was held before the Honorable Eric L. Frank, Chief Bankruptcy Judge at the United States Bankruptcy Court, United States Courthouse, 900 Market Street, Philadelphia, PA 19107, and the Bankruptcy Court approved the Disclosure Statement and ordered the Debtors to send the Disclosure Statement to creditors for approval.

II. THE DEBTORS

A. GENERAL INFORMATION ABOUT DEBTORS' BUSINESS

1. Brief History and Description of the Business

The Debtors were formed for the purpose of manufacturing various food products including but not limited to mustard, sauces, marinades, hot sauces, salad dressings, etc. Earth Pride Organics, LLC is the parent company to Lancaster Fine Foods, Inc. and both companies share employees and other various assets. Earth Pride Organics, LLC and Lancaster Fine Foods, Inc. the lessees to the premises that is operated by Lancaster Fine Foods, Inc. and also has a payroll for some of the management individuals who control and operate Lancaster Fine Foods, Inc. For purposes of this Plan of Reorganization, creditors of both entities will be treated equally under this Plan.

Some of the customers of the Debtors are from the hottest specialty food companies in the country. Their customer travel to Lancaster from all over the country including Seattle, Manhattan, New Hampshire, Miami, Philadelphia and Texas. Lancaster Fine Foods, Inc. ~~also~~Also does work for private label clients such as Auntie Anne's, Wegmans, Williams Sonoma, etc.

In 2008, which was the beginning of the growth in sales of Lancaster Fine Foods, Inc., the sales started off at 2.2 million a year. In 2015, the sales were 8.8 million in sales and the projected sales for 2016 will be 15 million dollars.

In September 2016, due to the growing demand of the customers the Debtors moved from a current facility of 33,000 square feet to a new facility now of 220,000 square feet. This new facility means new equipment, more efficient pricing models, more capacity, more efficiencies and a consolidated warehousing which means less mistakes and more accurate inventory. The Debtors have also increased their current machinery and have added new strategic machinery and kettles that include the latest CIP technology which means faster, more efficient production times.

Earth Pride Organics is the parent company to various subsidiaries, EPO Brands, Inc., EPX, Founders Market & Co., and Lancaster Fine Foods and CO Nolt. EPO, the debtor, owns 100% of Lancaster Fine Foods (debtor), EPX, EPB and CO Nolt. Earth Pride Organics has an 87.5% ownership of Founders Market and Co. Earth Pride Organics provides rental space, management and operations services to its subsidiaries. Those subsidiaries in-turn pay a monthly fee for their allocation portion of provided services. A summary of the related entities is attached along with income statements and balance sheets of these entities.

The Plan of Reorganization, which is attached to this Disclosure Statement, anticipates ~~-~~a ~~payoff~~paying off the loans of the present ~~-~~secured lenders through a ~~-~~refinance of ~~-~~said loan obligations, and will ~~provide~~providing a payment to the Internal Revenue Service and the other general unsecured creditors pursuant to the terms of a successful Plan of Reorganization.

B. BACKGROUND AND REASONS FOR BANKRUPTCY

In 2014, the Debtors were actively producing a fig spread for a company called Dalmatia Import Group Inc. ("Dalmatia"). Due to numerous conflicts between the Debtors and Dalmatia concerning the production of their product, Dalmatia ceased placing orders with the Debtors, leaving the Debtors with a large supply of inventory. The Debtors, upon advice of counsel, liquidated this inventory on the open market ~~at~~in a commercially reasonable manner. Unfortunately, Dalmatia filed a trade secret lawsuit against them for the selling of these assets which resulted in a multi prong verdict both for and against the Debtors regarding this transaction. The time, attorney's fees and damages awarded by the jury on behalf of the Plaintiff, caused severe harm against the Debtors' operations and cash flow. Additionally, the Debtors had borrowed money from numerous lending institutions and factors at an interest rate which, in certain circumstances, exceeded forty percent (40%) which caused a severe drain on the day to day cash flow of the Debtors.

III. REORGANIZATION CASE

On May 31, 2017, the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Pennsylvania.

During the reorganization, the Bankruptcy Court has certain supervisory powers over the operations of the Debtors. These powers are generally limited to reviewing and ruling upon any objections raised by creditors or parties-in-interest to business operations or proposed transactions of the Debtors. The Debtors are obligated to give notice of any transactions not in the ordinary course of business, and of any compromise of any controversy, to creditors who have requested such notice. Since the filing of the Bankruptcy, the Debtors have been restructuring its operations in order to reorganize for the benefit of the Creditors.

The Debtors have entered into various Cash Collateral Orders with the secured lenders which has lowered the drain on the cash flow immensely and has allowed the Debtors to get its operations up and going so it can meet its sales projections ~~of sales~~ for this year. Additionally, the Debtors have finally settled with Dalmatia, under terms of which will allow the Debtors to reorganize efficiently by settling this litigation. In light of the settlement with Dalmatia, the Debtors ~~are now in discussion with various financial institutions concerning post petition and post confirmation~~have entered into an agreement with Big Shoulder Capital for plan funding with will be used, along with its current cash flow, to satisfy the secured and unsecured creditors. The

~~Settlement of the Dalmatia lawsuit has been approved by the Bankruptcy Court and the appropriate~~Plan Funding documents ~~have been~~are attached to the Disclosure Statement for review by the ~~creditors.~~ Creditors.

IV. SUMMARY OF THE PLAN

THE FOLLOWING IS A BRIEF SUMMARY OF THE PLAN. HOLDERS OF CLAIMS ARE URGED TO READ THE PLAN IN FULL. CREDITORS ARE ALSO URGED TO CONSULT WITH COUNSEL AND EACH OTHER IN ORDER TO UNDERSTAND THE PLAN FULLY. THE PLAN REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT. AN INTELLIGENT JUDGMENT CONCERNING THE PLAN CANNOT BE MADE WITHOUT FULLY UNDERSTANDING IT.

FUNDING OF THE PLAN

Prior to and subsequent to the filing of the Bankruptcy, the Debtor has been collecting operating their business in the ordinary course of business. The revenues have come from two sources, one being the income from Lancaster Fine Foods the operating business and a small amount from rental payments to the parent company EPO. Additionally, The Debtors have been in ~~Discussions~~discussions with the secured ~~and unsecured~~ creditors and the landlord concerning ~~the~~ restructuring the amount of money owed to said parties.

The assets of the Debtors are currently encumbered by a 1st lien held Midtown Capital Partners, Capital Partners, LLC and Change Capital Partners Fund I (" collectively referred to as Midtown") represented in their proof of claims to be $1,442,462.37. This lien covers all assets of the debtor including accounts receivable, machinery and equipment and all other assets of the debtor. Pursuant to an intercreditor agreement, Loeb Term Solutions, LLC is a secured creditor on the machinery and equipment in the amount reflected in their proof of claim $832,596.50. ("Loeb"). Both Loeb and Midtown have allowed the debtors to operate using their collateral pursuant to a string of cash collateral orders that have been negotiated by the secured parties and the debtor. It has been discussed and is anticipated that Midtown and Lowe will agree to a discount in return for receiving a cash payout upon confirmation and the closing on the post confirmation financing that is part of this plan. This will benefit the debtors because of the reduced payment required to be paid by the Debtor and the satisfaction of these secured creditors.

The Debtors are in the midst of completing a loan agreement with Big Shoulder Capital which will net the debtor approximately $1,500,000.00 to help meet the requirements of the Plan of Reorganization which include: payment of Midtown secured debt, payment of Loeb secured debt and a payment toward the Internal Revenue Service's debt.

The obligations of the Debtors under the Plan are divided by the Plan into ~~ten~~eleven classes. The Plan provides separately for each class. Distributions on Allowed Claims (as defined below) under the Plan will be in full settlement, satisfaction and discharge of all Claims (as defined below). Upon confirmation of the Plan, the Debtors will be discharged from all claims that have arisen before confirmation of the Plan, except for payments and distributions provided for in the Plan.

A "Claim" is generally defined by the Plan to be a right to payment from the Debtors, or from the property of the Debtors, or a right to an equitable remedy for breach of performance, if such breach gives rise to a right to payment. Further, the Plan defines an "Allowed Claim" to be any Claim against the Debtors to the extent that: (a) a proof of claim was timely filed or deemed filed pursuant to § 1111(a) of the Bankruptcy Code; and (b) no objection to the allowance of such Claim has been timely filed or the Claim is allowed (and only to the extent allowed) by a final order after appropriate notice and hearing with respect to an objection thereto. A holder of a Claim will receive distributions only if the Claim is an Allowed Claim.

As discussed above, the Debtor has obtained plan funding from Big Shoulder Capital in the amount anticipated to be $1,500,000.00. This loan will allow the Debtor to satisfy the three secured loans from Loeb, Midtown Capital Partners, LLC and Change Capital Partners Fund, I. This will allow the cash flow of the debtor to be used to pay the IRS claim and the unsecured creditors.

1. Class 1 and 2 Claims

These Classes include all Allowed Joint Claims against the Debtors held by Midtown Capital Partners, LLC and Change Capital Partners Fund, I. Midtown Capital Partners, LLC's loan along with Change Capital Partners loan are secured by a general lien on all of the assets of the Debtors located at 510 Richardson Drive, Lancaster, PA represented in their proof of claims in the total amount of $~~759,348.16. It is anticipated that the Debtors~~1,442,462.37. The Debtor will have ~~a post petition lender~~an agreement with Big Shoulder that will fund the plan at confirmation for the purposes of satisfying these ~~creditors~~creditors' claims.

2. Class 3 Claims

This Class includes all Allowed Joint Claims against the Debtors held by Loeb. Loeb's loan is secured by a lien on all assets of the Debtors specifically the equipment located at 510 Richardson Drive, Lancaster, PA reflected in their proof of claim in the amount of $~~386,977.17. It is anticipated that the debtor~~832,596.50. The Debtor will have ~~a post petition lender~~ an agreement with Big Shoulder that will fund the plan ~~of reorganization upon~~at confirmation~~. In that event,~~ for the ~~allowed claim~~purposes of ~~Loeb will be paid in full~~satisfying these creditors' claims.

3. Class 4 Claims

This Class includes all Allowed Joint Claims against the Debtors held by Fox Rothschild LLP. Fox Rothschild's loan is secured by a lien on all assets of the Debtors located at 510 Richardson Drive, Lancaster, PA in the amount of $2,446,839.94. This claim will be paid as a Class IX unsecured creditor.

4. Class 5 Claims

This Class includes all Allowed Claims against Lancaster Fine Foods, Inc. held by DLL Finance, LLC. DLL Finance's claim is secured by a lien on a tractor, loader, mowers and other miscellaneous equipment located at the Debtor's place of business in the amount of $25,005.53 and will be paid monthly payments of $503.69

5. Class 6 Claims

This Class includes all Allowed Claims against the Debtors held by Hurst Produce Inc. that are secured by a Paca lien on all the assets of the debtor pursuant to Federal Law. The total claim of Hurst Produce Inc. is 12,951.50 with the lien amount being 6,065.50 of this amount. This paca lien amount will be paid in full at closing with the rest of the allowed claim will being treated as an unsecured creditor under class 9.

5. Class 7 Claims

This Class includes the allowed secured claim of the Internal Revenue Service in the amount of $290,597.19. This claim is secured by a lien on all assets of Earth Pride Organics, LLC. This claim will receive the same treatment that its unsecured priority claim will receive pursuant to the terms of the Plan of Reorganization.

6. Class ~~7~~8 Claims

This Class includes all Allowed Claims against the Debtors held by Non-Tax Claimants. Class VII Claims are not impaired under the Plan. The Debtors are not aware of any Class VII Claimants having claims against the Debtors. However, to the extent that they exist, payment on Class VII Claim shall be made as soon as practical after the later (a) the "Effective Date" or (b) the entry of an order of the Bankruptcy Court allowing a Class VII Claim.

7. Class ~~8~~9 Claims

This Class includes all Allowed Unsecured Claims held against Earth Pride Organics, LLC. Class VIII creditors shall receive a payment equal to 15% of their allowed claim payable out over a five (5) year period on a yearly basis starting one (1) year after (a) the Effective Date or (b) on the entry of a Final Order of the Bankruptcy Court allowing such Claim.

8. Class ~~9~~10 Claims

This Class includes all Allowed Unsecured Claims held against Lancaster Fine Foods, Inc. Class IX creditors shall receive a payment equal to 15% of their allowed claim payable out over a five (5) year period on a yearly basis starting one (1) year after (a) the Effective Date or (b) on the entry of a Final Order of the Bankruptcy Court allowing such Claim.

9. Class ~~10~~11 Claims

This Class consists of the rights of equity security holders in the Debtors. Upon confirmation, the Interests of the Debtors shall remain intact in its present form.

B. TREATMENT OF CERTAIN UNCLASSIFIED CLAIMS

1. Professional Fees

Attorneys, accountants, appraisers, auctioneers, or other professionals within the meaning of section 327 of the Bankruptcy Code employed with the Bankruptcy court's approval and other persons who may be entitled to an allowance of fees and expenses pursuant to section 503(b)(2) of the Bankruptcy Code ("Professional Claims") shall receive cash in the amount awarded to such persons by order of the Bankruptcy Court as soon as practical after the later of the Effective Date and the date on which an order entered by the Bankruptcy Court pursuant to section 330 or 503(b)(2) of the Bankruptcy Code approving allowance of compensation or reimbursement of expenses becomes a final order as to any such person. Each professional person who holds or asserts an administrative claim that is a fee claim incurred before the effective date shall be required to file with the Bankruptcy Court a Fee Application within sixty (60) days after the effective date. Failure to file a Fee Application timely shall result in a fee claim being forever barred at discharge.

2. Administrative Claims

Holders of Administrative Claims (as described in the Plan) which claims are Allowed Claims, shall be paid in cash the full amount of such Claims (1) as soon as practical after the Effective Date; (2) at the option of the holder of any such Claim, at such time after the Effective Date as the holder of such Claim may request in writing served upon the Debtors as long as such request does not accelerate payment to such holder; or (3) at such other time after the Effective Date as the Debtors and the holder of such Claim shall agree. The holder of an Administrative Claim, other than (1) a professional claim or (2) a liability incurred in the ordinary course of business by the Debtors, must file with the Bankruptcy Court and serve on the Debtors and its counsel notice of such Administrative Claim within sixty (60) days after the confirmation date. This includes all requests for 503(b~~)~~() (9) claims. Such notice must include at a minimum (i) the name of the holder of the claim, (ii) the amount of the claim and (iii) the basis of the claim. Failure to file this notice timely and properly shall result in the administrative claim being forever barred and discharged. At present the debtor is only aware of one 503(b~~)~~() (9) claim against the debtor by a member of the creditor's committee, Catania Spagna.

3. Priority Tax Claims

Pursuant to 11 U.S.C. §1129(a~~)~~() (c), a holder of ~~-~~Section 507(a~~)~~() (8) tax claim will receive on account of such claim regular installment payments in cash of either the total value of the allowed amount of the claim, a five year payout ending no later than five years after the date the Order for Relief, in a manner not less favorable than the most favored non-priority unsecured claim. In essence, this section does not allow you to pay a secured Internal Revenue Service claim with less favorable treatment than what they would receive as a priority claim. In the case at hand, Earth Pride Organics, LLC owes the Internal Revenue Service secured and priority claims in the amount of approximately $2.~~5~~6 Million Dollars. Earth Pride Organics, LLC intends to pay this claim~~-~~ within five years after the filing which will require payments per month to the Internal Revenue Service of approximately $42,000.00. These payments are included in the projections that are attached to this Disclosure Statement.

~~**C.**~~

D. SUBSTANTIVE CONSOLIDATION

Except as expressly provided in this Plan, each Debtor shall continue to maintain its ~~separate~~Separate corporate existence for all purposes other than the treatment of Claims under this Plan and distributions under the plan. Except as expressly provided in this Plan (or as otherwise ordered by the Bankruptcy Court), on the Effective Date (a) all Assets (and all proceeds thereof) and all liabilities of each of the Debtors shall be deemed merged or treated as though they were merged into and with the assets and liabilities of each other (b) no distributions shall be made under this Plan on account of Intercompany Claims among the Debtors, and all such Claims shall be eliminated and extinguished, (c) all guaranties of the Debtors of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee thereof executed by any Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors, (d) each and every Claim filed or to be filed in any of the Chapter 11 Cases shall be treated filed against the consolidated Debtors and shall be treated one Claim against and obligation of the consolidated Debtors, and (e) for purposes of determining the availability of the right of set off under section 553 of the Bankruptcy Code, the Debtors shall be treated as one entity so that, subject to the other provisions of section 553 of the Bankruptcy Code, debts due to any of the Debtors may be set off against the debts of any of the other Debtors. Such substantive consolidation shall not (other than for purposes relating to this Plan) affect the legal and corporate structures of the Reorganized Debtors. Moreover, such substantive consolidation shall not affect any subordination provisions set forth in any agreement relating to any Claim or Interest or the ability of the Reorganized Debtors as applicable, to seek to have any Claim or Interest subordinated in accordance with any contractual rights or equitable principles. Notwithstanding anything in this section to the contrary, all post-Effective Date fees payable to the U.S. Trustee pursuant to 28 U.S.C. § 1930, if any, shall be calculated on a separate legal entity basis for each Reorganized Debtor. Substantive ~~Consolidaton~~Consolidation is

necessary in this case because of the interrelationship between the two entities, ~~Earth Pride Organics~~EPO and ~~Lancaster Fine Foods.~~
~~Earth Pride Organics~~LFF. EPO is the parent company with ~~Lancaster Fine Foods~~LFF being the subsidiary.
~~Orginally, Earth Pride Organics~~Originally, EPO was set up as a Common Paymaster entity so that all the Payroll would flow through that entity to the employees. The ~~commonwealth~~Commonwealth of Pennsylvania objected to this arrangement which forced LFF to abandon this structure and go back to two separate entities~~.~~ for payroll purpose. This occurred at the beginning of 2017 and since then the entities have been separate and run as two companies. The largest single obligation of ~~the debtors~~EPO is the IRS which at first look only has a claim against EPO. However, this debt is the result of the ~~debtor's~~LLF failure to upstream enough money to cover the payroll obligations incurred by LFF during its day to day operations. In essence to take the position that EPO is not responsible for the IRS debt incurred by ~~EPO~~ LFF would be to argue form over substance. While the IRS has not formally filed a proof of claim against LFF for the monies owed in the EPO proof of claim, it is the opinion of the debtor that they will when informed of this arrangement. Also, numerous creditors are common to both debtors making it difficult, if not ~~impossible to separate the two entities.~~ impossible to separate the two entities. Out of the 27 listed on the proof of claim docket at least 17 of them are on both cases with 11 creditors being only on the EPO case, the largest of which is the IRS. Finally, it is required by the post confirmation lender that both entities sign off on the Big Shoulder Loan.

C. SUMMARY OF OTHER PROVISION OF THE PLAN

All executory contracts shall be deemed assumed pursuant to the provisions of section 365 and 1123 of the Bankruptcy Code except:

(~~i~~I) those which have been rejected prior to the Effective Date;

(~~ii~~Ii) those as to which motions for assumption are pending as of the Confirmation Date. It is anticipated that the only executory contract outstanding will be the real estate lease of Richardson associates which covers the complete location of the debtor in Lancaster. The terms of this lease assumption will be set forth in ~~either the plan or~~ a separate ~~motion~~agreement with the outstanding cure amounts either paid on the effective date or as agreed by the parties.

1. Retention of Jurisdiction

The Bankruptcy Court shall retain jurisdiction in this Chapter 11 case in order to allow and reject Claims, to allow fees, to consider amendments or modifications to the Plan, to enforce the terms of the Plan and close this proceeding, all of which are described in more particular detail in the Plan.

2. Revesting

On the Effective Date, the post-confirmation Debtors shall be revested with all of the property of the estate of the Debtors free and clear of all claims, liens, charges and other interests of creditors arising prior to the filing date, except as otherwise provided by the Plan.

3. Objections to Claims and Interests

Objections to Claims and interests shall be filed with the Bankruptcy Court and served upon each holder of such claim or interest to which objection is made as soon as reasonably practical after the Confirmation Date but in any event no later than 120 days from confirmation of the Plan. The failure by the Debtors to object to or to re-examine any claim or interest shall not be deemed to be a waiver of the right to object to or to re-examine such claim or interest in whole or in part to determine its allowability for payment.

4. Modifications

The Plan may be amended or modified at any time prior to the Confirmation Date. After the Confirmation Date, the Debtors may, with the approval of the Court and so long as it does not materially and adversely affect the interests of creditors, remedy any defects or omissions or reconcile any inconsistencies in the Plan or in the Confirmation Order in such a manner as may be necessary to carry out the purposes and intent of the Plan.

5. Bar Date

Subsequent to the filing of the bankruptcy, the Debtors have requested and the Court has ordered that all proofs of claim prior to the filing of the bankruptcy were to be filed by September 11, 2017. This has been the bar date for filing proofs of claim of all unsecured creditors in this matter.

6. Post Confirmation Employment of Officers

Subsequent to confirmation, the Debtors intend to have the same management as of the filing date ~~which was disclosed in the Notice of Intention to Compensate Officers which was filed and served on all creditors in the case. A copy of said notice is attached to the disclosure~~ statement for review by the creditors. These officers will be paid at the same amount post confirmation as set forth in the notice. Attached to the Disclosure Statement is an organizational chart of the officers of the Debtor.

7. Outstanding Litigation of the Debtors

Prior to the filing of the Bankruptcy, the Debtors were involved with claims against various third parties. Some of these claims had been put in suit prior to the Bankruptcy, the others are still outstanding awaiting a decision by the Debtors as to the viability of moving forward against the defendants on said claims. The two main claims consist of a malpractice claim against previous counsel to the Debtors concerning advice regarding the sale of Dalmatia goods which contributed to the Dalmatia Litigation. The other claim is against a Pump Manufacturer and/or Installer concerning the improper installment of machinery that led to decreased production of goods which caused losses to the Debtors because of its inability to have customer orders produced in a timely manner. It is anticipated that the Debtors will make a decision after the confirmation of the Plan on whether to move forward on these matters. Additionally, the Debtor may have avoidance actions against various insiders and unsecured creditors pursuant to Section 5 of the Bankruptcy Code for preferences and fraudulent conveyances. After a review of these causes of actions, the time and money involved, likelihood of collection, the potential defenses to said actions and the benefit to the estate, the Debtors will waive any right to go after these individuals and entities in this proceeding. See exhibit containing the names of individuals and companies that received payments within ninety days and one year of the filing of the bankruptcy being released in this proceeding.

V. FINANCIAL INFORMATION

The Debtors have filed Statements of Financial Affairs and Schedules of Assets and Liabilities with the Bankruptcy Court along with monthly operating reports as required by the Bankruptcy Code. This financial information has not been included in this Disclosure Statement, but may be examined in the office of the United States Bankruptcy Court in Philadelphia, Pennsylvania. **The Debtors have also attached to this Disclosure Statement a projection and forecast of payments to be made to creditors pursuant to the terms of the Plan of Reorganization.** It is anticipated that the Debtor will pay approximately $1,860,000.00 to the unsecured creditors which equates a 15% payout on their outstanding claims. As of today, the outstanding unsecured creditors of the Debtor are approximately $12,400,000.00. The projection also indicates that payments will be made to the Internal Revenue Service of approximately $42,000.00 a month which will include the principal and interest payment of their outstanding secured and priority claim. ~~Also~~The Debtor has attached two sets of financial statements to this documents, the ~~projection includes~~ first set of projections forecast how the debtor will grow in a ~~payment of approximately $32,372.00~~normal business environment with a baseline viewpoint based on ~~the term loans~~future business. The Second set of financial projections show how the business will grow from a very optimistic viewpoint. Both set of projections indicate that ~~are presently outstanding in this matter.~~the debtor will be able to finance this plan of reorganization.

VI. ACCEPTANCE AND CONFIRMATION

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of § 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the Plan is (i) accepted by all impaired classes of Claims and Interests or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible, and (iii) in the "best interests" of creditor and holders of interests impaired under the plan.

In order for the Plan to be accepted by any class, it must be accepted by creditors who hold at least two-thirds in dollar amount of the claims in such class as to which votes are cast, and who comprise more than one-half of the voting creditors holding claims in such class. Creditors whose Claims are not impaired by the Plan may not vote, as they are conclusively presumed, pursuant to the Bankruptcy Code, to have accepted the Plan. Because the Plan does not impair holders of certain Claims, acceptances will not be solicited from those holders of those claims.

If any impaired class does not accept the Plan, the Debtors may nevertheless seek confirmation of the Plan. To obtain such confirmation, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each dissenting class. This is commonly known as the Absolute Priority Rule.

A. **Feasibility**

As a condition to confirmation of the Plan, § 1129(a~~)~~() (ii) of the Bankruptcy Code requires that confirmation of the Plan is not likely to be followed by the liquidation of the Debtors, unless such liquidation is proposed in the plan.

The Debtors believe that comparing the value of the distributions available through a forced sale under a Chapter 7 liquidation to the value obtainable under the Plan which reflect a more commercially reasonable manner of reorganizing the assets reveals that creditors will receive greater value under the Plan. According to the Debtors, the Plan satisfies the "best interest of creditors" test. Additionally, the Debtor employs approximately 90 people in the Lancaster area who will stay employed after the confirmation of the plan giving this case a local economic incentive to succeed.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

A. **General Tax Considerations**

The confirmation and execution of the Plan may have tax consequences to holders of Claims and Interests. The Debtors do not offer an opinion as to any federal, state, local or other tax consequences to holders of Claims and interests as a result of the confirmation of the Plan. ALL HOLDERS OF CLAIMS AND INTERESTS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF THE PLAN. THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS LEGAL OR TAX ADVICE TO ANY CREDITOR.

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If the Plan is not confirmed and consummated the theoretical alternatives include liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

A. Liquidation under Chapter 7

If no plan can be confirmed, the Reorganization Case may be converted to a case under Chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution to its creditors in accordance with the priorities established by the Bankruptcy Code. The Debtors estimate that if its assets are liquidated under Chapter 7, it is unlikely that any unsecured creditors would receive anything much less the amount to be realized under the confirmed Plan of Reorganization because any proceeds derived from said liquidation will go to Midtown and Loeb. Additionally, creditors who are continuing to do business with the Debtor post confirmation will lose a client and have no future potential to continue to do business with the debtor.

. ADDITIONALLY, IF THIS CHAPTER 11 PLAN IS NOT CONFIRMED BY THE BANKRUPTCY COURT, THE ~~DEBTORS BELIEVE~~DEBTOR BELIEVES THAT THE UNSECURED CREDITORS WILL NOT RECEIVE A DISTRIBUTION ~~IN THE NEAR FUTURE~~AT ALL. EVEN IF A CREDITOR DID BELIEVE THAT A DISTRIBUTION IS POSSIBLE. A CHAPTER 7 LIQUIDATION COULD TAKE UP TO TWO TO THREE YEARS BEFORE A CREDITOR RECEIVES ANYTHING ON BEHALF OF THEIR CLAIM. HOWEVER, IF THE CHAPTER 11 PLAN IS CONFIRMED, THE UNSECURED CREDITORS WILL RECEIVE AN INITIAL PAYMENT ~~BEFORE THE END OF THE~~WITHIN A YEAR ~~OF~~IN THE AMOUNT SET FORTH IN THE PLAN OF REORGANIZATION. IT IS FOR THIS REASON THAT A LIQUIDATION UNDER CHAPTER 7 WOULD, IN THE OPINION OF THE ~~DEBTORS~~DEBTOR, NOT BE IN THE BEST INTEREST OF THE CREDITORS, PARTICULARLY THOSE THAT WISH TO RECEIVE A DISTRIBUTION THIS YEAR.

IX. OTHER INFORMATION

Inquiries regarding information not contained in this Disclosure Statement may be made by contacting Paul B. Maschmeyer, Maschmeyer ~~Karalis~~Marinas P.C., ~~1900 Spruce~~350 South Main Street, ~~Philadelphia, PA 19103~~Suite 105, Doylestown, Pa 18901 (610)-296-3325, or the United States Bankruptcy Court for the Eastern District of Pennsylvania, 900 Market Street, Suite 400, Philadelphia, PA 19107 (215) 408-2800.

EARTH PRIDE ORGANICS, LLC and LANCASTER FINE FOODS, INC.

BY: */s/Michael S. Thompson*
Michael S. Thompson

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Date: March ~~8~~11, 2018