

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF TENNESSEE  
AT GREENVILLE**

IN RE:	)	Case No. 2:15-bk-51795-MPP
	)	Chapter 11
REEDY GLOBAL HOLDINGS FAMILY LLC	)	Judge Marcia Phillips Parsons
	)	
Debtor.	)	

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**DEBTOR'S FIRST AMENDED DISCLOSURE STATEMENT**  
*To Accompany First Amended Plan of Reorganization Dated August 19, 2016*

Erno Lindner  
**BAKER, DONELSON, BEARMAN  
CALDWELL & BERKOWITZ, PC**  
1900 Republic Centre  
633 Chestnut Street  
Chattanooga, Tennessee 37450  
(423) 209-4206 (telephone)  
(423) 752-9633 (facsimile)  
[elindner@bakerdonelson.com](mailto:elindner@bakerdonelson.com)

***-and-***

John H. Rowland  
Courtney H. Gilmer  
**BAKER, DONELSON, BEARMAN  
CALDWELL & BERKOWITZ, PC**  
Baker Donelson Center, Suite 800  
211 Commerce Street  
Nashville, Tennessee 37201  
(615) 726-5747 (telephone)  
(615) 744-5747 (facsimile)  
[jrowland@bakerdonelson.com](mailto:jrowland@bakerdonelson.com)  
[cgilmer@bakerdonelson.com](mailto:cgilmer@bakerdonelson.com)

*Attorneys for Debtor*

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## **I. INTRODUCTION**

Reedy Global Holdings LLC, the debtor and debtor-in-possession in the above captioned Chapter 11 reorganization case ("RGH" or the "Debtor"), has filed its First Amended Plan of Reorganization dated August 17, 2016 (the "Plan").

This First Amended Disclosure Statement (the "Disclosure Statement") explains the circumstances leading to RGH's bankruptcy filing, the nature of the Debtor's business and the Debtor's expectations for its business going forward, the Plan and its means of implementation, and the available alternatives to the Plan. The Court has determined that this Disclosure Statement contains sufficient information to enable creditors to make an informed judgment about the Plan. As described herein, RGH believes that acceptance and confirmation of this Plan will provide the greatest return to creditors and equity, and is superior to any available alternative.

In general, the Plan pays all creditors in full, with interest. The Debtor's primary secured creditor, Farm Credit Mid-America, FLCA/PCA ("Farm Credit") will be paid through a restructured, amortizing obligation that matures in seven years. In addition, over the initial 18 months following Confirmation, the Farm Credit debt will be reduced substantially by the sale of a significant portion of the Debtor's non-essential Real Property. Unsecured creditors will receive payment in full, with interest, over the two years following Confirmation. Tax claims secured by the Debtor's Real Property will be paid over five years, per statute, but must be paid in full upon any sale of property to which such claims have attached. The Plan also provides for ownership of the business to be retained by the current equity holders. Although this treatment is described below, creditors and equity holders should review the Plan itself. Treatment of creditors and equity holders under RGH's proposed Plan is described in more detail below.

## **II. SUMMARY OF PLAN TREATMENT**

The following is a brief summary of classes of creditors and interest holders under the proposed Plan, and the treatment of each provided for in the Plan. The full Plan is attached as

**Exhibit 1.**

<b>Class</b>	<b>Creditors / Interest Holders</b>	<b>Treatment</b>
Unclassified Administrative Claims	Bankruptcy professionals and other administrative claimants	Paid in full on Effective Date (estimated October 15, 2016) or by agreement.
Unclassified Priority Tax Claims	Taxing authorities	Paid in full on Effective Date (estimated October 15, 2016); Debtor is not aware of any claims in this Class.
Class 1A	Sullivan County real property tax claim	Paid in full over five years, with interest at the legal rate.
Class 1B	City of Kingsport real property tax claim	Paid in full over five years, with interest at the legal rate.
Class 1C	Farm Credit Allowed Secured Claim	Claim Allowed in full, estimated at \$9.51 million. Claim to bear interest at 4.4%. Claim reduced by proceeds from Sales of Commercial Property and other Listed Real Property and monthly payments commencing on Effective Date (estimated October 15, 2016) and continuing through May 15, 2018. Remaining Debt fully amortized by monthly payments based on 25-year term and interest rate of 4.4%. Payment in full no later than Maturity Date of June 1, 2023.
Class 1D	Michael Reedy Allowed Secured Claim	Claim Allowed at \$51,428. Claim to accrue interest at contract rate. Claim paid in full 30 days after satisfaction of Farm Credit Claim or upon written authorization from Farm Credit.
Class 2	Priority Claims	Paid in full on Effective Date (estimated October 15, 2016); Debtor is not aware of any claims in this Class.
Class 3A	General Unsecured Claims	Payment in full, with quarterly payments over two years, including simple interest at 2%.
Class 3B	Management Unsecured Claims	Claims Allowed at principal amount of loan plus accrued interest. Claim to accrue interest at contract rate. Claim

		paid in full 30 days after satisfaction of Farm Credit Claim or upon written authorization from Farm Credit. No claims in the Class exist as of the date of the filing of this Disclosure Statement.
Class 4A	Equity Interests	Preserved intact.

### **III. CONFIRMATION PROCEDURE**

#### **A. Right to Vote on the Plan**

The Bankruptcy Code provides that only holders of claims or interests that are impaired under the terms of a Chapter 11 plan, and that are not deemed to have automatically rejected the Plan, are entitled to vote on to accept or reject the Plan. Holders of claims or interests in classes that are not impaired are conclusively assumed to accept the Plan and not entitled to vote.

With respect to the proposed Plan, holders of Claims in Class 2 (priority Claims) and Interests in Class 4A (equity interests) are conclusively presumed to have accepted the Plan and are not entitled to vote on the Plan. Holders of Claims or Interests in Classes 1A, 1B, 1C, 1D (Secured Claims), 3A (General Unsecured Claims), and 3B (Management Unsecured Claims) are impaired and are entitled to vote to accept or reject the Plan.

#### **B. Acceptance or Rejection of the Plan and Cramdown**

As provided in the Bankruptcy Code, a class of Claims accepts the Plan if creditors in that class that hold at least two-thirds in dollar amount, and more than one-half in number, of the total of Claims in that Class cast ballots vote to accept the Plan. A class of equity Interests accepts the Plan if creditors in that class that hold at least two-thirds in dollar amount of the total of Interests in that Class cast ballots vote to accept the Plan. If a class of Claims or Interests does not accept the Plan, that Class is deemed to have rejected it.

If a Class of Claims or Interests rejects the Plan, the Debtor has the right, and intends, to request confirmation of the Plan nonetheless, pursuant to § 1129(b) of the Bankruptcy Code, known as a “cramdown.” Section 1129(b) permits the confirmation of a plan notwithstanding the rejection by one or more impaired classes of claims or equity interests if the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each non-accepting class. The Debtor believes that the Plan meets these requirements.

The Plan provides for payment in full of all Claims, over a relatively short period. The Debtor believes that this is a better result than if its assets were liquidated under Chapter 7 of the Bankruptcy Code. Further, all equity holders retain their ownership interests through the Plan. Therefore, the Debtor believes that after carefully reviewing the Plan and this Disclosure Statement, each holder of a Claim or Interest that is entitled to vote with respect to the Plan should vote to accept the Plan.

**C. Voting Instructions**

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan.<sup>1</sup> Your Ballot must be returned to the following address by the deadline specified on the Ballot:

Reedy Global Holdings Family LLC  
Plan of Reorganization  
c/o Baker, Donelson, Bearman,  
Caldwell & Berkowitz, P.C.  
**Attention: John H. Rowland**  
211 Commerce Street, Suite 800  
Nashville, Tennessee 37201

If you are a creditor or equity holder entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning

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<sup>1</sup> Ballots will be enclosed when the Plan and Disclosure Statement are mailed out for voting. If this Disclosure Statement is approved by the Court, this footnote will be removed prior to circulation to creditors.

the procedures for voting on the Plan, please call John H. Rowland or Courtney Gilmer, Debtor's counsel, at (615) 726-5544 or (615) 726-5747, respectively.

**D. Confirmation Hearing**

Pursuant to § 1128 of the Bankruptcy Code, the Confirmation Hearing will be commenced on the date set forth in the notice provided with this Disclosure Statement, before the Honorable Marcia Parsons, Chief Judge of the United States Bankruptcy Court for the Eastern District of Tennessee, at the United States Bankruptcy Court for the Eastern District of Tennessee, James H. Quillen United States Courthouse, 220 W. Depot Street, Suite 218, Greeneville, Tennessee, 37743. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before the deadline stated in such notice. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date at the Confirmation Hearing.

**IV. BACKGROUND OF RGH**

**A. The Vineyard Property.**

Located on 540 acres between the Blue Ridge and Smoky Mountains near Kingsport, Tennessee, RGH owns, by acreage, the largest vineyard in the State of Tennessee, and one of the largest vineyard properties in the entire Mid-Atlantic Region (the "Vineyard Property"). The Debtor's principal, Michael J. Reedy ("Reedy"), sponsored the acquisition of the bulk of the vineyard acreage in 2007 and 2008 with funding provided by SunTrust Bank. Reedy was familiar with the property; at one time much of the land had been owned by his family. Reedy also knew that the Vineyard Property's unique soil composition of slate, shale and limestone provided a distinctive and rich environment for the growth of high-quality grapes. Beginning in 2007, as a startup enterprise, Reedy undertook initial planting. Production followed, and in 2010

the property produced its first harvest. Around this time, Farm Credit asked Reedy to consider moving the loan from SunTrust. Based on those discussions, Reedy made the decision to refinance the debt on the Vineyard Property with Farm Credit.

In 2012, and as part of a concerted estate-planning effort, Reedy formed RGH to take title to the Vineyard Property. Grape production on the Vineyard Property increased robustly. In 2013, the property generated nearly \$600,000 in grape sales and another \$40,000 in rental income. By 2014, the Vineyard Property was poised for continuing and significant growth; in December of 2012 it appraised for \$9,929,000.

RGH is owned by Reedy (5%), Reedy's wife, Kristen Fields-Reedy (5%), and the Addison T. Reedy Irrevocable Trust (the "Trust") (90%). Kimberly Rhoton, a Tennessee-licensed attorney, serves as the Trustee for the Trust. The Reedys and the Trust are Co-Obligors or have personally guaranteed the existing obligations to Farm Credit.

**B. The Wine – Reedy Creek Cellars, Inc.**

With the realization that the vineyard's success depended in large part on the quality of the wine produced from its grapes, and in order to capture part of the rapidly-expanding agritourism market, Reedy had formed a separate winery operation in 2010, Reedy Creek Cellars, Inc. ("RCC") to produce, bottle, and market Reedy Creek wines. And as grape production and per-acre yields increased, wine production flourished. RCC produced its initial vintages in 2012, and wines under Reedy Creek labels began capturing awards almost immediately. Reedy Creek's 2012 Syrah received a concordance Gold and Best Red in the 2013 Wines of the South Competition, a competition featuring wines from fourteen states and numerous other wineries. Reedy Creek's "Frost," a white blend, became the first ever all-Tennessee wine to win a gold medal in a California competition -- the 2012 Sonoma-based

Grand Harvest Awards. Several other Reedy Creek wines have captured silver medals in California-based competitions.

In an effort to increase the visibility and expand the marketing of Reedy Creek wines, RCC partnered with the City of Kingsport to establish a winery and tasting room in a renovated storage facility at the MeadowView Marriott Conference Resort & Convention Center, as well as a tasting room and outdoor picnic, meeting and event space overlooking the Vineyard Property. RCC's relationship with Marriott is unique. Reedy Creek is the only existing winery located physically on the grounds of a Marriott resort property.

In its April 2016 issue, *Southern Living Magazine* recognized the Vineyard Property's distinctive setting and heralded the quality of the Reedy Creek wines in naming the Debtor one of the South's Best Vineyards.

**C. The Commercial Property.**

In 2013, the Debtor sought additional financing from Farm Credit in order to support operations and to expand the acreage under production. In exchange for additional funding in the amount of approximately \$2,300,000, RGH granted the Debtor a lien on additional real property owned by the Debtor to secure both the new and the already-existing debt. The bulk of this additional collateral was and remains valuable, undeveloped commercial property located along the Highway 11-W corridor near Kingsport and totaling approximately 62 acres (the "Commercial Property"). In August of 2013 the Commercial Property appraised at a value of \$5,080,000.

**D. The Farm Credit Loans**

Farm Credit remains the Debtor's primary and only significant secured creditor, having filed four separate claims in the case in the aggregate amount of \$9,203,608. The claims asserted by Farm Credit arise under the terms of four separate promissory notes, issued and/or assumed

by the Debtor between 2010 and 2013 (the "Farm Credit Notes"). The Farm Credit Notes carried initial, non-default interest rates ranging from 3.85% to 4.85%. For reasons discussed below, the entire Farm Credit debt was restructured under the terms of a Restructure Agreement dated July 29, 2014, at which time the Debtor pledged an additional 134 acres of the Real Property to further secure the underlying debt. In addition, Farm Credit was granted security in the form of a lien against approximately five acres of real property that includes the personal residence and surrounding property of the Debtor's principals, which is held by a qualified personal residence trust (the "Residential Real Property").

Accordingly, and as of the Petition Date, the Debtor's obligations under the Farm Credit Notes remained secured by the entirety of both the Vineyard Property and the Commercial Property (collectively, the "Real Property"). Farm Credit also asserts liens against the collateral described in the UCC Financing Statement of record at filing number 110-038145 with the Tennessee Secretary of State, and as continued at filing number 423416872 (the "UCC Collateral"), as well as a lien against the Residential Real Property.

Farm Credit asserts that as of the Effective Date that the Farm Credit Claim will be approximately \$9,510,000, inclusive of accrued interest, fees, and costs.

## **V. FACTORS LEADING TO THE BANKRUPTCY FILING**

### **A. The 2014 and 2015 Freezes**

The historically harsh winters of 2014 and 2015 were disastrous for the Debtor. From January to April of 2014, an Arctic cold front and a southward shift in the North Polar Vortex resulted in drastically below-average temperatures extending across much of the United States, including the Deep South. The extended period of record low temperatures resulted in massive transportation shutdowns and became, for many areas, one of the coldest winters on record. By way of example, the average minimum temperature in Kingsport for January 2014 was

17.5 degrees, making that month the coldest January since 1977, and the second coldest recorded January since 1918.

Although not as harsh, beginning in November of 2014, the United States again experienced temperatures well below-average. Those low temperatures continued to hold in many locations through March of 2015. Several snowfall records were broken, with nearly every state east of the Mississippi encountering below-average temperatures for the entire winter.

The 2014 winter did substantial damage to the grape crop. And although RGH had yet to fully realize the extent of this damage, the Debtor and Farm Credit entered into discussions to address the 2014 freeze. These discussions resulting in the execution of the July 2014 Restructure Agreement which provided some amount of forbearance in the Debtor's payment cycle with Farm Credit in exchange for the pledge of additional acreage.

Neither party foresaw a second, historically harsh winter, which also crippled any hope of significant production from the remaining vines in the near-term. Vine mortality, however, was limited primarily to grapes used in the production of certain varietals, including viogniers and chardonnays. The bulk of the vines used in the production of Syrah, Rieslings, and Cabernets survived intact. Unfortunately, vine survival in this instance does not equate with an immediate return to pre-freeze production levels. As a result of the two harsh winters, the Debtor estimates that it will take two full harvests ('16 and '17) before the surviving plants stabilize fully and return to 2013 grape production levels.

The impact of the weather events on the Debtor is obvious. Without grape production from the two lost harvests, the Debtor has been unable to generate income sufficient to service its obligations to Farm Credit.

**B. The Attempted Workout and Farm Credit Foreclosure**

During the summer of 2015, the Debtor approached Farm Credit concerning a further restructuring of the outstanding debt. In exchange for an initial forbearance period, the Debtor proposed a significant payment against outstanding interest, funded by a contribution from the Debtor's principals. RGH also proposed a focused, intentional sales and marketing effort with a goal of selling a substantial amount of the Commercial Property. The Debtor proposed that the proceeds from such sales be applied against the Farm Credit debt. In support of its efforts, RGH provided Farm Credit with supporting pro formas demonstrating that the Vineyard Property would return to stabilized production and near-profitability within approximately 24 months, supported by further ownership investment and the replanting of vines resistant to future weather-related events, and particularly the type of events that caused damage to the vines in 2014 and 2015.

Negotiations between the Debtor and Farm Credit collapsed in November of 2015, primarily over timing issues. RGH needed (and still requires) two full growing seasons to stabilize operations. Farm Credit was insistent on a 12-month window before requiring significant debt service payments that would have been problematic for the Debtor. RGH maintained that Farm Credit would receive significant pay down of its debt from sales of the Commercial Property during the initial 18-24 months following implementation of the workout.

Near the endpoint of negotiations, Farm Credit commenced foreclosure actions against both the Vineyard Property and the Commercial Property. On November 30, 2015, the Debtor filed for relief under Chapter 11 to halt the sale scheduled for the following day. RGH believes sufficient time has passed to move forward with the marketing and sale of the Commercial Property pursuant to the Plan.

## **VI. THE BANKRUPTCY CASE TO DATE**

### **A. Post-Petition Operations and New Appraisals**

Subsequent to the Petition Date, RGH has continued to operate its business as a debtor-in-possession. No statutory committees have been formed or appointed. The Debtor's assets consist primarily of the Real Property recently appraised at \$14,332,000. The Debtor also asserts an ownership interest in the vinestock located on the Vineyard Property, as well as a right to the crop damage reimbursement associated with the prior damage to the vines arising from the weather events of 2014 and 2015 -- based on two claims initially asserted by the then-owner of the vines, RCC. The value of the vines is difficult to determine, however, they likely have no value in a liquidation. The Debtor values the reimbursement claims at \$250,000, subject to any additional amounts the Debtor may assert as the result of FSA's bad faith in initially denying the claims. The Debtor holds only a limited amount of cash, less than \$25,000 as of the date of the Disclosure Statement.

Shortly after the Petition Date, and following a motion and hearing, the Debtor was granted the right to use cash collateral under the terms of an Agreed Cash Collateral Order and corresponding budget. The budget coincided with the Debtor's anticipated cash needs for the first 120 days of the case. There were no objections, and the Agreed Cash Collateral Order became a Final Order. The Debtor's initial cash needs have been less than the anticipated cash requirements, and the Debtor prepared a revised budget to support operations through Confirmation. That revised budget has been approved by Farm Credit. The Debtor also obtained court approval for post-petition borrowing of up to \$50,000 from Reedy (on a subordinated basis), which loan is to be used to fund operations through Confirmation. As of the date of the Disclosure Statement, there is no balance due Reedy on the post-petition loan as the

Debtor has managed to run its operations on existing cash collateral, although funds may be advanced ahead of the Effective Date.

The Debtor also took steps to engage appropriate professionals to assist in the case, including Debtor's counsel, accountants, and an appraiser to value the Real Property. At this point, the Debtor is in the final stages of negotiating a Sale and Listing Agreement with Cassidy Turley Commercial Real Estate Services d/b/a Cushman & Wakefield ("Cushman & Wakefield") to provide brokerage and related services in connection with the proposed sale of a substantial amount of the Real Property. The Debtor will seek the Court's approval to enter into the Listing Agreement once the terms are finalized.

On April 22, 2016, the Debtor's appraiser, The William A. Miller Co., delivered two separate Appraisal Reports, one for the Vineyard Property, and the other for the Commercial Property. The reports returned a value of \$9,384,000 for the Vineyard Property and a value of \$4,948,000 for the Commercial Property, supporting the Debtor's belief that there is substantial equity in the Real Property. As a result, the Plan provides that Farm Credit's claim is fully secured in an amount estimated to be approximately \$9,510,000, subject to calculation as of the Effective Date.

In June of 2016, RGH was granted Court approval to enter into a written Commercial Lease (the "Lease") with VinoSlate Imports and Distribution, LLC ("VinoSlate"), a Tennessee-licensed distributor of wine and spirits. VinoSlate is wholly owned by Kristin Fields Reedy, a principal of the Debtor. Under the VinoSlate Lease, the Debtor is receiving \$3,500 per month for the lease of two buildings on the Vineyard Property used to warehouse VinoSlate inventory. The VinoSlate Lease is for a two-year term.

Operationally, the Debtor has continued its replanting and vine replacement efforts, having ordered and taken delivery of 6000 replacement vines. The Debtor has engaged in an aggressive pruning and weed management program. The Debtor remains optimistic that the vineyard is well on a path toward stabilization, and anticipates that production levels will match or exceed 2014 tonnages. Specifically, RGH anticipates that roughly 50 acres under vine will provide significant production in 2016, with another 30 acres added to production in 2017 -- a remarkable turnaround given the significant freeze events of 2014 and 2015. After 2017, RGH anticipates the vineyard will be close to achieving production and revenue goals that meet or exceed the high water mark of 2013. The vine replacement program undertaken by RGH consists of the replanting of cold-hardy vinestock, which should eliminate any potential freeze issues going forward.

**B. The Claims Against Farm Services Agency**

In 2010, and prior to the formation of RGH, RCC and Reedy obtained an operating loan from a local lender, First Bank & Trust ("First Bank"). Proceeds of the First Bank loan were used to purchase vines planted on what later became the Vineyard Property. From 2010 until just prior to the Petition Date, RCC owned the vines, worked the Vineyard Property with its equipment, and utilized a significant amount of the grape production. As an agricultural lender, First Bank required RCC to enroll in appropriate agricultural disaster assistance programs, which RCC did, including the federal Tree Assistance Program ("TAP") administered by the United States Department of Agriculture through the Farm Services Agency ("FSA").

As a result of the estate planning work undertaken by Reedy in 2012, ownership of the Vineyard Property was vested in the Debtor. As reflected in the financing statements, loan documents, and related filings undertaken by both First Bank and Farm Credit, RCC retained

ownership of the vines. Ownership of the vines subsequently transitioned to the Debtor, and Farm Credit now holds a security interest in this property.

As discussed above, the vineyard suffered a significant freeze event in the winter of 2014 resulting in the loss of a number of vines. With the direct assistance of local employees of the Sullivan County, Tennessee FSA Office, RCC (as the owner) submitted an application and claim for benefits under TAP (the "2014 Claim"). On December 11, 2014, the 2014 Claim was approved by the FSA. Under the provisions of TAP, a producer must first purchase and re-plant vines for the producer to receive the proceeds of the approved claim. In short, TAP is a reimbursement program. Because the Debtor was now the owner of the Vineyard Property, the parties intended for the Debtor to purchase replacement vines with the expectation and understanding that RCC would provide the Debtor with the TAP claim proceeds to reimburse the Debtor for the purchase. This type of successor payment is specifically authorized by the TAP regulations.

Because of timing issues related to the planting of replacement vines, RCC requested an extension of time to execute on the approved 2014 Claim and on April 14, 2015, FSA approved that request.

Before RCC and the Debtor could complete the purchase of the replacement vines in 2015, the second freeze event resulted in a another loss. As before, RCC submitted a claim for TAP benefits (the "2015 Claim"). Again, FSA employees assisted the parties with completing and submitting the 2015 Claim.

In spite of its approval of the 2014 Claim (and the grant of an extension for the 2014 Claim), the FSA denied the 2015 Claim on the basis that the claim was submitted in the name of RCC, for the first time asserting that the vines were owned by RGH at the time of the loss. This

denial took place despite the fact that employees of the FSA directly assisted and guided RCC and Reedy in completing the paperwork for both claims, specifically guiding Reedy in his execution of the appropriate forms. Accordingly, and in an effort to resolve the FSA's apparent confusion and error, a second claim was submitted, this time in the name of the Debtor. On February 11, 2016, the FSA denied both the 2014 Claim and the 2015 Claim.

RCC timely appealed the arbitrary and capricious denial of both Claims. In late March, RCC and the Debtor engaged in an unsuccessful mediation with the FSA. And on June 14, 2016, RCC participated in a hearing conducted by the National Appeals Division of the United States Department of Agriculture ("USDA"). Briefing has closed and RCC and the Debtor expect a decision from the Administrative Judge assigned to the case sometime in early September.

The picture that has emerged during this process is clear. Without conducting any meaningful investigation, the FSA simply concluded from reading the newspaper article associated with the bankruptcy filing that the Debtor, not RCC, owned the vines at the time of the losses. Unfortunately, this tortured, bureaucratic process has cost RCC and the bankruptcy estate thousands of dollars in fees and expenses to deny what are valid, substantiated, reimbursable losses to the vines under a federal program expressly designed to cover the very losses at issue.

## **VII. THE VINEYARD AND ITS CONTINUED OPERATIONS**

RGH is uniquely positioned for a successful reorganization. In spite of the disastrous weather events of 2014 and 2015 and the delay in receipt of the TAP reimbursements, the quality of the grapes produced on the Vineyard Property has never been questioned. In fact, the Debtor maintains the ability to sell all the grapes it can produce under agreements with other wineries and an existing network of buyers who remain convinced that the product is exceptional – demand for the product is limited only to the supply. Even without a consistent flow of grapes

from RGH, RCC has continued to produce wines, and the market for product under the Reedy Creek label has expanded tremendously over the last two years. The winery and the vineyard operation are often viewed as complementary of one another, oftentimes indistinguishable from a marketing standpoint. As RCC continues to produce excellent, award-winning wines, RGH will continue to benefit from the positioning of Reedy Creek wines in a number of larger regional markets, including Nashville, Chattanooga, and Knoxville, as well as additional markets outside of Tennessee.

The value of the non-essential Real Property owned by the Debtor provides the initial catalyst to fund the reorganization. Through its Plan, the Debtor proposes to market and sell the Commercial Property, with the proceeds earmarked for application to the Farm Credit debt. Again, the Commercial Property carries an appraised value of \$4,948,000. Subject to consultation between the Debtor, Farm Credit, and Cushman & Wakefield, additional properties may be added to the listing and offered for sale. The Debtor believes that the sale of the Commercial Property during the 12-18 months post-Confirmation will reduce the Debtor's obligations to Farm Credit significantly, allowing the Debtor to re-amortize the balance of the debt beginning in January of 2018, or shortly thereafter.

In addition to the payments funded by the sale of the Commercial Property, as well as the sale of any other Listed Real Property, the Debtor will make additional monthly payments to Farm Credit beginning on the projected Plan Effective Date, October 15, 2016. The monthly payments will be made on a graduated scale, increasing from \$10,000 to \$25,000 over the first 18 months post-Confirmation. The graduated nature of the payments will provide the Debtor with sufficient time to stabilize and increase grape production.

Against these efforts, Farm Credit will retain an allowed, fully secured claim, backstopped by property carrying an updated, appraised value of \$14,332,000.

RGH has prepared financial projections for the initial five-year period post-Confirmation, which are attached hereto as **Exhibit 2** (the “Projections”). RGH believes that the Projections are conservative and achievable.<sup>2</sup> Some initial funding will be required during the 24 months following Confirmation. The existing equity holders are prepared and able to fund any financial requirements necessary to provide such funding in support of Plan requirements.

## **VIII. PLAN OF REORGANIZATION**

### **A. Payment of Administrative Claims**

Debts incurred after the commencement of a bankruptcy case are generally referred to as “administrative claims” or “administrative expenses.” In order to confirm a plan of reorganization, all administrative expenses must be paid promptly after confirmation of the plan, in cash and in full, or subject to agreement between the Debtor and the holders of such claims. In general, administrative claims fall into two categories: the allowed fees of attorneys and other professionals employed by the estate, and other obligations of the business resulting from the ordinary course of its operations.

Professional fees are entitled to priority as administrative expenses only to the extent that they are approved by the Bankruptcy Court. To date, Baker Donelson has not sought compensation in the case. As of March 1, unbilled fees of counsel totaled approximately \$150,000; however, counsel holds the balance of the retainer paid in the case in the amount of \$68,000. Counsel anticipates filing a fee application within the next 30 days seeking payment of fees through March 30, 2016 on an interim basis, with payment limited to application of the

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<sup>2</sup> The Projections are subject to the limitations and risk factors set forth in Section XI, below.

retainer. Estimated additional professional fees through confirmation of the Plan are shown in the table below.<sup>3</sup> All outstanding fees remain subject to Court approval.

Professional	Description	Estimate
Baker Donelson	Debtor's Bankruptcy Counsel	\$200,000
Blackburn, Childers & Steagall	Debtor's Accountant	\$5,000
The William A. Miller Co.	Appraiser	\$0
Total		\$205,000

Administrative expense priority is also afforded to other debts incurred by the Debtor in the course of operating during the bankruptcy case, whether in ordinary course of operating the business, or in connection to the case itself (e.g., quarterly fees due to the U.S. Trustee). To the extent any U.S. Trustee quarterly fees are due and unpaid as of the Plan effective date, they will be entitled to administrative priority and paid. Because the business is paying its post-petition bills in the ordinary course, it is not clear that there will be any expenses of operation from the period of the Chapter 11 case that are due and remain unpaid at the time of confirmation. To the extent that there are, they will be entitled to administrative expense priority.

**B. Treatment of Creditor and Equity Classes**

The Plan has a total of eight classes of creditors and equity holders. The classes and their treatment are summarized below.

1. *Class 1A (Sullivan County Secured Claims)*

Class 1A consists of the claims of Sullivan County for unpaid real property taxes, which are secured by statutory property tax liens on the Real Property. The County has submitted a late-filed claim totaling \$33,972.52.

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<sup>3</sup> The amounts shown are as estimated by RGH and the professionals involved. Actual amounts incurred may be materially different, as may the amounts ultimately approved by the Bankruptcy Court. As of June 30, Baker Donelson had incurred unpaid fees and expenses in aggregate amount of \$247,000. The estimated balance due Baker Donelson as of Confirmation is \$200,000, following application of the balance of the prepetition retainer. The Debtor and Baker Donelson anticipate making arrangements for satisfaction of this amount that will not require payment in full on the Effective Date.

Under the Plan, Sullivan County will received payment in full over five years, together with interest at the statutory rate required pursuant to §511 of the Bankruptcy Code, which is understood to be 1.5% per month. The County will retain the liens that it holds as a matter of state law to secure payment of its claims. The payments on the Class 1A Claims will consist of five annual payments, each consisting of one-fifth of the principal amount of the allowed Class 1A Claims, plus interest through the payment date, with such payments commencing on November 1, 2016. Successive annual payments will be due on November 1 of each successive year.

Real property taxes not yet due as of the Effective Date will be paid when due.

The Plan also provides that upon sale or refinance of any parcel of the Real Property, the unpaid portion of the allowed Sullivan County claims attributable to the sold parcel shall be paid in full, in exchange for which the lien as to that parcel shall be released.

Sullivan County's claim for past due real property taxes is impaired, and Sullivan County is entitled to vote on the Plan.

2. *Class 1B (City of Kingsport Secured Claim)*

Class 1A consists of the claims of the City of Kingsport for unpaid real property taxes, which are secured by statutory property tax liens on the Real Property. The past-due amounts total approximately \$7446.

Under the Plan, the City of Kingsport will received payment in full over five years, together with interest at the statutory rate required pursuant to §511 of the Bankruptcy Code, which is understood to be 1% per month, with additional 1% added each December and January 1. The City will retain the liens that it holds as a matter of state law to secure payment of its claims. The payments on the Class 1B Claims will consist of five annual payments, each consisting of one-fifth of the principal amount of the allowed Class 1B Claims, plus interest

through the payment date, with such payments commencing on November 1, 2016. Successive annual payments will be due on November 1 of each successive year.

Real property taxes not yet due as of the Effective Date will be paid when due.

The Plan also provides that upon sale or refinance of any parcel of the Real Property, the unpaid portion of the allowed City's claims attributable to the sold parcel shall be paid in full, in exchange for which the lien as to that parcel shall be released. The City's claim for past due real property taxes is impaired, and the City of Kingsport is entitled to vote on the Plan.

3. *Class 1C (Farm Credit Secured Claim)*

Class 1C consists of the secured claim held by Farm Credit, secured by Deeds of Trust encumbering the Debtor's Real Property, as well as the Residential Property and the UCC Collateral. Farm Credit's claim is impaired and Farm Credit is entitled to vote under the Plan.

The Plan proposes that Farm Credit will have a fully secured Allowed Claim in the full amount of its existing debt as of the Effective Date, inclusive of all principal, interest, late charges, allowable expenses, and attorneys' fees, as of the Effective Date, and estimated to be \$9,510,000. As an over-secured creditor, Farm Credit is allowed to include in its Class 1C Secured Claim all amounts allowable under § 506(b) of the Bankruptcy Code, including attorneys' fees and expenses accrued prior to the Effective Date. The Farm Credit Allowed Claim shall be calculated as of the Effective Date.

Beginning on October 1, 2016, the Farm Credit Allowed Claim shall accrue interest at the rate of 4.4% per annum. The Debtor shall make monthly payments on the Farm Credit Claim beginning on October 15, 2016 and continuing on the 15th day of each successive month thereafter through June 1, 2023 (the "Maturity Date"). From October 15, 2016 to March 15, 2017, the monthly payment will be \$10,000; from April 15, 2017 to September 15, 2017, the

monthly payment will be \$15,000; and from October 15, 2017 through December 15, 2017, the monthly payment will be \$20,000.

Beginning with the monthly payment due on January 15, 2018, and continuing to the date on which Farm Credit applies the Fair Market Appraised Value (which amount has been agreed upon by the Debtor and Farm Credit), the monthly payment will be \$25,000.

Payments received by Farm Credit through December of 2017 shall first be applied to any outstanding fees, costs, and expenses due Farm Credit, and then to accrued interest, and finally to principal.

In addition to the monthly payments described above, Farm Credit shall receive the Net Proceeds arising from sale(s) of the Commercial Property and/or sales of other Listed Real Property. Net Sales Proceeds will consist of the proceeds received by the Debtor, less (a) commissions payable to any broker, (b) costs and expenses related to the sale and/or closing, and (c) satisfaction of any unpaid taxes. Payments arising from such sales will be applied in a manner consistent with the application of monthly payments described above.

From and after the Effective Date and until January 1, 2018, RGH shall retain the exclusive control of the marketing and sales process with respect to the Commercial Property offered for sale. RGH will, however, be required to obtain the approval of Farm Credit, in writing, prior to accepting a formal purchase offer from a prospective buyer. Farm Credit is required to act quickly and diligently in responding to such requests made by RGH and its professionals. Farm Credit shall not be required to accept any sale requiring a partial release of its interest in any Real Property. RGH's exclusive right to market and sell the Commercial Property will terminate on January 1, 2018, at which time RGH will cooperate with Farm Credit

to seek the sale, transfer, and/or disposition of the Commercial Property by such method as Farm Credit may direct, with the costs of such disposition to be borne solely by Farm Credit.

Farm Credit and the Debtor have agreed on the Fair Market Appraised Value of the Commercial Property. Accordingly, should Farm Credit seek to liquidate its interest in the Commercial Property by foreclosure, auction, or otherwise, Farm Credit shall use this value in determining the credit due RGH in connection with the disposition of the Commercial Property. Further, RGH acknowledges that a foreclosure bid and/or auction reserve equal to the Fair Market Appraised Value will comply with the legal standards for preservation of any deficiency claim under Tennessee law.

RGH shall be entitled to a credit equal to the Fair Market Appraised Value of the Commercial Property regardless of any sale(s) or disposition below such value, regardless of the timing of such disposition. And for the avoidance of doubt, in the event of a sale or disposition of the Commercial Property below the Fair Market Appraised Value, RGH shall be entitled to a credit that is equal to, but not greater than, the Fair Market Appraised Value. In the event the Commercial Property, or a portion thereof, is sold prior to January 1, 2018 at a price below the Fair Market Appraised Value, the Fair Market Appraised Value shall be reduced by the amount of the Net Sales Proceeds received by Farm Credit, with the balance of the Fair Market Appraised Value to be applied on the Sale Credit Date.

Beginning with the monthly payment due on January 15, 2018, and continuing to the date on which Farm Credit applies the Fair Market Appraised Value to the outstanding debt (the "Sale Credit Date"), the monthly payment will be \$25,000. On the Sale Credit Date, which shall not occur later than June 1, 2018, the balance of the indebtedness due Farm Credit will be recalculated by subtracting from the outstanding Farm Credit debt the greater of the Net

Proceeds received by Farm Credit arising from sale(s) of the Commercial Property **OR** the Fair Market Appraised Value of the Commercial Property. The remaining balance of the Farm Credit Claim will be then be amortized and payable based on a 25-year term, with level monthly payments of principal and interest beginning on the 15th day of the month immediately following the month in which the Sale Credit Date occurs. The interest rate will remain at 4.4% per annum.

The entire outstanding balance of the Farm Credit Claim will be due and payable on June 1, 2023 (the "Maturity Date"). RGH's, Co-Obligors' and Guarantors' obligations to Farm Credit will remain secured by the Real Property, the UCC Collateral, and the Residential Property and shall not be discharged until paid in full. Within 60 days following the Confirmation Date, Farm Credit, the Reorganized Debtor, the Co-Obligors, and the Guarantors will enter into appropriate amendments or modifications to the existing loan documents to give effect to the treatment and satisfaction of the Farm Credit Claim as expressed under the terms of the Plan. All other terms contained in the Existing Credit Documents not modified by the terms of the Plan or the Restructured Credit Documents will be retained in the same manner and priority as existed as of the Petition Date.

4. Class 1D (Reedy Secured Claims)

The Class 1D Claim consists of the pre-petition secured claim held by Reedy evidenced by a Subordinated Secured Demand Promissory Note issued by the Debtor prior to the Petition Date in original principal amount of \$50,000. The proceeds from the loan were used for the Debtor's operating needs during the Chapter 11. The Reedy Secured Claim is projected to be \$51,428, inclusive of accrued interest, as of the Confirmation Date.

Pursuant to the Plan, the Class 1D Claim will continue to accrue interest at the contract rate of 7% from the Confirmation Date and will be paid in full on the earlier of (a) the 30th day

following the satisfaction of the Farm Credit Secured Claim, or (b) on the 5th day following RGH obtaining written authorization from Farm Credit to make such payment. This claim will remain secured by all personal property of the Debtor, including inventory, but subordinate to any liens granted to Farm Credit.

This Claim is impaired.

5. Class 2 (Priority Claims)

Class 2 consists of unsecured claims that are entitled to priority under the Bankruptcy Code, and not otherwise classified under the Plan. Certain claims are entitled to priority of payment under the Bankruptcy Code, including some types of tax debt, and employee wage claims. As of the Petition Date, RGH was not aware of the existence of any Class 2 Claims, and does not anticipate that there will be any such Claims as of the Confirmation or Effective Dates.

To the extent such Claims arise, the Plan proposes to pay in full as of the Effective Date the allowed amount of all priority claims. The Class 2 claims are therefore unimpaired, and not entitled to vote on the Plan.

6. Class 3A (General Unsecured Claims)

Class 3A consists of the claims of general unsecured creditors (other than Management Unsecured Claims, which are treated in Class 3B).

The Plan provides for Class 3A general unsecured creditors to receive payment in full, in eight equal quarterly payments, with accrued interest, commencing October 15, 2016. The unpaid balance of the general unsecured claims will accrue interest from and after the petition date, at 2% per year. The Debtor estimates the aggregate amount of all Class 3 Claims to be approximately \$151,000 as of the Confirmation Date.

The Class 3A claims are impaired, and are therefore entitled to vote on the Plan.

7. Class 3B (Management Unsecured Claims)

Class 3B consists of certain unsecured claims of the Debtor's management and/or ownership group. These claims arise from any Court-approved operating loans made to RGH by its members in order to address the cash needs of the business between the Petition Date and the Effective Date. As of the date of the Disclosure Statement, no funds have been drawn on the post-petition credit facility (which is authorized in the maximum amount of \$50,000), although such funding may be required prior to the Effective Date. Such borrowing was approved under Court order entered on May 31, 2016.

The Class 3B Claim(s) will accrue interest at the contract rate (7%) and shall be paid in full on the earlier of (a) the 30th day following the satisfaction of the Allow Farm Credit Claim or (b) on the 5th day following the Reorganized Debtor obtaining written authorization from Farm Credit to make such payment.

The Class 3B Claim(s) are impaired, and are therefore entitled to vote on the Plan.

8. Class 4A (Equity)

Class 4A consists of all equity interests in RGH.

The Plan provides for all holders of Class 4A Claims to retain their equity interests. The Class 4A claims are therefore unimpaired, and not entitled to vote on the Plan.

C. Executory Contracts

The Bankruptcy Code classifies contracts as to which further performance is due from both sides as “executory.” Over the course of the bankruptcy case or under its plan of reorganization, a debtor must “assume” or “reject” all executory contracts. In order to assume a contract, the debtor must cure all defaults and thereafter comply with the contract according to its terms. If a contract is rejected, performance on both sides ordinarily terminates and the other

party is entitled to assert a claim for damages, which will be treated as a general unsecured pre-bankruptcy claim; i.e., a Class 3A claim.

In this case, the Debtor has a limited number of material executory contracts.

The Operating Agreement, to the extent that it is considered an Executory Contract, will be assumed as modified by the Plan, as well as the Debtor's leases on the Vineyard Property, including the prospective agreement with VinoSlate. The Plan provides that contracts not expressly treated under the plan will be deemed rejected.

## **IX. IMPLEMENTATION OF THE PLAN**

### **A. Revesting Subject to Plan**

On the Effective Date, all property will revest in the Reorganized Debtor, free and clear of claims and liens, except as specified in the Plan. From and after the Effective Date, the Reorganized Debtor will be able to freely use or transfer its cash and assets, enforce its rights and exercise its powers, and otherwise conduct its business in its unfettered discretion, subject only to the requirements of the Plan, the Restructured Credit Documents, and otherwise applicable non-bankruptcy law. All liens and encumbrances in favor Farm Credit securing the Farm Credit Allowed Claim against the Debtor, the Reorganized Debtor, and Co-Obligors and/or Guarantors will continue and shall be retained under the Plan in the same manner and priority as existed as of the Petition Date.

### **B. Bankruptcy Transition and Procedure**

Matters subject to the Court's retained jurisdiction will be initiated and prosecuted following the Effective Date substantially in the same manner as they would be prior to the Effective Date. Notice of post-Confirmation matters will be given to the Reorganized Debtor, the US Trustee, Farm Credit, and persons who request notice in writing after the Confirmation

Date. RGH will file quarterly reports and continue to pay US Trustee fees after the Confirmation Date and until entry of the Final Decree.

The Plan anticipates that RGH will close the bankruptcy case as soon as reasonably possible after the Effective Date.

**C. Management and Corporate Matters**

Michael Reedy will continue to be the Managing Member of the Reorganized Debtor, pursuant to its LLC operating agreement (the “Operating Agreement”). The Operating Agreement will remain in force

**D. Objections to Claims**

The Plan provides that any person may object to a Claim treated under the Plan by filing an objection with the Bankruptcy Court and serving it on the Debtor and the claimant no later than five days before the date set for the Confirmation Hearing. The Debtor and Reorganized Debtor may object to a Claim at any time. If an objection is filed, the Claim will be treated as a Disputed Claim, and will not receive any distribution until the objection is resolved.

Any Claim that is not timely filed by the applicable Claims Bar Date, as defined in the Plan, may be disallowed.

Any amendment to an otherwise timely filed proof of claim must be filed on or before the Effective Date.

**E. Co-Obligor Claims**

The Plan includes “Co-Obligor Claims” provisions, which essentially provide that a debt of the Debtor which could also be asserted as a claim against another person, such as a guarantor (a “Related Claim”) shall be asserted only against the Debtor as long as the Reorganized Debtor is in compliance with the terms of the Plan, including but not limited to the obligation to make timely payments under the Plan. Nothing in the Plan, any modifications thereto, nor any Order

or Confirmation Order shall enjoin, release, discharge or bar any Claim of Farm Credit against the Debtor, the Reorganized Debtor, any Co-Obligor or Guarantor. Farm Credit shall not, however, commence any action against any Co-Obligor or Guarantor unless and until the Debtor is in default under the terms of the Plan. Subject to any notice provisions set out in the Plan, in the event of default of any of the terms or conditions of the Plan or the Existing Credit Documents that remain unmodified by the terms of the Plan or Restructured Credit Documents, and/or in any Confirmation Order, Farm Credit shall be permitted to pursue its state-law remedies against the Debtor, the Reorganized Debtor, and their assets, as well as any remedies against the Co-Obligors and/or Guarantors, for the full amount of the obligations owed on the date of default without further order or action of the Bankruptcy Court. Nothing in the Plan is intended to limit Farm Credit's rights upon default to pursue its remedies under the Restructured Credit Documents or the Existing Credit Documents that may remain in effect after Confirmation, including any rights it may have to proceed against any Co-Obligors and/or Guarantors.

**F. Discharge**

The Plan provides for a broad discharge of all claims that are not timely asserted in the bankruptcy case, or which are asserted and disallowed by the Bankruptcy Court. The Plan prohibits efforts to pursue collection on discharged claims. The Plan and any Order and/or Confirmation Order shall not enjoin, release, discharge or bar any claim of Farm Credit against the Debtor, the Reorganized Debtor, any Co-Obligors and Guarantors pending satisfaction of the Farm Credit Allowed Claim.

## **X. ALTERNATIVES TO THE PROPOSED PLAN**

### **A. Going Concern Sale in Chapter 11**

RGH believes that any sale at this time would be depressed by the event of the Chapter 11 case, and the nature of a bankruptcy sale. Further, RGH believes that purchasers would value the RGH operation based on predictable and established operating results. Normally this requires at least a 12-month history of stabilized operations. Although RGH has successfully operated through the bankruptcy case, operation in a Chapter 11 case inherently involves substantial extraordinary costs and business disruption. As a consequence, a sale during or immediately following bankruptcy would result in a depressed sale price that would not give full value to RGH's creditors and equity holders.

### **B. Liquidation**

RGH believes that a liquidation of its assets would be unreasonable, and entirely ineffective in realizing value for its stakeholders. The primary asset in a liquidation would be the Real Property, which could be expected to command a lower price in a liquidation scenario than as part of an ongoing operating enterprise. The pure distressed liquidation value of the Real Property, is estimated to be approximately \$9,000,000 based on the opinion of the Debtor's appraiser.<sup>4</sup> There is little or no liquidation value to any other assets; and there is little likelihood that the TAP reimbursement could be pursued effectively without the Debtor's involvement.

The amount that might be recovered from RGH's non-real estate assets in a Chapter 7 liquidation is highly uncertain, at best. There is no significant inventory. In a Chapter 7 liquidation, the value of the vinestock likely would be lost without capital to support care and

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<sup>4</sup> RGH does not equate "Liquidation Value" with the fair market value threshold imposed by TCA 35-5-118. Fair market value is higher, since it would be arrived at during or immediately after an intentionally-driven, coordinated marketing and sales effort. Liquidation Value assumes a "fire sale" price obtained on the heels of an aborted chapter 11 proceeding.

maintenance. RGH's estimate of the liquidation value of its assets is shown in summary attached hereto as **Exhibit 3**.

Based on RGH's best estimates, it is likely that a Chapter 7 liquidation would not generate funds sufficient to pay the unsecured debt. Liquidation values shown would have to be discounted by the costs of sale and the costs of Chapter 7 administration, both of which could be substantial. The cessation of operations in a Chapter 7 may increase claims, and some of these claims may arise from post-petition obligations and therefore be entitled to administrative priority.

It is also uncertain when unsecured creditors might be paid in a Chapter 7 liquidation. Including other issues of administration, RGH estimates that it would be between 12 and 18 months before unsecured creditors would receive any payment in a liquidation, and there is a significant chance the time would be longer, if such a distribution was forthcoming at all.

RGH believes that a Chapter 7 liquidation would involve substantial uncertainty for unsecured creditors. Further, even to the extent it did result in payment, it would not be a more favorable result than the payment in full with interest provided by the Plan.

In addition, a Chapter 7 liquidation would likely return very little, if anything, to equity holders.

## **XI. OTHER ISSUES**

### **A. Feasibility of the Plan**

The Bankruptcy Code requires that RGH demonstrate that confirmation of the Plan is not likely to be followed by liquidation or the need for further reorganization. RGH believes that it will be able to perform all of its obligations under the Plan in a timely manner, and that the Plan is therefore feasible.

Although the financial Projections offered in support of the Plan are subject to various assumptions and risk factors, RGH believes that they are reasonable and achievable. RGH has endeavored to be conservative with regard to the assumptions that inform the Projections. In order to be conservative, RGH used what it believes to be at the lower end of the range of reasonable estimated revenue growth. The Projections should be read in conjunction with the risk factors set forth in this Disclosure Statement, as they may affect the financial feasibility of the Plan.

THE PROJECTIONS ARE PRESENTED SOLELY FOR THE PURPOSE OF PROVIDING “ADEQUATE INFORMATION” UNDER SECTION 1125 OF THE BANKRUPTCY CODE TO ENABLE THE HOLDERS OF CLAIMS AND INTERESTS IN VOTING CLASSES TO MAKE AN INFORMED JUDGMENT ABOUT THE PLAN AND SHOULD NOT BE USED OR RELIED UPON FOR BY ANY OTHER ENTITY OR FOR ANY OTHER PURPOSE, INCLUDING THE PURCHASE OR SALE OF CLAIMS, SECURITIES OR EQUITY INTERESTS IN RGH OR THE REORGANIZED DEBTOR.

MANY FACTORS COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE REORGANIZED DEBTOR TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS THAT MAY BE EXPRESSED OR IMPLIED BY THE PROJECTIONS. SHOULD ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD ANY ASSUMPTIONS UNDERLYING THE PROJECTIONS PROVE INCORRECT, ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SET FORTH IN THE PROJECTIONS. RGH DOES NOT INTEND, AND DOES NOT ASSUME ANY DUTY OR OBLIGATION, TO UPDATE

OR REVISE THE PROJECTIONS, WHETHER AS THE RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT AS OTHERWISE REQUIRED BY LAW.

THE PROJECTIONS WERE NOT PREPARED WITH A VIEW TO COMPLYING WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS NOR IN ACCORDANCE WITH GAAP. THE PROJECTIONS HAVE NOT BEEN EXAMINED OR COMPILED BY INDEPENDENT AUDITORS OR ACCOUNTANTS.

**B. Risk Factors**

There are a number of risk factors to be considered in weighing the prospect that RGH will successfully complete its payments under the Plan. In addition to the risks inherently associated with any business, the following factors should be considered.

First, RGH could default on obligations to Farm Credit prior to the date provided for final payment of unsecured creditors. In that event, Farm Credit could exercise its rights under the Restructure Loan Documents. This would likely halt payments to all creditors pending completion of a sale or foreclosure.

Second, RGH's business is very closely tied to the success of the wine industry as a whole. In recent years, the industry has experienced a substantial overall upward trend, which is likely tied to the overall economic recovery. Were general economic conditions to deteriorate nationally, or regionally, RGH's ability to perform under the Plan would be less certain.

Third, RGH is an agricultural business, and therefore could be susceptible to climate or other conditions affecting grape production in the region.

**C. Tax Consequences**

This Disclosure Statement does not purport to provide tax advice. Creditors and equity holders should consult their own tax advisors regarding any questions as to tax implications of the Plan. The following statement is intended only to provide a general discussion for the purposes of evaluating the Plan, but should not be relied upon as definitive for any particular person.

It is RGH's best estimate that confirmation of the Plan will generally be tax neutral for creditors and the Debtor.

**1. Tax Treatment of Creditors**

All creditors are to be paid in full under the Plan. The payments to be made under the Plan will therefore likely have the same tax attributes they would have had if timely paid outside the bankruptcy case, except for changes regarding timing of payment. To the extent that creditors holding claims against RGH are cash-basis tax payers, the distributions from RGH will most likely constitute income in the year received, as opposed to the year in which they were due to be received. To the extent that creditors are accrual-basis tax payers and have written off their claims against RGH, the distributions under the Plan will likely constitute taxable income. To the extent that creditors holding claims against RGH are accrual-basis tax payers and paid taxes on their claims against RGH in the year that payment was due, the distributions from RGH will likely not constitute taxable income in the year received.

**2. Tax Treatment of Equity Holders**

Equity holders will retain their limited liability company membership interests in RGH. RGH therefore expects that confirmation of the Plan will be largely tax neutral for equity holders, although they are strongly advised to contact their own tax advisors.

## **XII. CONCLUSION**

As a result of its current operating profitability, RGH believes that the Plan will pay all Unsecured Creditors in full within approximately two years, with interest. The Plan also preserves the ownership interests and value of the business for its equity holders.

RGH urges all creditors and equity holders to vote in favor of the Plan.

DATED: August 19, 2016

BAKER, DONELSON, BEARMAN,  
CALDWELL & BERKOWITZ, PC

By: /s/ Erno Lindner

Erno Lindner  
John H. Rowland  
Courtney H. Gilmer

Attorneys for REEDY GLOBAL  
HOLDINGS FAMILY LLC