

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

**In re:** ) **Chapter 11**  
 )  
**CAGLE’S, INC., et al.** ) **Case Nos. 11-80202-PWB**  
 ) **Jointly Administered**  
 )  
**Debtors.** )  
\_\_\_\_\_ )

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**AMENDED AND RESTATED DISCLOSURE STATEMENT FOR  
AMENDED AND RESTATED PLAN OF LIQUIDATION FILED BY  
CAGLE’S, INC. AND CAGLE’S FARMS, INC.**

**Dated September 6, 2012**

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**Filed by:**

**Cagle’s, Inc. and Cagle’s Farms, Inc.,  
Debtors and Debtors In Possession**

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## DISCLAIMER

THIS DISCLOSURE STATEMENT UNDER SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE") WITH RESPECT TO THE DEBTORS' CHAPTER 11 PLAN (THE "DISCLOSURE STATEMENT") CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE DEBTORS' AMENDED AND RESTATED PLAN OF LIQUIDATION, AS THE SAME MAY BE AMENDED FROM TIME TO TIME (THE "PLAN"), AND OTHER DOCUMENTS RELATING TO THE PLAN. WHILE THE DEBTORS BELIEVE THAT THESE SUMMARIES PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. IF ANY INCONSISTENCIES EXIST BETWEEN THE TERMS AND PROVISIONS OF THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR OTHER DOCUMENTS DESCRIBED THEREIN, THE TERMS AND PROVISIONS OF THE PLAN OR OTHER DOCUMENTS ARE CONTROLLING. EACH HOLDER OF AN IMPAIRED CLAIM OR IMPAIRED INTEREST SHOULD REVIEW THE ENTIRE PLAN AND ALL RELATED DOCUMENTS AND SEEK THE ADVICE OF ITS OWN COUNSEL BEFORE VOTING WHETHER TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT AS CONTAINING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, TO ENABLE HOLDERS OF CLAIMS AND INTERESTS TO MAKE AN INFORMED JUDGMENT IN VOTING TO ACCEPT OR REJECT THE PLAN.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN, UNLESS SO SPECIFIED. ALTHOUGH THE DEBTORS HAVE MADE AN EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT MATERIALLY THE RECOVERY UNDER THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT CERTAIN EVENTS DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST OR INTERESTS IN THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

IN ACCORDANCE WITH THE BANKRUPTCY CODE, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC

**PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.**

**I.**

**INTRODUCTION**

**A. OVERVIEW**

Cagle's, Inc. and Cagle's Farms, Inc., debtors and debtors in possession in the above-captioned cases (each a "Debtor" and together, the "Debtors"), hereby submit this Disclosure Statement pursuant to section 1125(b) of the Bankruptcy Code and Rule 3017 of the Federal Rules of Bankruptcy Procedure, in connection with the Amended and Restated Plan of Liquidation filed by the Debtors dated September 6, 2012 (the "Plan"). A copy of the Plan is attached hereto as Exhibit A. All capitalized terms used but not defined in this Disclosure Statement shall have the respective meanings ascribed to such terms in the Plan, unless otherwise noted. In the event of any inconsistency between this Disclosure Statement and the Plan, the terms of the Plan shall govern and control.

The purpose of this Disclosure Statement is to enable you, as a creditor whose Claim is Impaired under the Plan or as the Holder of an Impaired Interest, to make an informed decision in exercising your right to accept or reject the Plan.

**By order dated September [\_\_], 2012 (the "Disclosure Statement Approval Order"), the United States Bankruptcy Court for the Northern District of Georgia (the "Bankruptcy Court") has found that this Disclosure Statement provides adequate information to enable Holders of Claims or Interests that are impaired under the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan.**

**B. SUMMARY OF THE PLAN**

The Plan provides for an equitable and early Distribution to creditors of the Debtors and preserves the value of the Estates. The Debtors and the Committee believe that the Plan represents the best opportunity to distribute the Estates' cash to creditors at the earliest possible date, and the Debtors anticipate that all of their creditors will be paid in full, in cash, and that holders of common stock in Cagle's will receive substantial cash distributions. **FOR THESE REASONS THE DEBTORS AND THE COMMITTEE URGE YOU TO RETURN YOUR BALLOT "ACCEPTING" THE PLAN.**

The Plan classifies all Claims against and Interests in the Debtors into five (5) separate Classes. The Plan generally provides for unsecured creditors of the Debtors to receive pro rata Distributions of any Liquidation Proceeds that remain in the Debtors' Estates after the payment and satisfaction of Allowed Administrative Expense Claims, Allowed Tax Claims, Allowed Miscellaneous Secured Claims in Class 1, Allowed Priority Claims in Class 2 and Allowed Unsecured Convenience Claims in Class 4. As set forth in the Liquidation Analysis (as such term is defined below) attached hereto as Exhibit B, the Debtors currently anticipate that each Holder of an Allowed Class 3 General Unsecured Claim will receive total Distributions aggregating 100% of such Claim (plus postpetition interest as described below). With respect to

the timing of such Distributions, the Debtors anticipate that each Holder of an Allowed Class 3 General Unsecured Claim will receive (i) a Distribution equal to no less than 80% of its Allowed Class 3 General Unsecured Claim (plus postpetition interest) on the Initial Distribution Date under the Plan, and (ii) aggregate Distributions equal to 100% of its Allowed Class 3 General Unsecured Claim (plus postpetition interest) no later than February 1, 2013.

In conducting the Liquidation Analysis, the Debtors took a conservative approach in determining the estimated recovery for Holders of Class 3 General Unsecured Claims. Accordingly, the Debtors believe that the projected recovery of 100% in the Liquidation Analysis represents a reasonable estimate of the percentage recovery that Holders of Class 3 General Unsecured Claims will ultimately receive for their Claims. Nevertheless, various factors outside of the Debtors' control could result in Holders of Class 3 General Unsecured Claims receiving total Distributions less than the 100% recovery projected in the Liquidation Analysis. Such factors include, but are not limited to (a) whether the Debtors receive the balance of the purchase price payable under the Asset Purchase Agreement, (b) the amounts (if any) realized from the future sales of the Debtors' remaining Assets, (c) the amount realized, if any, from the Debtors' prosecution of Causes of Action, (d) the amount realized from the Debtors' other residual assets, and (e) the outcome of various Claims Litigation.

Unsecured creditors of the Debtors with Allowed Claims equal to or less than \$10,000.00 (Class 4 under the Plan) shall receive, in full and final satisfaction of such Allowed Claims, Cash equal to the full amount of such Allowed Claims plus postpetition interest as described in the table below on or as soon as reasonably practicable after the later of (a) the Initial Distribution Date, or (b) the first Distribution Date after the date such Claim becomes Allowed.

Each Holder of Interests in Cagle's (Class 5 under the Plan) shall, on each Distribution Date, receive a pro rata Distribution of any Liquidation Proceeds that remain in the Debtors' Estates after the payment and satisfaction of Allowed Administrative Expenses Claims and Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1, Class 2, Class 3 and Class 4.

A brief summary of the Classes, the treatment of each Class, and the voting rights of each Class is set forth in the table below. A complete description of the treatment of each Class is set forth in Article III of the Plan and Section V of this Disclosure Statement. Parties should refer to those sections for a complete description of the proposed treatment for each Class.



<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Projected Distribution</u>
1	Miscellaneous Secured Claims	\$0	To the extent any such Claims exist, paid in full in Cash, paid with the proceeds of the sale or disposition of the collateral securing Claim(s) or return of collateral	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
2	Priority Claims	\$0	Paid in full in Cash to the extent any such Claims exist	Unimpaired	Deemed to accept Plan; not entitled to vote	100%
3	General Unsecured Claims	Approximately \$13,115,500	Shall receive pro rata Distributions of the Liquidation Proceeds and/or Retained Proceeds that remain in the Debtors' Estates after the payment and satisfaction of Allowed Administrative Expense Claims, Allowed Tax Claims and Allowed Claims in Class 1, Class 2 and Class 4. Entitled to receive postpetition interest on unpaid amount of Allowed Class 3 General Unsecured Claim through the date such Claim is paid in full at the Unsecured Interest Rate as follows: (a) with respect to Claims arising from (i) the rejection of an Executory Contract or Unexpired Lease or (ii) the Debtors' withdrawal from the Retail, Wholesale and Department Store Union and Industry Pension Fund, interest shall accrue from the effective date of such rejection or withdrawal; and (b) with respect to all other Claims, interest shall accrue from the Filing Date.	Impaired	Entitled to vote	100%



<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Projected Distribution</u>
4	Unsecured Convenience Claims	Approximately \$895,225	Unsecured Claims equal to or less than \$10,000.00 will be paid in full in Cash to the extent such Claims are Allowed. Allowed Class 4 Claims are entitled to receive postpetition interest on unpaid amount of Allowed Class 4 Unsecured Convenience Claim through the date such Claim is paid in full at the Unsecured Interest Rate as follows: (a) with respect to Claims arising from (i) the rejection of an Executory Contract or Unexpired Lease or (ii) the Debtors' withdrawal from the Retail, Wholesale and Department Store Union and Industry Pension Fund, interest shall accrue from the effective date of such rejection or withdrawal; and (b) with respect to all other Claims, interest shall accrue from the Filing Date.	Impaired	Entitled to vote	100%

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u>	<u>Class Treatment</u>	<u>Class Status</u>	<u>Class Voting Rights</u>	<u>Projected Distribution</u>
5	Interests in Cagle's	4,616,208 total shares of Class A Common Stock	Entitled to receive pro rata Distributions of any Liquidation Proceeds that remain in the Debtors' Estates after (i) the payment and satisfaction of Allowed Administrative Expense Claims, Allowed Tax Claims and Allowed Claims in Class 1, Class 2, Class 3 and Class 4, and (ii) the creation of a reserve fund (as part of the Retained Proceeds) to cover any remaining Disputed Claims.	Impaired	Entitled to vote	\$ 3.25 per share of common stock

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, the Plan. Holders of such Claims are not entitled to vote on the Plan. All such Claims are instead treated separately in accordance with Article IV of the Plan and in accordance with the requirements set forth in sections 1129(a)(9)(A) and (C) of the Bankruptcy Code. A more complete description of the treatment of Administrative Expense Claims and Tax Claims is set forth in Article IV of the Plan and Section V.B of this Disclosure Statement.

During the Bankruptcy Cases, the Holders of Prepetition Lender Claims, MetLife Claims, DIP Lender Claims and 503(b)(9) Claims received, in full and final satisfaction of their Claims, Cash equal in amount to one hundred percent (100%) of their Claims (plus interest, in the case of the 503(b)(9) Claims) and, as a result, Prepetition Lender Claims, MetLife Claims, DIP Lender Claims and 503(b)(9) Claims are not classified or otherwise provided for in the Plan and the Holders of such Claims are not entitled to vote to accept or reject the Plan or to receive any Distributions under the Plan.

**C. VOTING AND CONFIRMATION PROCEDURES**

Accompanying this Disclosure Statement are copies of the following documents: (1) the Plan, which is annexed to this Disclosure Statement as Exhibit A; (2) the Liquidation Analysis, which is annexed to this Disclosure Statement as Exhibit B; (3) a Notice to Voting Classes; and (4) a Ballot to be executed by Holders of Claims or Interests in Classes 3, 4 and 5 to accept or reject the Plan.

This Disclosure Statement, the form of Ballot, and the related materials delivered together herewith (collectively, the “Solicitation Package”), are being furnished to Holders of Claims or Interests in Classes 3, 4 and 5 for the purpose of soliciting votes on the Plan.

If you did not receive a Ballot in your Solicitation Package, and believe that you should have received a Ballot, please contact the Claims Agent, Kurtzman Carson Consultants LLC, 2335 Alaska Avenue, El Segundo, CA 90245; or by telephone at (877) 606-7509.

## **1. Who May Vote**

Pursuant to the provisions of the Bankruptcy Code, only classes of Claims or Interests that are “impaired” and that are not deemed as a matter of law to have rejected a plan of reorganization under section 1126(g) of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any class that is “unimpaired” is not entitled to vote to accept or reject a plan of reorganization and is conclusively presumed to have accepted the Plan. As set forth in section 1124 of the Bankruptcy Code, a class is “impaired” if legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified or altered. For purposes of the Plan only, Holders of Claims and Interests in Classes 3, 4 and 5 are Impaired and are entitled to vote on the Plan.

A Claim must be “allowed” for purposes of voting in order for such creditor to have the right to vote. Generally, for voting purposes a Claim is deemed “allowed” absent an objection to the Claim if (i) a proof of claim was timely filed, or (ii) if no proof of claim was filed, the Claim is identified in the Debtors’ Schedules as other than “disputed,” “contingent,” or “unliquidated,” and an amount of the Claim is specified in the Schedules, in which case the Claim will be deemed allowed for the specified amount. In either case, when an objection to a Claim is filed, the creditor holding the Claim cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection or allows the Claim for voting purposes. Accordingly, if you did not receive a Ballot and believe that you are entitled to vote on the Plan, you must file a Motion pursuant to Federal Bankruptcy Rule 3018 with the Bankruptcy Court for the temporary allowance of your Claim for voting purposes by the later of: (a) September 27, 2012, or (b) 5:00 p.m. (Eastern time) on the seventh day after the date of service of an objection, if any, to your Claim, or you will not be entitled to vote to accept or reject the Plan.

THE DEBTORS IN ALL EVENTS RESERVE THE RIGHT THROUGH THE CLAIM RECONCILIATION PROCESS TO OBJECT TO OR SEEK TO DISALLOW ANY CLAIM FOR DISTRIBUTION PURPOSES UNDER THE PLAN.

## **2. Voting Instructions and Voting Deadline**

All votes to accept or reject the Plan must be cast by using the Ballot enclosed with this Disclosure Statement. No votes other than ones using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed September 6, 2012 as the date (the “Voting Record Date”) for the determination of the Holders of Claims and Holders of Interests who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the annexed exhibits, please indicate your acceptance or

rejection of the Plan on the Ballot and return such Ballot in the enclosed envelope by no later than October 11, 2012 to:

Cagle's Ballot Processing , Inc.  
c/o Kurtzman Carson Consultants LLC  
2335 Alaska Avenue  
El Segundo, CA 90245

**BALLOTS MUST BE COMPLETED AND RECEIVED NO LATER THAN 4:00 P.M., LOCAL TIME IN EL SEGUNDO, CALIFORNIA, ON OCTOBER 11, 2012 (THE "VOTING DEADLINE"). ANY BALLOT THAT IS NOT EXECUTED BY A DULY AUTHORIZED PERSON SHALL NOT BE COUNTED. ANY BALLOT THAT IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM OR AN ALLOWED INTEREST BUT THAT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED TO BE AN ACCEPTANCE. ANY BALLOT THAT IS FAXED SHALL NOT BE COUNTED IN THE VOTING TO ACCEPT OR REJECT THE PLAN, UNLESS THAT BALLOT IS ACCEPTED IN THE DEBTORS' DISCRETION.**

### **3. Whom to Contact for More Information**

If you have any questions about the procedure for voting your Claim or Interests or the packet of materials you received, please contact the Claims Agent at the address indicated above or by telephone at (877) 606-7509. If you wish to obtain additional copies of the Plan, this Disclosure Statement, or the exhibits to those documents, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), please contact King & Spalding LLP, 1180 Peachtree Street NE, Atlanta, Georgia, 30309, Attn: Missy Heinz; or by facsimile at (404) 572-5131, Attn: Missy Heinz; or by electronic mail at [mheinz@kslaw.com](mailto:mheinz@kslaw.com). Copies of these documents may also be accessed on the website: <http://www.kccllc.net/Cagles>.

### **4. Acceptance or Rejection of the Plan**

The Bankruptcy Code defines "acceptance" of a plan by a class of Claims as acceptance by Holders of at least two-thirds in dollar amount and more than one-half in number of the Allowed Claims in that class that cast ballots for acceptance or rejection of the plan. The Bankruptcy Code defines "acceptance" of a plan by a class of interests as acceptance by Holders of at least two-thirds in amount of the Allowed Interests in that class that cast ballots for acceptance or rejection of the plan. Assuming that at least one Impaired Class votes to accept the Plan, the Debtors will seek to confirm the Plan under section 1129(b) of the Bankruptcy Code, which permits the confirmation of a plan notwithstanding the non-acceptance by one or more Impaired Classes of Claims or Interests. Under section 1129(b) of the Bankruptcy Code, a plan may be confirmed if (a) the plan has been accepted by at least one Impaired Class of Claims and (b) the Bankruptcy Court determines that the plan does not discriminate unfairly and is "fair and equitable" with respect to the non-accepting classes. A more detailed discussion of these requirements is provided in Sections XII and XIII of this Disclosure Statement.

## **5. Time and Place of the Confirmation Hearing**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled the Confirmation Hearing to commence on October 18, 2012 at 2:00 p.m. local time in Atlanta, Georgia, before the Honorable Paul Bonapfel of the United States Bankruptcy Court for the Northern District of Georgia, Courtroom No. 1401, Richard Russell Federal Building, 75 Spring Street, S.W., Atlanta, Georgia. A notice setting forth the time and date of the Confirmation Hearing has been included along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of such adjourned hearing date by the Bankruptcy Court in open court at such hearing.

## **6. Objections to the Plan**

Any objection to confirmation of the Plan must be in writing; must comply with the Bankruptcy Code and the Bankruptcy Rules; and must be filed with the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division, Richard Russell Federal Building, 75 Spring Street, S.W., Atlanta, Georgia, and served upon the following parties, so as to be received no later than October 11, 2012 at 4:00 p.m. local time in Atlanta, Georgia: (a) Paul Ferdinands, King & Spalding LLP, 1180 Peachtree Street NE, Atlanta, Georgia, 30309 (counsel for the Debtors); (b) Office of the United States Trustee, 75 Spring Street, S.W., Atlanta, Georgia 30303; and (c) Jeffrey D. Prol, Esq., Lowenstein Sandler, 65 Livingston Avenue, Roseland, NJ 07068 (counsel for the Committee).

## **II.**

### **HISTORY OF THE DEBTORS AND EVENTS LEADING TO THE CHAPTER 11 FILING**

#### **A. FORMATION, BUSINESS, DEBT STRUCTURE, AND OTHER PRE-PETITION OBLIGATIONS OF THE DEBTORS**

##### **1. Formation and History of the Debtors**

Cagle's and Cagle's Farms are Georgia corporations with their corporate headquarters located at 1385 Collier Road NW, Atlanta, GA 30318. Cagle's Farms is a wholly-owned subsidiary of Cagle's.

George L. Cagle founded Cagle's in 1945, with \$8,000 and the help of his wife Letty and son J. Douglas. For many years Cagle's operated its business in the Five Points area of downtown Atlanta, Georgia, providing its customers with freshly processed poultry. In 1965, Cagle's acquired Strain Poultry Farms, Inc. ("Strain") to vertically integrate as both a grower and processor of poultry. Strain was eventually renamed Cagle's Farms. The Debtors continued their expansion during the 1960s and 1970s through the acquisition of additional processing

facilities. In 1973, Cagle's was listed on the American Stock Exchange. In 1984, in addition to remodeling their Pine Mountain Valley, Georgia processing plant, the Debtors also began their relationship with Keystone Foods ("Keystone"), a major supplier for the McDonald's restaurant chain. Over the next fifteen years, the Debtors and Keystone continued to work together and formed joint ventures together in Camilla, Georgia and Albany, Kentucky. In 2000, the Debtors began construction on a one million square foot facility in Perry, Georgia. The Debtors invested \$86 million in the Perry, Georgia facility. Shortly before the completion of the Perry, Georgia facility, Keystone announced that it would no longer purchase product from the Debtors' Pine Mountain Valley, Georgia plant and did not intend to purchase product from the Perry, Georgia facility. However, the Debtors' relationship with Keystone continued until the mid-2000s when the Debtors sold their interests in the Camilla, Georgia and Albany, Kentucky joint ventures. In 2003, shortly after the completion of the Perry, Georgia facility, the chicken industry experienced a significant downturn and the Debtors sold the Perry, Georgia facility to resolve liquidity constraints they were experiencing.

## **2. Debtors' Business Operations**

On the Filing Date, the Debtors were engaged in the business of producing, marketing, and distributing a variety of fresh and frozen poultry products. The Debtors' operations consisted of breeding, hatching and growing chickens; feed milling; and processing, further processing and marketing poultry products. During the Bankruptcy Cases, the Debtors marketed and sold substantially all of their Assets and ceased conducting ordinary course business operations. A more detailed discussion of the sale of the Debtors' Assets is provided in Section IV.E of this Disclosure Statement.

As of the date of this Disclosure Statement, the Debtors continue to own one real property location, a closed plant located at 2125 7th Street, Macon, Georgia 31206.

## **3. Pre-Petition Capital Structure of the Debtors**

On September 4, 2008, the Debtors entered into that certain Third Amended and Restated Revolving Line of Credit and Security Agreement (as amended, modified and restated, the "Pre-Petition Credit Agreement") with AgSouth Farm Credit, ACA, an agricultural credit association ("AgSouth"). Pursuant to the Pre-Petition Credit Agreement, AgSouth provided a Revolving Credit Facility (as defined in the Pre-Petition Credit Agreement) to the Debtors. The Debtors' obligations under the Pre-Petition Credit Agreement were secured by a first priority security interest in the Debtors' accounts receivables and inventories and the Debtors' real property in Atlanta and Pine Mountain Valley and a second priority security interest in the MetLife Collateral (as defined below). As of the Filing Date, the Debtors' total obligations under the Pre-Petition Credit Agreement were approximately \$33,500,000.

On March 28, 2001, Cagle's and Metropolitan Life Insurance Company ("MetLife") entered into that certain Loan Agreement (as amended from time to time, the "Loan Agreement"), pursuant to which MetLife made certain prepetition loans, advances and other extensions of credit to Debtors. As of the Filing Date, the total amount outstanding under the Loan Agreement was equal to approximately \$7,685,650 (collectively, the "MetLife Obligations"). The Debtors' obligations under the Loan Agreement were secured by a first



priority security interest in the Debtors' processing plant in Collinsville, Alabama, the Dalton, Georgia hatchery and the Rockmart, Georgia feedmill (collectively, the "MetLife Collateral").

During the Bankruptcy Cases, the Holders of DIP Lender Claims, Prepetition Lender Claims, MetLife Claims and 503(b)(9) Claims have received, in full and final satisfaction of their Claims, Cash equal in amount to one hundred percent (100%) of their Claims (plus interest, in the case of the 503(b)(9) Claims) and, as a result, DIP Lender Claims, Prepetition Lender Claims, MetLife Claims and 503(b)(9) Claims are not classified or otherwise provided for in the Plan and Holders of DIP Lender Claims, Prepetition Lender Claims, MetLife Claims and 503(b)(9) Claims are not entitled to vote to accept or reject the Plan or to receive any Distributions under the Plan.

## **B. EVENTS LEADING TO, AND CIRCUMSTANCES SURROUNDING, THE CHAPTER 11 FILING**

In the three years leading up to the Filing Date, two factors influenced the unprecedented financial losses the Debtors faced during that time period. First, the cost of feed ingredients used by the Debtors in their business increased to record amounts, and second, the price of poultry decreased significantly due to the historic economic downturn and oversupply in the industry. The combination of high input costs and lower pricing resulted in a loss of approximately \$11.4 million in 2009 for the Debtors.

Profitability in the poultry industry is materially affected by the commodity prices of feed ingredients. The cost of corn and soybeans, the Debtors' primary feed ingredients, increased significantly in early 2008 as a result of, among other things, increasing demand for these products because of the passage of the Energy Independence and Security Act of 2007 (the "EISA"). The EISA requires a gradual increase in the production of biofuels, including ethanol (which is made from corn), from nine billion gallons in 2008 to sixteen billion gallons by 2022. As a result, following passage of the EISA, the demand for, and price of, corn increased significantly. The price of corn has historically been between \$2 and \$3 per bushel, but rose as high as \$7.65 per bushel in June 2008, resulting in significantly higher feed expenses for the Debtors.

The recent recession in the United States also had a significant impact on the poultry industry in 2008. Demand for poultry products, including the Debtors' products, declined considerably resulting in lower product pricing. Further limiting the pricing of poultry products was the resulting oversupply in the industry.

In April through October of 2010, the Debtors, along with most of the poultry industry, were profitable. However, several factors led to a significant downturn in the winter of 2010. The profitability of the prior summer resulted in an expansion of supply in the industry. Furthermore, a weak November corn crop resulted in corn prices surging to as high as \$8 per bushel.

The deteriorating market conditions resulted in the Debtors losing as much as \$3 million per month. The Debtors continued to fund their working capital needs by drawing on their pre-petition Revolving Credit Facility, but they soon reached their borrowing limits. As the Debtors'



liquidity position continued to worsen, the Debtors determined that the only means of protecting the interests of all stakeholders was to seek protection under the Bankruptcy Code.

### III.

#### **CORPORATE GOVERNANCE OF THE DEBTORS DURING THE CHAPTER 11 CASES**

##### **A. BOARDS OF DIRECTORS**

###### **1. Cagle's**

The board of directors of Cagle's has eight members. J. Douglas Cagle has been chairman of the board of Cagle's since 1993. Each director holds his or her office until the annual meeting of shareholders held next after his or her election and until a qualified successor is duly elected and qualified.

The current members of the board of directors of Cagle's are as follows:

**Name**

J. Douglas Cagle (Chairman)  
G. Douglas Cagle  
J. David Cagle  
Mark M. Ham IV  
Candace Chapman  
G. Bland Byrne III  
Panos J. Kanis  
Edward J. Rutkowski

The Cagle's board of directors met regularly during the pendency of the Bankruptcy Cases to discuss and evaluate the Debtors' financial performance, to consider and assess the Debtors' strategic alternatives, to assess and determine how to maximize the value of the Debtors' Assets for the benefit of their stakeholders, to monitor and provide input regarding the sale of the Debtors' Assets, and to otherwise keep themselves fully informed regarding the Debtors' business and liquidity position and the developments in the Bankruptcy Cases.

###### **2. Cagle's Farms**

The board of directors of Cagle's Farms has three members. Each director holds his or her office until the annual meeting of shareholders held next after his or her election and until a qualified successor is duly elected and qualified.

The current members of the board of directors of Cagle's Farms are as follows:

**Name**

J. Douglas Cagle  
G. Douglas Cagle

Mark M. Ham IV

**B. SENIOR MANAGEMENT**

The following lists the members of the Debtors' senior management team:

<u>Name</u>	<u>Position Held</u>
J. Douglas Cagle	President / CEO
G. Douglas Cagle	Vice President
J. David Cagle	Vice President
Harry C. Woodring	CFO
Alvin B. Harp	Vice President - Live Operations
Troy Dale Tolbert	Vice President - Sales and Marketing
Keith F. Cooper	Chief Restructuring Officer
Sean M. Harding	Vice President - Restructuring

The Debtors' executive officers are elected by the board of directors and generally hold office until the next annual meeting of the Debtors' directors or until their successors are elected and qualified or until their death, resignation or removal.

Except as described below, the executive officers listed above served as officers of the Debtors from the Filing Date through the Closing Date; on the Closing Date, all of the Debtors' employees (other than Messrs. Cooper and Harding) that were not hired by JCG effective as of the Closing Date were terminated by the Debtors and are no longer on the Debtors' payroll.

Messrs. Cooper and Harding are employed by FTI Consulting, Inc. and were appointed to their positions in connection with the Debtors' decision to commence the Bankruptcy Cases; they have coordinated on behalf of the Debtors all matters relating to the bankruptcy filings, the negotiation of debtor-in-possession financing, the Debtors' restructuring activities, the bankruptcy sale process for the Debtors' assets, and the claims reconciliation process. As of the Filing Date, Mark Ham IV (a member of the Debtors' boards of directors) was serving as the Debtors' Executive Vice-President and CFO; Mr. Ham resigned from his employment in early December 2011 and Mr. Woodring was promoted to CFO.

**IV.**

**SIGNIFICANT DEVELOPMENTS IN THE CHAPTER 11 CASES**

**A. "FIRST DAY" ORDERS AND RETENTION OF PROFESSIONALS**

On the Filing Date, the Debtors filed "first day" motions and applications with the Bankruptcy Court seeking certain relief to aid in the efficient administration of the Bankruptcy Cases and to facilitate the Debtors' transition to debtor-in-possession status. These motions and applications were granted at the "first day" hearing held on October 21, 2011. Pursuant to the Bankruptcy Court's first-day orders and professional retention orders that were entered subsequently, King & Spalding LLP was retained as counsel to the Debtors; FTI Consulting, Inc. was retained as the Debtors' financial advisor; Lazard Middle Market LLC ("Lazard") was

retained as the Debtors' investment banker; and Kurtzman Carson Consultants LLC ("KCC") was retained as the Claims Agent for the Bankruptcy Cases. In addition, the Debtors sought and obtained several orders from the Bankruptcy Court that were intended to enable the Debtors to operate to the extent possible in the normal course of business during the Chapter 11 process. Among other things, these orders:

- authorized the Debtors to operate their consolidated cash management system during the Chapter 11 cases in substantially the same manner as it was operated prior to the commencement of the Chapter 11 cases;
- authorized payment of certain prepetition employee salaries, wages, payroll taxes, and benefits and reimbursement of prepetition employee business expenses;
- authorized the Debtors to continue pre-existing insurance programs, to maintain insurance premium financing programs and to pay prepetition premiums and related obligations;
- authorized the Debtors to honor certain prepetition obligations to and continue prepetition practices with shippers, warehousemen and other lien claimants;
- authorized the Debtors to honor certain prepetition obligations to growers and catchers;
- authorized payment of prepetition sales, use, trust fund and other taxes owed by the Debtors; and
- authorized the Debtors to maintain customer programs and honor certain prepetition customer obligations.

In addition, at the "first day" hearing, the Debtors obtained interim approval to enter into the DIP Loan Facility. The DIP Loan Facility is described in Section IV.C of this Disclosure Statement.

## **B. APPOINTMENT OF COMMITTEE**

On October 27, 2011, the United States Trustee appointed the Official Committee of Unsecured Creditors (the "Committee") pursuant to section 1102(a) of the Bankruptcy Code. The members of the Committee that were appointed are: Archer Daniels Midland (ADM), Diversified Ingredients, International Paper, Evonik Degussa Corporation, Ampro Products, Inc., R. L. Zeigler, Co, Inc. and Southeastern Minerals, Inc. By orders entered on November 28, 2011, the Committee was authorized to retain Lowenstein Sandler PC and McKenna Long & Aldridge LLP as co-counsel to the Committee. By order dated November 28, 2011, the Committee was authorized to retain J.H. Cohn LLP as financial advisors to the Committee.

The Committee's counsel and financial advisor have been actively involved in all aspects of the Bankruptcy Cases and have consulted with the Debtors regarding all major decisions made during the Bankruptcy Cases.

### C. DEBTOR-IN-POSSESSION FINANCING

As part of the “first day” hearing in the Bankruptcy Cases, the Debtors sought authorization to enter into a DIP Loan Facility that would provide financing of up to a maximum amount of \$6.5 million in the aggregate. On October 21, 2011, the Bankruptcy Court entered an order (the “Interim DIP Order”) that authorized the Debtors to enter into the DIP Loan Facility on an interim basis. The financing authorized by the Interim DIP Order was projected to be sufficient to fund the Debtors’ operations for only a 3-week period. At the end of the 3-week period, AgSouth informed the Debtors that it believed the most prudent course of action would be for the Debtors to conduct a complete liquidation and expressed a willingness to provide the funding needed to complete such a liquidation. The Debtors strongly disagreed with this proposal and the Debtors were eventually successful in reaching an agreement with AgSouth pursuant to which AgSouth agreed to make available significant additional funding so as to permit the Debtors to seek to consummate a going concern sale of their business. Accordingly, on November 15, 2011, the Debtors filed an emergency motion seeking authorization to amend the DIP Loan Facility. The proposed amendment provided financing of up to a maximum amount of \$17,934,000, inclusive of the \$6,500,000 amount authorized to be borrowed by the Debtors pursuant to the Interim DIP Order. On November 22, 2011, a second interim order was entered authorizing the Debtors to enter into the DIP Loan Facility (as amended) on an interim basis. On November 30, 2011, a final order (the “Final DIP Order”) was entered that authorized the Debtors to enter into the DIP Loan Facility.

Borrowings under the DIP Loan Facility were used to (i) fully pay and satisfy the Emergency Pre-Petition Note (as defined in the Final DIP Order) in an amount equal to \$500,000; and (ii) to provide for the working capital requirements and other general corporate purposes of the Debtors, in order to permit the Debtors to conduct a marketing process for the sale of substantially all of their assets and to consummate such sale. The DIP Loan Facility was secured by a first priority priming lien on substantially all of the Debtors’ Assets subject to a carve-out of (i) statutory fees payable to the U.S. Trustee pursuant to 28 U.S.C. § 1930(a)(6); and (ii) after the occurrence of an Event of Default under the DIP Loan Facility and following delivery of a carve out trigger notice, (a) up to \$250,000 for payment of (future) allowed and unpaid professional fees; and (b) all unpaid professional fees and disbursements incurred prior to the delivery of a carve out trigger notice, to the extent such are allowed or later allowed and payable by order of the Bankruptcy Court. The DIP Loan Facility imposed restrictions relating to, among other things, asset sales, incurrence or guarantee of debt, acquisitions, sale of receivables, certain payments and investments, affiliate and subsidiary transactions, payment of dividends and repurchases of stock, derivatives, and excess cash. The DIP Loan Facility also required that proceeds from sales of certain assets be used to repay specified borrowings. Availability under the revolving line of credit under the DIP Loan Facility was based upon a borrowing base determined by reference to eligible receivables and live and other eligible inventory, as defined in the DIP Loan Facility.

All amounts due under the DIP Loan Facility were repaid (in full, in Cash) using the proceeds received from the sale of substantially all of the Debtors’ assets.

#### **D. DISSEMINATION OF INFORMATION ABOUT THE BANKRUPTCY CASES**

The Debtors have been actively engaged in providing information about the Debtors' businesses and proceedings in these Bankruptcy Cases to various parties-in-interest. The Debtors provided extensive information about the Debtors' financial, corporate, and operational status to creditors at the initial meeting of creditors held pursuant to section 341 of the Bankruptcy Code. The Debtors also have provided regular updates to AgSouth and the Committee through their respective counsel and financial advisors. In addition, the Debtors have provided formal and informal updates to various creditors and equityholders in unscheduled telephone calls over the course of the Bankruptcy Cases.

#### **E. SALES OF ASSETS**

##### **1. Sale of Business Operations to JCG Foods LLC**

In November 2011, the Debtors commenced a sale process, pursuant to which the Debtors exposed their Assets to the market to determine whether the interests of the Estates would be best served by selling some or all of the Debtors' business operations. In connection with this sale process, on or about November 30, 2011, the Debtors retained Lazard as their investment banker to market their assets. Lazard contacted approximately 112 potential buyers, including 53 "strategic" buyers and 59 "financial" buyers. Approximately 32 parties entered into confidentiality agreements with the Debtors and conducted due diligence regarding a potential purchase of or investment in the Debtors. Four parties submitted written indications of interest to the Debtors, and the Debtors and their legal and financial advisors reviewed the terms and conditions of these proposals (including the consideration offered) and evaluated the financial capabilities of the submitting parties to identify the strongest transaction proposals.

Following the submission of indications of interest, the Debtors entered into detailed discussions and negotiations with two different bidders. After consulting with their legal and financial advisors, the Debtors determined that an offer made by JCG Foods LLC ("**JCG**"), an entity that is affiliated with Koch Foods, Inc. ("**Koch Foods**"), presented the highest recovery for all stakeholders.

The Debtors entered into a "stalking horse" Asset Purchase Agreement with JCG dated as of March 22, 2012 (as further amended, restated and modified) (the "Asset Purchase Agreement"), whereby JCG agreed to purchase substantially all of the Debtors' Assets for \$37 million, plus the value of the Debtors' inventory and accounts receivable, minus the aggregate amount of the Debtors' post-petition accounts payable and accrued expenses assumed by JCG (subject to a post-closing purchase price adjustment).

On March 23, 2012, the Debtors filed a motion seeking the entry of orders (a) authorizing and scheduling an auction at which the Debtors would solicit the highest or best bid for the sale of the substantially all of their Assets; (b) approving bidding procedures related to conduct of auction; (c) approving break-up fee; (d) approving the form and manner of notices of (i) proposed sale of the Debtors' Assets, the auction and the approval hearing, and (ii) proposed assumption and assignment of executory contracts and leases; (e) approving the sale of the Assets to the party submitting the highest or best bid; and (f) granting related relief. The

Bankruptcy Court entered an order (the “Bid Procedures Order”) on or about April 4, 2012 approving a portion of the relief sought by the Debtors and, among other things, scheduling an auction with respect to the sale of substantially all of the Debtors’ Assets for May 10, 2012 (the “Auction”).

Pursuant to the Bid Procedures Order, the Debtors received one conforming Initial Overbid prior to the Bid Deadline (as such terms are defined in the Bid Procedures Order). Accordingly, an auction was conducted on May 10, 2012 and resulted in competitive bidding between JCG and a joint venture comprised of Continental Grain Company and Industrias Bachoco, S.A.B. de C.V. At the conclusion of the auction, JCG submitted the winning bid with a purchase price of \$49.7 million plus (i) the value of the Debtors’ inventory and the book value of the acquired accounts receivable of the Debtors, minus (ii) the aggregate dollar amount of the post-petition payables and the accrued expenses assumed by JCG in connection with the transaction. On May 11, 2012, the Bankruptcy Court entered an Order Pursuant to 11 U.S.C. §§ 105, 363, 365 and 1146 of the Bankruptcy Code (A) Approving the Asset Purchase Agreement and Authorizing the Sale of the Assets of the Debtors Outside the Ordinary Course of Business, (B) Authorizing the Sale of Assets Free and Clear of All Liens, Claims, Encumbrances and Interests, and (C) Authorizing the Assumption and Sale and Assignment of Certain Executory Contracts and Unexpired Leases and (D) Granting Related Relief (the “Sale Order”), whereby the Bankruptcy Court approved the Asset Purchase Agreement with JCG and approved the assignment and assumption of certain of the Debtors’ executory contracts and unexpired leases to JCG. On June 15, 2012 (the “Closing Date”), the Debtors closed the transaction with JCG related to the sale of substantially all of their Assets. The Cash portion of the purchase price, in an amount equal to \$69,500,000, was paid by JCG at the closing; the balance of the purchase price, in an amount equal to approximately \$18,249,388.96, was evidenced by an unsecured promissory note (the “Purchase Note”) bearing interest at eight percent (8%) per annum and payable in four (4) equal quarterly installments of principal (plus accrued interest to the date of each payment). Payment on the Purchase Note was deferred until February 1, 2013, whereupon all such deferred payments (with interest accrued thereon) are due and payable. The remaining quarterly installments are to continue and be payable on the first (1st) day of the calendar month of the applicable quarter. The Purchase Note is subject to certain agreements entered into on the Closing Date including: (i) an intercreditor and subordination agreement (the “Intercreditor Agreement”) between the Debtors and Rabobank Nederland, New York Branch (“Rabobank”) (JCG’s secured lender), pursuant to which the Purchase Note was subordinated to the loan made by Rabobank to JCG to fund a portion of the purchase price; (ii) a guaranty agreement executed by Mr. Joseph C. Grendys for the benefit of the Debtors, pursuant to which Mr. Grendys guaranteed all of the indebtedness evidenced by the Purchase Note; and (iii) a guaranty agreement executed by Koch Foods for the benefit of the Debtors, pursuant to which Koch Foods guaranteed an amount equal to \$5 million of the indebtedness evidenced by the Purchase Note.

The Rabobank loan to JCG is secured by substantially all of JCG’s assets, and the Purchase Note is subordinated to the Rabobank debt pursuant to the terms of the Intercreditor Agreement, which provides that the aggregate principal amount of the Rabobank debt subject to the Intercreditor Agreement may not exceed \$59.8 million. The guaranties of the Purchase Note by Mr. Grendys and Koch Foods are guaranties of payment and not of collection. The Intercreditor Agreement does not restrict or prevent the Debtors from making demand or filing



suit on the guaranties in the event of a default under the Purchase Note. Upon information and belief, Mr. Grendys is the owner of Koch Foods and Koch Foods had annual revenue exceeding \$2 billion during its most recent fiscal year. The Liquidating Agent intends to take appropriate steps to ensure that all amounts due from JCG under the Purchase Note are paid in a timely manner.

The amount due under the Purchase Note is subject to various post-closing adjustments, which have not yet been completed. The Debtors currently believe, after taking a highly conservative (worst case) approach, that the final principal amount of the Purchase Note will be not less than \$14,613,945. The unresolved post-closing adjustments to the Purchase Note are limited to: a dispute in an amount equal to approximately \$490,000 relating to the value of the Debtors' inventory, the amount of the marketing accruals assumed by JCG as part of the assumed accrued expenses, and the amount of deductions from collected accounts receivable (such as customary adjustments for "short weights" and other similar items).

#### **F. REJECTION AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

On May 10, 2012, the Debtors filed the Notice of Assumption, Sale and Assignment of Designated Unexpired Leases and Executory Contracts (the "Assumption Notice"), which provided notice that pursuant to the Asset Purchase Agreement, on the Closing Date, the Debtors would assume and assign to JCG certain designated unexpired leases and executory contracts (the "Assumed Contracts"). Upon the closing of the Sale, JCG was fully and irrevocably vested in all right, title, and interest in and to each Assumed Contract.

On May 31, 2012, the Debtors filed their Motion for Entry of an Order Authorizing the Rejection of Certain Executory Contracts (the "Motion to Reject"). Pursuant to the Motion to Reject, the Debtors have rejected executory contracts (the "Remaining Agreements") that were not designated as agreements JCG wished to have assigned to it. In their Motion to Reject, the Debtors requested the entry of an order (i) authorizing the rejection of the Remaining Agreements pursuant to sections 105(a) and 365(a) of the Bankruptcy Code and Bankruptcy Rule 6006 and having such rejection effective as of the Closing Date and (ii) requiring that any and all claims arising out of the rejection of the Remaining Agreements be filed on or prior to thirty (30) days from the date of entry of such order, and directing that any such claims that are not filed on or prior to such date shall be deemed waived, shall not be asserted against the Debtors or their estates and shall not be entitled to participate in any distributions payable to the Debtors' creditors.

On June 5, 2012, the Bankruptcy Court entered an Interim Order Authorizing the Rejection of Certain Executory Contracts, authorizing the rejection of the Remaining Agreements, effective as of Closing Date, on an interim basis. A final hearing on the rejection of the Remaining Agreements was scheduled for July 10, 2012. Any party in interest objecting to the relief sought in the Motion to Reject was required to file a written objection and serve a copy of the objection on counsel for the Debtors so that the objection was received at least seven (7) days before the scheduled hearing. Because no such objections were filed, the scheduled hearing was cancelled and the Motion to Reject was approved by the Bankruptcy Court on a final basis (the "Final Rejection Order"). Pursuant to the Final Rejection Order, all claims arising out of the



rejection of a Remaining Agreement were required to be filed on or prior to sixty (60) days from the entry of the Final Rejection Order (the "Rejection Bar Date"), and any such claims that are not filed on or prior to the Rejection Bar Date shall be deemed waived, shall not be asserted against the Debtors or their Estates and shall not be entitled to participate in any distributions payable to the Debtors' creditors.

#### **G. KEY EMPLOYEE INCENTIVE PLAN**

To incentivize certain employees critical to the Debtors' continued operations, the Debtors filed a motion on December 19, 2011 to obtain authority to implement a key employee incentive plan (the "KEIP"). The KEIP provides for a variety of incentives and benefits to certain of the Debtors' critical employees (none of whom are members of the Cagle family), including certain senior executives and other key managers (the "Covered Employees"). The KEIP covers three (3) officers of the Debtors and ten (10) of the Debtors' other key operational, non-insider employees. On January 12, 2012, the Bankruptcy Court entered an order approving the KEIP. The KEIP, as approved by the Bankruptcy Court, provided that individual payments under the KEIP shall be at the sole discretion of the Vice President of Restructuring and the CEO of Cagle's. The KEIP limited the total aggregate payments under the KEIP to \$250,000, with no Covered Employee receiving more than \$60,000 under the KEIP. The triggering event for payments under the KEIP has occurred and all KEIP payments have been made.

#### **H. POST-PETITION FINANCIAL PERFORMANCE**

The Debtors' financial performance since the Filing Date is summarized in monthly operating reports that the Debtors have filed with the Bankruptcy Court.

#### **I. CLAIMS BAR DATE AND CLAIMS SUMMARY**

On December 2, 2011, each of the Debtors filed with the Bankruptcy Court its schedule of assets and liabilities (as amended, the "Schedules") and statement of financial affairs. Pursuant to the Order Establishing a Bar Date and Approving Bar Date Notice and Procedures, dated January 26, 2012 (the "Claims Bar Date Order"), and pursuant to Bankruptcy Rule 3003(c)(3), the Bankruptcy Court established April 2, 2012 as the bar date for filing proofs of claim against the Debtors' estates (the "Claims Bar Date"). The Claims Bar Date Order additionally approved the form for filing proofs of claim against the Debtors' estates (the "Proof of Claim Form") and the manner of notice of the Claims Bar Date (the "Claims Bar Date Notice"). On January 26, 2012, KCC caused the Claims Bar Date Order to be served on the master service list in these cases as well as those individuals or entities which filed a notice of appearance in these cases. On January 27, 2012, KCC caused the Claims Bar Date Notice and Proof of Claim Form to be mailed to, inter alia, all known claimants.

To date, approximately 562 proofs of claim (the "Proofs of Claim") have been filed against the Debtors in these cases. The Proofs of Claim have an approximate face amount of \$123.4 million. This amount includes Claims that have been characterized by the purported Holders of the Claims as Administrative Claims, Priority Claims, Other Secured Claims and Unsecured Claims. The Debtors have reviewed the Proofs of Claims to determine whether they are properly classified, duplicative, or invalid for any other reason. To date, the Debtors have

filed eight omnibus Claims objections, and the Debtors anticipate filing additional Claims objections in the future. Based on their review, the Debtors estimate currently that the allowed amount of (i) General Unsecured Claims will be approximately \$13,115,500, and (ii) Unsecured Convenience Claims will be \$895,225. Because the Debtors have not yet completed an in-depth analysis of all Claims, the Debtors opted for a conservative approach in determining the estimates provided in this Disclosure Statement. Therefore, the Debtors believe that the estimates provided herein represent the upper range of the amounts of Claims in the various Classes. Nevertheless, because the actual Allowed amount of Claims will not be known until all Claims objections are resolved, it is possible that the actual Allowed amount of Unsecured Claims will be greater than that estimated by the Debtors in this Disclosure Statement.

#### **J. 503(b)(9) CLAIMS**

On November 18, 2011, the Debtors filed a motion to establish a bar date and procedures for submitting and resolving claims asserted against the Debtors under section 503(b)(9) of the Bankruptcy Code (“503(b)(9) Claims”). The Bankruptcy Court entered an order establishing January 13, 2012 as the deadline for asserting 503(b)(9) Claims. After reviewing the filed claims, the Debtors filed a Notice on February 13, 2012, listing all of the valid 503(b)(9) Claims asserted against the Debtors in an aggregate amount equal to \$9,634,310.18. On May 29, 2012, the Debtors filed a motion seeking approval of settlements entered into by the Debtors with certain holders of 503(b)(9) Claims, pursuant to which the Debtors agreed (among other things) to pay such Claims at a discount and on an expedited basis. The motion was granted by order dated June 21, 2012, and the Debtors paid the 503(b)(9) Claims covered by the settlements. On June 27, 2012, the Debtors filed a motion seeking authorization to pay all remaining 503(b)(9) Claims, and the motion was granted by order dated July 25, 2012 (the “Payment Order”). After entry of the Payment Order, the Debtors paid all remaining 503(b)(9) Claims in full, plus 5% interest from the Filing Date to the date of payment.

#### **V.**

#### **SUMMARY OF THE PLAN**

**THIS SECTION PROVIDES A SUMMARY OF THE STRUCTURE, CLASSIFICATION, TREATMENT AND IMPLEMENTATION OF THE PLAN AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT. ALTHOUGH THE STATEMENTS CONTAINED IN THE DISCLOSURE STATEMENT INCLUDE SUMMARIES OF THE PROVISIONS CONTAINED IN THE PLAN AND IN DOCUMENTS REFERRED TO THEREIN, THIS DISCLOSURE STATEMENT DOES NOT PURPORT TO BE A PRECISE OR COMPLETE STATEMENT OF ALL OF THE TERMS AND PROVISIONS OF THE PLAN OR DOCUMENTS REFERRED TO THEREIN, AND REFERENCE IS MADE TO THE PLAN AND TO SUCH DOCUMENTS FOR THE FULL AND COMPLETE STATEMENTS OF SUCH TERMS AND PROVISIONS. THE PLAN WILL CONTROL THE TREATMENT OF CREDITORS AND INTEREST HOLDERS AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS AND UPON ALL OTHER PARTIES IN INTEREST.**

**A. CLASSIFICATION OF CLAIMS AND INTERESTS**

**1. Introduction**

The categories of Claims and Interests set forth below classify all Claims against and Interests in the Debtors for all purposes of the Plan. A Claim or Interest is classified in a particular Class only to the extent the Claim or Interest qualifies within the description of that Class and is classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date. The treatment with respect to each Class of Claims and Interests provided for in the Plan shall be in full and complete satisfaction, release and discharge of such Claims and Interests.

The Plan is structured to recognize the normal priorities established by applicable law. Because the Debtors’ Estates are expected to be solvent, the Plan provides that all Allowed Unsecured Claims will be paid in full with post-petition interest before any Distributions are made to holders of Cagle’s common stock.

**2. Classification**

The classification of Claims under the Plan is as follows:

<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled to Vote</u>
1	Miscellaneous Secured Claims	Unimpaired	No
2	Priority Claims	Unimpaired	No
3	General Unsecured Claims	Impaired	Yes
4	Unsecured Convenience Claims	Impaired	Yes

The classification of Interests under the Plan is as follows:

5	Interests in Cagle’s	Impaired	Yes
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The Classes of Claims and Interests, as well as their treatment and an analysis of whether they are Impaired or Unimpaired, are described in more detail as follows:

(a) **Class 1 -- Miscellaneous Secured Claims.** Class 1 Miscellaneous Secured Claims consist of all Miscellaneous Secured Claims under section 506 of the Bankruptcy Code other than the Prepetition Lender Claims, MetLife Claims, DIP Lender Claims or any other Secured Claim that has been fully and finally satisfied. The Debtors currently do not believe there will be any Miscellaneous Secured Claims that will be Allowed under the Plan. The legal, equitable and contractual rights of the Holders of Class 1 Miscellaneous Secured Claims are unaltered by the Plan. Unless the Holder of such Claim and the Debtors agree to a different treatment, each Holder of an Allowed Class 1 Miscellaneous Secured Claim shall receive, in full and final satisfaction of such Allowed Class 1 Miscellaneous Secured Claim, one of the following alternative treatments: (a) cash in an amount equal to such Allowed Miscellaneous Secured Claim, including any interest on such Allowed Miscellaneous Secured

Claim require to be paid pursuant to applicable law; (b) the proceeds of the sale or disposition of the collateral securing such Allowed Miscellaneous Secured Claim to the extent of the value of the Holder's interest in such collateral; or (c) the collateral securing such Allowed Miscellaneous Secured Claim. In the event that the Debtors elect to treat an Allowed Miscellaneous Secured Claim under clause (a) or (b), the Liens securing such Claims shall be deemed released without the need for further action.

*Voting:* Class 1 is an Unimpaired Class, and the Holders of Allowed Class 1 Miscellaneous Secured Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 1 are not entitled to vote to accept or reject the Plan.

(b) **Class 2 -- Priority Claims.** Class 2 consists of all Priority Claims entitled to priority under section 507(a) of the Bankruptcy Code other than an Administrative Expense Claim or a Tax Claim. The legal, equitable and contractual rights of the Holders of Class 2 Priority Claims are unaltered by the Plan. Unless the Holder of such Claim and the Debtors agree to a different treatment, each Holder of an Allowed Class 2 Priority Claim shall receive, in full and final satisfaction of such Allowed Class 2 Priority Claim, Cash equal to the full amount of such Allowed Priority Claim on or as soon as reasonably practicable after the later of (a) the Effective Date, or (b) the date such Priority Claim becomes Allowed.

*Voting:* Class 2 is an Unimpaired Class, and the Holders of Class 2 Priority Claims are conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 2 are not entitled to vote to accept or reject the Plan.

(c) **Class 3 -- General Unsecured Claims.** Class 3 General Unsecured Claims consist of all Unsecured Claims other than Unsecured Convenience Claims. On either (i) the first Distribution Date after the applicable Claims Objection Deadline has occurred, if no objection to such Claim has been timely filed, or (ii) the first Distribution Date after the date on which any objection to such General Unsecured Claim is settled, withdrawn, or overruled pursuant to a Final Order of the Bankruptcy Court, each Holder of an Allowed Class 3 General Unsecured Claim shall receive a pro rata Distribution of any Liquidation Proceeds and/or Retained Proceeds, as appropriate, that remain in the Debtors' Estates after the payment and satisfaction of Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1, Class 2 and Class 4. On each subsequent Distribution Date or as soon thereafter as is reasonably practicable, the Liquidating Agent shall cause the Debtors to continue to make pro rata Distributions to the holders of Allowed Claims in Class 3 of any available Liquidation Proceeds and/or Retained Proceeds, as appropriate, that remain in the Debtors' Estates after the payment of the remaining Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1, Class 2 and Class 4, until either such Allowed General Unsecured Claim is satisfied in full or the Consummation Date. Each Holder of an Allowed Class 3 General Unsecured Claim shall be entitled to receive interest on the unpaid amount of such Allowed Class 3 General Unsecured Claim through the date such Claim is paid in full at the Unsecured Interest Rate (5% per annum)

as follows: (a) with respect to Claims arising from (i) the rejection of an Executory Contract or Unexpired Lease or (ii) the Debtors' withdrawal from the Retail, Wholesale and Department Store Union and Industry Pension Fund, interest shall accrue from the effective date of such rejection or withdrawal; and (b) with respect to all other Claims, interest shall accrue from the Filing Date. No other interest shall be payable with respect to any Allowed General Unsecured Claim. The aggregate Distributions payable to each Holder of an Allowed Class 3 General Unsecured Claim shall not exceed the Allowed Amount of such Claim plus any interest payable on such Claim pursuant to the terms of the Plan. The Distributions payable under the Plan to Holders of Allowed Class 3 Claims shall be in full and final satisfaction of the amounts due to Holders of Allowed Class 3 General Unsecured Claims under the Plan.

*Voting:* Class 3 is an Impaired Class. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Class 3 General Unsecured Claim is entitled to vote to accept or reject the Plan.

(d) **Class 4 -- Unsecured Convenience Claims.** Class 4 Unsecured Convenience Claims consist of all Unsecured Claims in an amount that is equal to or less than ten thousand dollars (\$10,000.00). Unless the Holder of such Claim and the Debtors agree to a different treatment, each Holder of an Allowed Class 4 Unsecured Convenience Claim shall receive, in full and final satisfaction of such Allowed Class 4 Unsecured Convenience Claim, a one-time payment of Cash equal to the full amount of such Allowed Unsecured Convenience Claim on or as soon as reasonably practicable after the later of (a) the Initial Distribution Date, or (b) the first Distribution Date after the date such Unsecured Convenience Claim becomes Allowed. Each Holder of an Allowed Class 4 Unsecured Convenience Claim is entitled to receive interest on the unpaid amount of such Allowed Class 4 Unsecured Convenience Claim through the date such Claim is paid in full at the Unsecured Interest Rate (5% per annum) as follows: (a) with respect to Claims arising from (i) the rejection of an Executory Contract or Unexpired Lease or (ii) the Debtors' withdrawal from the Retail, Wholesale and Department Store Union and Industry Pension Fund, interest shall accrue from the effective date of such rejection or withdrawal; and (b) with respect to all other Claims, interest shall accrue from the Filing Date. No other interest shall be payable on any Allowed Unsecured Convenience Claim. The aggregate Distributions payable to each Holder of an Allowed Class 4 Unsecured Convenience Claim shall not exceed the Allowed amount of such Claim plus any interest payable on such Claim pursuant to the terms of the Plan.

*Voting:* Class 4 is an Impaired Class. Pursuant to section 1126(g) of the Bankruptcy Code, each Holder of an Allowed Class 4 Unsecured Convenience Claim is entitled to vote to accept or reject the Plan.

(e) **Class 5 -- Interests in Cagle's.** Class 5 consists of all Interests in Cagle's. On and as of the Effective Date, all Interests in Cagle's shall be cancelled and extinguished. On each Distribution Date, each Holder of an Allowed Class 5 Interest in Cagle's shall receive a pro rata Distribution of any Liquidation Proceeds that remain in the Debtors' Estates after (i) the payment and satisfaction of all Allowed Administrative Expense Claims and all Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1, Class 2, Class 3 and Class 4, and (ii) the creation of a reserve fund (as part of Retained Proceeds) to cover any



remaining Disputed Claims. The Distributions payable under the Plan to Holders of Allowed Class 5 Interests shall be in full and final satisfaction of the Allowed Class 5 Interests.

*Voting:* Class 5 is an Impaired Class. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Class 5 Interest in Cagle's is entitled to vote to accept or reject the Plan.

The Debtors anticipate that they will make substantial Distributions with respect to Class 5 Allowed Interests; however, the Debtors' ability to make such Distributions is dependent upon the Debtors collecting the amounts due under the Purchase Note.

## **B. TREATMENT OF UNCLASSIFIED CLAIMS**

### **1. Summary**

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, the Plan. All such Claims are instead treated separately in accordance with Article IV of the Plan and in accordance with the requirements set forth in sections 1129(a)(9)(A) and (C) of the Bankruptcy Code.

### **2. Administrative Expense Claims**

Administrative Expense Claims are claims for payment of administrative expenses of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code. The Debtors currently estimate that the aggregate amount of (i) the unpaid Administrative Expense Claims as of the date of this Disclosure Statement, plus (ii) the Administrative Expense Claims that will be incurred by the Debtors from and after the date of this Disclosure Statement, will total approximately \$5.3 million. Such claims include (without limitation) the actual, necessary expenses of preserving the Debtors' Assets incurred after the Filing Date, including post-petition trade payables, equipment and real estate leases, wages, employee benefits, workers' compensation claims, postpetition real property taxes for the Macon facility, salaries or commissions for services rendered after the Filing Date, and Claims for Professional Compensation (including the "success fees" due to Lazard and FTI Consulting, Inc. in connection with the sale of the Debtors' assets to JCG). Subject to the provisions of sections 328, 330(a), and 331 of the Bankruptcy Code (which apply to Claims for Professional Compensation), the Plan provides that each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in Cash on the latest of (i) the Effective Date, (ii) as soon as practicable after the date on which such Claim becomes an Allowed Administrative Expense Claim, (iii) upon such other terms as may be agreed upon by such Holder and the Liquidating Agent, or (iv) as otherwise ordered by the Bankruptcy Court.

### 3. Bar Date for Filing Administrative Expense Claims

Except as otherwise provided in the Plan, each Person holding an Administrative Expense Claim (other than a Claim for Professional Compensation) is required to file a proof of such Administrative Expense Claim with the Claims Agent within thirty (30) days after the Liquidating Agent provides notice by mail or by publication, in a form and manner approved by the Bankruptcy Court, of the occurrence of the Effective Date. At the same time any Person files an Administrative Expense Claim, such Person shall also cause the Claim to be served on counsel for the Liquidating Agent. Any Person who fails to timely file and serve a proof of such Administrative Expense Claim with the Claims Agent shall be forever barred from seeking payment of such Administrative Expense Claim by the Debtors and the Estates. Any Person seeking an award by the Bankruptcy Court of Professional Compensation is required to file a final application with the Bankruptcy Court for allowance of Professional Compensation for services rendered and reimbursement of expenses incurred through the Effective Date within sixty (60) days after the Effective Date or by such other deadline as may be fixed by the Bankruptcy Court. The provisions of this paragraph shall not apply to any professional providing services pursuant to, and subject to the limits contained in, the *Order Authorizing Debtors to Retain and Compensate Professionals Used in the Ordinary Course of Business* entered in the Bankruptcy Cases on November 28, 2011.

### 4. Tax Claims

Except to the extent that the Holder of a particular Tax Claim has agreed to a different treatment of such Claim, each Holder of an Allowed Tax Claim shall receive Cash on the Effective Date (or as soon thereafter as is reasonably practicable) in an amount equal to such Allowed Tax Claim. The Debtors shall pay each Tax Claim that becomes Allowed following the Effective Date in Cash in full as soon as reasonably practicable after the date such Claim becomes Allowed.

## VI.

### MEANS FOR IMPLEMENTATION OF THE PLAN

#### A. SUBSTANTIVE CONSOLIDATION

The Plan proposes the substantive consolidation of Debtors' Estates. The entry of the Confirmation Order shall constitute approval by the Bankruptcy Court, pursuant to Sections 105(a) and 1123(a)(5)(C) of the Bankruptcy Code, of substantive consolidation. To the extent the Plan is not confirmed, then the request of the Debtors for substantive consolidation shall be deemed withdrawn, and absent any further order of the Bankruptcy Court, the Debtors' Estates shall not be substantively consolidated.

If the Plan is confirmed, substantive consolidation of the Debtors will result in the following: on the Effective Date, (a) all assets and liabilities of the Debtors will be pooled or treated as though they were pooled; (b) all guarantees by each Debtor of the obligations of the other Debtor and any joint and several liability of the Debtors shall be eliminated; (c) all



Intercompany Claims shall be cancelled and extinguished without the payment of any consideration; (d) no Distributions shall be made under the Plan on account of any Interest held by Cagle's in Cagle's Farms; and (e) each and every Claim against any Debtor shall be deemed filed against the consolidated Debtors and all Claims filed against more than one Debtor for the same liability shall be deemed one Claim against the consolidated Debtors. The consolidation of the Debtors effected by the Plan shall not (other than for purposes relating to Distributions, as set forth above) affect (i) the legal and organizational structure of the Debtors, (ii) any defense to any Claim or cause of action, or (iii) any distributions out of any insurance policy or proceeds of such policy.

In bankruptcy cases with affiliated debtors, a bankruptcy court may exercise its equitable powers to authorize the "substantive consolidation" of the estates of debtor affiliates for purposes of the chapter 11 plan. Substantive consolidation involves the pooling of assets and liabilities of the affected debtors. Generally, all debtors in the substantively consolidated group are treated as if they were a single corporate entity and economic entity. In that circumstance, a creditor of one of the substantively consolidated group of debtors will be treated as a creditor of the debtors, and issues of individual corporate ownership of property and individual corporate liability or obligations are ignored. Established case law in the Eleventh Circuit provides that substantive consolidation is appropriate when a movant demonstrates that (i) there is a substantial identity between entities to be consolidated, and (ii) consolidation is necessary to avoid some harm or to realize some benefit. *See Eastgroup Props. v. S. Motel Assocs., Ltd.*, 935 F.2d 245 (11th Cir. 1991). Factors considered by courts to determine whether substantive consolidation is appropriate include: (i) presence or absence of consolidated financial statements; (ii) unity of interests and ownership between the various corporate entities; (iii) existence of parent and inter-corporate guarantees on loans; (iv) degree of difficulty in segregating and ascertaining individual assets and liabilities; (v) existence of transfers of assets without formal observance of corporate formalities; (vi) commingling of assets and business functions; and (vii) profitability of consolidation at a single physical location. Once a *prima facie* case for substantive consolidation is made, a presumption arises that creditors have not relied solely upon the credit of individual debtor entities. The burden then shifts to an objecting creditor to show that: (i) it has relied on the separate credit of one of the entities to be consolidated; and (ii) it will be prejudiced by substantive consolidation. *Eastgroup*, 935 F.2d at 249. Even if the objecting creditor meets this burden, the Court may still order substantive consolidation if the benefits of such relief heavily outweigh the harm. *Id.*

The Debtors believe that substantive consolidation of the Debtors and their Estates is justified for the following reasons. First, the Debtors used the same employees and same physical facilities in connection with conducting their businesses. Second, the Debtors have commingled their assets and business functions. Third, there exists considerable confusion among some creditors regarding which Debtor entity is appropriately liable for the creditors' Claims. Fourth, Cagle's Farms is a wholly owned subsidiary of Cagle's. Fifth, the Debtors have disregarded many corporate formalities and have conducted business under each other's names. Sixth, separating the liabilities and claims of the Debtors would be time consuming, difficult and costly. Seventh, there will be considerable savings in administrative costs by having one Disclosure Statement and Plan instead of two. Eighth, Debtors have paid each other's liabilities.

Finally, because the Debtors propose to pay all Allowed Claims in full, no creditor will be prejudiced by substantive consolidation.

Based on the foregoing, the Debtors believe that the facts of this case establish a *prima facie* case for substantive consolidation under the *Eastgroup* test. For these reasons, substantive consolidation is both desirable and necessary. Substantive consolidation will also facilitate and expedite the administration of the Debtors' Estates by eliminating duplicative or inconsistent efforts on the part of the Estates with respect to claims administration and asset recovery.

## **B. VESTING OF DEBTORS' ASSETS**

Pursuant to the Plan, all property of the Debtors and their Estates shall vest automatically in the Debtors on the Effective Date (without the necessity of executing any instruments of assignment), for the express purpose of allowing the Liquidating Agent to make Distributions to Holders of Claims and Interests pursuant to the terms and conditions of the Plan. Without limiting the foregoing, the Debtors shall be vested with all of the Causes of Action, which shall be prosecuted and enforced under the direction and control of the Liquidating Agent (except as provided in sections 10.3 and 10.7 of the Plan). As of the Effective Date, (a) all property of the Debtors shall be free and clear of all Liens, Claims and Interests, and (b) all of the rights of Holders of Claims and Interests to receive Distributions shall be governed by the Plan.

In addition to the proceeds received from the sale of their assets to JCG (including the Purchase Note), the remaining assets held by the Debtors as of the date of this Disclosure Statement include (without limitation): (a) the Macon, Georgia facility (a closed plant) located at 2125 7th Street Macon, Georgia 31206 (the Debtors are uncertain whether the Macon, Georgia facility can be sold and at what price it could be sold; there is no personal property of any material value located at the Macon, Georgia facility); (b) the Debtors' 100% membership interest in Cagle's Transport, LLC (which does not have any material assets or liabilities); (c) \$400,082.72 of "allocated surplus" from 2007-2011 relating to the Debtors' prior ownership of 200 shares of Class C stock of AgSouth (the "AgSouth Investment"), which surplus has been declared by AgSouth but not approved by the AgSouth board for distribution; (d) all remaining utility deposits, security deposits, deposits held by parties to Assumed Contracts, deposits held by vendors or other trade creditors, and other deposits, retainers and escrows (estimated to be approximately \$19,000); (e) all insurance policies relating to the Debtors' business and all Claims arising under such policies prior to the Closing, and all credits, premium refunds, proceeds, causes of action or rights thereunder (estimated to be approximately \$418,000); (f) any tax refund or reimbursement due to the Debtors or their affiliates; (g) all amounts owed to either Debtor by the Cagle Trusts (as defined in the Asset Purchase Agreement) (the amounts owed by the Cagle Trusts will only become due and payable at the time that J. Douglas Cagle and his wife Gloria become deceased); (h) all Causes of Action, including (without limitation) claims against Norfolk Southern, CHEP USA, Merial Select, Inc. (and/or Merial Vaccination Technologies, Inc.) and their respective affiliates; (i) all of the Debtors' accounts receivable that were not transferred to JCG as part of the Sale or that were not collected by JCG within 60 days after the Closing Date; (j) the escrow amount (approximately \$400,000) currently held by the Georgia Self-Insurers Guaranty Trust Fund (the "Trust Fund"); and (k) any deposit amount held by Blue Cross and Blue Shield of Alabama ("BCBS-Alabama") (expected to be \$150,000). The escrow

held by the Trust Fund and the deposit held by BCBS-Alabama are expected to be recoverable after the Debtors pay or otherwise resolve all Georgia workers' compensation claims and employee benefit (health) claims for their former employees located in Alabama.

After the closing of the sale of the Debtors' assets to JCG and prior to the date of this Disclosure Statement, the Debtors recovered (i) an amount equal to \$1 million from the Trust Fund, as a result of the resolution of a number of previously pending workers' compensation claims, (ii) an amount equal to approximately \$365,000, representing the return of various utility deposits that were funded by the Debtors after the Filing Date, and (iii) an amount equal to \$128,261.13 from AgSouth, representing a refund of the AgSouth Investment, "patronage" payable on the AgSouth Investment for 2011, and "allocated surplus" on the AgSouth Investment for 2006.

### **C. POST-CONFIRMATION OPERATION OF THE DEBTORS**

The Plan provides that Sean M. Harding will serve as the Liquidating Agent under the Plan. Mr. Harding currently serves as the Vice President - Restructuring of the Debtors, and the Debtors believe that Mr. Harding has the knowledge and experience needed to liquidate and wind-down the Debtors' remaining business operations and Assets in a prompt, efficient and cost-effective manner.

The Liquidating Agent shall have the rights, powers and duties set forth in the Plan and shall be responsible for administering the Plan under the terms and subject to the conditions set forth in the Plan. After the Effective Date, the Liquidating Agent shall be authorized to take all necessary, desirable or appropriate actions to direct and oversee the Debtors' business activities and to proceed with an orderly, expeditious and efficient liquidation and distribution of the Estates. The Liquidating Agent shall be authorized to retain or engage, or to cause the Debtors to retain or engage, such employees, professional persons and agents as are appropriate or desirable to continue the liquidation of the Estates. Further, the Liquidating Agent shall be authorized to make Distributions from the Retained Proceeds to pay the costs and expenses incurred after the Confirmation Date in connection with the operation of the Debtors' businesses and the administration, liquidation and distribution of the Estates, without the necessity of providing any notice or seeking or obtaining any approval of the Bankruptcy Court with respect to such Distributions. Without limiting the generality of the foregoing, the Liquidating Agent shall be authorized to make Distributions from the Retained Proceeds to pay the fees and expenses of any professional persons retained by the Liquidating Agent and/or the Debtors, the out-of-pocket expenses incurred by the Equity Oversight Representative and members of the Creditor Oversight Committee, and the fees and expenses of the Creditor Oversight Committee's counsel and financial advisor and the Equity Oversight Representative's counsel. The Liquidating Agent shall be the representative of the Estates as contemplated by section 1123(b)(3)(B) of the Bankruptcy Code. Except as otherwise specifically provided in the Plan, the Liquidating Agent shall have full and exclusive power and authority to act on behalf of the Debtors and shall be responsible for performing the duties of the Debtors under the Plan. The Liquidating Agent shall have the rights, duties and powers of a trustee appointed pursuant to sections 701, 702 and 1104 of the Bankruptcy Code to act on behalf of the Debtors with regard to the administration of the Bankruptcy Cases and the assets of the Estates. No recourse shall ever be had, directly or indirectly, against the Liquidating Agent personally, by legal or equitable

proceedings or by virtue of any statute or otherwise, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Liquidating Agent under the Plan, or by reason of the creation of any indebtedness by the Liquidating Agent under the Plan for any purpose authorized by the Plan, save and except in cases of defalcation, misappropriation, fraud or gross negligence by the Liquidating Agent, it being expressly understood and agreed that such liabilities, promises, contracts, instruments, undertakings, obligations, covenants and agreements shall be enforceable only against and be satisfied only out of the assets of the Debtors or shall be evidence only of a right of payment from the Debtors' assets. The Liquidating Agent shall be indemnified and held harmless by the Estates from and against any expenses (including the reasonable fees and expenses of counsel), damages or losses incurred or suffered by the Liquidating Agent in connection with any claim or demand which in any way arises out of or relates to the Plan or the services of the Liquidating Agent under the Plan; provided, however, if the Liquidating Agent is guilty of defalcation, misappropriation, fraud or gross negligence, then the Liquidating Agent shall bear all losses, damages and expenses arising as a result of such defalcation, misappropriation, fraud or gross negligence. The Liquidating Agent may resign at any time in its sole discretion, and such resignation shall be effective upon the earlier of (i) 30 days after the Liquidating Agent has given written notice of resignation to the Creditor Oversight Committee (if it has not been dissolved) and the Equity Oversight Representative and filed such notice with the Bankruptcy Court, and (ii) the date the Bankruptcy Court approves a successor to the resigning Liquidating Agent. In case of the resignation of the Liquidating Agent, a successor shall thereupon be appointed by the Creditor Oversight Committee, subject to approval of the Bankruptcy Court, or, in the event that the Creditor Oversight Committee no longer exists, by the Bankruptcy Court. The Liquidating Agent shall be reimbursed for any out-of-pocket expenses incurred in connection with the discharge of its duties under the Plan and shall be compensated for its services at a "blended" hourly rate of \$500 per hour for each person providing services to the Debtors. The Liquidating Agent's compensation and expenses shall be reimbursed and/or paid out of the Retained Proceeds and such compensation and expenses may be paid without the necessity of providing notice to any party in interest or obtaining any approval from the Bankruptcy Court. On the Consummation Date, after making the Final Distribution under the Plan, the Liquidating Agent shall be discharged from its duties under the Plan.

#### **D. BILLING AND COLLECTION OF ACCOUNTS RECEIVABLE**

As of the Effective Date, the Liquidating Agent shall be authorized to: (i) complete the billing of the Debtors' account debtors; (ii) send correspondence to the Debtors' account debtors requesting payment of all amounts outstanding, due and payable to the Debtors; (iii) engage in other collection activity to ensure payment of outstanding accounts receivable; and (iv) employ or cause the Debtors to employ one or more collection agencies to further pursue collection of the outstanding accounts receivable.

#### **E. MAINTENANCE OF BANK ACCOUNTS AND DISTRIBUTION OF LIQUIDATION PROCEEDS**

The Liquidating Agent shall have the authority and responsibility to disburse the assets of the Estates to the Holders of Allowed Claims and Holders of Allowed Interests and otherwise in accordance with the terms of the Plan. All Liquidation Proceeds and Retained Proceeds shall be

held in trust for the benefit of Holders of Allowed Claims and Holders of Allowed Interests in one or more separate bank or other depository accounts throughout the term of the Plan. The Liquidating Agent shall be entitled to use the Debtors' bank accounts that are in existence as of the Effective Date and shall be authorized to open such bank or other depository accounts as may be necessary or appropriate in the discretion of the Liquidating Agent to enable it to carry out the provisions of the Plan (provided that any bank account opened by the Liquidating Agent shall be at a financial institution approved by the Office of the United States Trustee). The Liquidating Agent may, from time to time, cause the Debtors to invest Liquidation Proceeds and Retained Proceeds in certificates of deposit, treasury bills, money market accounts or other short term investments. All interest earned shall be retained for Distribution to the Holders of Allowed Claims and Holders of Allowed Interests pursuant to the Plan. The Liquidating Agent shall prepare and maintain an adequate set of financial books, records or databases that will allow the Liquidating Agent to accurately track the amount of Claims asserted against the Estates and the amounts paid to each Holder of an Allowed Claim and to each Holder of an Allowed Interest pursuant to the terms of the Plan; provided that the Liquidating Agent also shall be entitled to use the Debtors' books and records (including the books and records maintained by the Claims Agent that are in existence on the Effective Date). On the Initial Distribution Date (or as soon thereafter as is reasonably practicable) and each subsequent Distribution Date, the Liquidating Agent shall make Distributions to the Holders of Allowed Claims and the Holders of Allowed Interests in accordance with the terms of the Plan. The Liquidating Agent will continue to make Distributions until the assets in the Estates have been fully distributed to Holders of Allowed Claims and Allowed Interests in accordance with the terms of the Plan.

#### **F. SALES OF REMAINING ASSETS**

On and after the Effective Date, the Liquidating Agent shall have sole authority to cause the Debtors to liquidate and sell, and the Liquidating Agent shall pursue the liquidation of, all remaining Assets. The Liquidating Agent shall have the authority to consummate such liquidations and sales without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest if the aggregate purchase price for the Assets to be sold in connection with a particular transaction is less than or equal to \$500,000; provided, however, the Liquidating Agent shall have the right in its sole discretion to seek and obtain Bankruptcy Court approval of any sale transaction if the Liquidating Agent believes it is in the best interests of the Estates to do so. If the aggregate purchase price in connection with a particular sale transaction exceeds \$500,000, then Bankruptcy Court approval (following Designated Notice) shall be required. The Liquidating Agent shall also have the authority, if appropriate in the sole discretion of the Liquidating Agent, to abandon any Assets that cannot be liquidated or sold in a cost effective manner or that have inconsequential value.

#### **G. DISSOLUTION**

After the occurrence of the Consummation Date and the entry of an order of the Bankruptcy Court closing the Bankruptcy Cases, each Debtor shall be deemed dissolved pursuant to the applicable laws of the State of Georgia without the necessity of taking any action or making any filing with the Georgia Secretary of State or otherwise.



## **H. CORPORATE STRUCTURE AND GOVERNANCE OF THE DEBTORS**

### **1. Continued Corporate Existence**

Each Debtor will continue to exist after the Effective Date as a separate corporate entity with all the powers of a corporation under applicable law in the jurisdiction in which it is incorporated or otherwise formed and pursuant to its certificate or articles of incorporation and bylaws or other organizational documents in effect prior to the Effective Date, except to the extent such articles of incorporation and bylaws or other organizational documents are amended by the Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date.

### **2. Amendment of Charters**

On and as of the Effective Date, the charters of the Debtors shall be deemed to have been amended to prohibit the issuance of nonvoting equity securities to the extent required by the Bankruptcy Code.

### **3. Directors and Officers of Debtors**

On the Effective Date (a) the authority, power and incumbency of the persons then acting as officers and directors of the Debtors shall be terminated and such officers and directors shall be deemed to have resigned, and (b) the Liquidating Agent shall be deemed the sole officer and sole director of each Debtor and shall be deemed to have succeeded to such powers as would have been previously exercisable by the shareholders of each Debtor.

### **4. Cancellation of Existing Securities of Debtors and Agreements**

On the Effective Date, except as otherwise specifically provided for in the Plan, (a) the Existing Securities and any Certificates evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors will be deemed to be fully and finally cancelled, and (b) the obligations of, Claims against, and/or Interests in the Debtors under, relating, or pertaining to any agreements, indentures, certificates of designation, by-laws, or certificate or articles of incorporation or similar documents governing the Existing Securities will be terminated and released.

### **5. Corporate Action**

Each of the matters provided for under the Plan involving the corporate structure of any Debtor or any corporate action to be taken by or required of any Debtor shall be deemed to have occurred and be effective as provided in the Plan, and shall be authorized, approved and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors or directors of any of the Debtors.

## **I. PRESERVATION OF CAUSES OF ACTION**

In accordance with section 1123(b)(3) of the Bankruptcy Code, the Debtors will retain and may (but are not required to) enforce all Causes of Action. After the Effective Date, the

Liquidating Agent, in its sole and absolute discretion (except as provided in sections 10.3 and 10.7 of the Plan), shall have the right to bring, settle, release, compromise, or enforce such Causes of Action (or decline to do any of the foregoing), without further approval of the Bankruptcy Court. The Liquidating Agent, in the exercise of its sole discretion, may pursue such Causes of Action so long as it is the best interests of the Debtors or any successors holding such rights of action. The failure of the Debtors to specifically list any claim, right of action, suit, proceeding or other Cause of Action in the Plan does not, and will not be deemed to, constitute a waiver or release by the Estates, the Liquidating Agent or the Debtors of such claim, right of action, suit, proceeding or other Cause of Action, and the Liquidating Agent (on behalf of the Debtors) will retain the right to pursue such claims, rights of action, suits, proceedings and other Causes of Action in its sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches will apply to such claim, right of action, suit, proceeding or other Cause of Action upon or after the confirmation or consummation of the Plan.

## **VII.**

### **PROVISIONS REGARDING DISTRIBUTIONS**

#### **A. DISBURSING AGENT**

Unless otherwise provided for in the Plan, all Distributions under the Plan shall be made by the Liquidating Agent.

#### **B. DISTRIBUTIONS OF CASH**

Any Distribution of Cash made by the Liquidating Agent pursuant to the Plan shall, at the Liquidating Agent's option, be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

#### **C. NO INTEREST ON CLAIMS OR INTERESTS**

Unless otherwise specifically provided for in the Plan or the Confirmation Order, postpetition interest shall not accrue or be paid on Claims and no Holder shall be entitled to interest accruing on or after the Filing Date on any Claim.

#### **D. DELIVERY OF DISTRIBUTIONS**

The Distribution to a Holder of an Allowed Claim or to a Holder of an Allowed Interest shall be made by the Liquidating Agent (a) at the address set forth on the proof of claim filed by such Holder, (b) at the address set forth in any written notices of address change delivered to the Debtors or the Liquidating Agent after the date of any related proof of claim, (c) at the address set forth in any Notice of Transfer of Claim; (d) at the address reflected in the Schedules if no proof of claim has been filed and the Debtors or Liquidating Agent have not received a written notice of a change of address, or (e) if the Holder's address is not listed in the Schedules, at the last known address of such Holder according to the Debtors' books and records. If any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be made unless and until the Liquidating Agent is notified of such Holder's then-current address, at which



time all missed Distributions shall be made to such Holder without interest from the original Distribution Date to the new Distribution Date. Amounts in respect of undeliverable Distributions made in Cash shall be retained by the Liquidating Agent in an “Unpaid Claims Reserve” until such Distributions are claimed. All Cash Distributions returned to the Liquidating Agent and not claimed within six (6) months of return shall be irrevocably retained by the Liquidating Agent (and the funds held in the Unpaid Claims Reserve shall become Liquidation Proceeds at the end of such six-month period) notwithstanding any federal or state escheat laws to the contrary. After the end of such six-month period, the Claim of any other Person to such property shall be discharged and forever barred.

**E. DISTRIBUTIONS TO HOLDERS AS OF THE RECORD DATE**

All Distributions on Allowed Claims or Allowed Interests shall be made to the Record Holders of such Claims or Interests. As of the close of business on the Record Date: (i) the Claims register maintained by the Claims Agent shall be closed; and (ii) the stock transfer ledger or similar register of Cagle’s shall be closed. The Liquidating Agent shall have no obligation to recognize any transfer of any Claim or Interest occurring after the Record Date. The Liquidating Agent shall instead be entitled to recognize and deal for all purposes under the Plan with the Record Holders as of the Record Date.

**F. DISTRIBUTIONS ON INSURED CLAIMS**

If any Holder has asserted a Claim that is covered as to liability, in whole or in part, by an insurance policy that is assumed or otherwise remains in effect pursuant to the terms of the Plan, such Holder will have a Claim entitled to a Distribution under the Plan only to the extent of any deductible or self-insured retention under the applicable insurance policy that was unpaid or otherwise unexhausted as of the Filing Date. Notwithstanding the foregoing, the Holder shall be entitled to pursue recovery of any amount in excess of such unpaid deductible or self-insured retention from the applicable insurance carrier and, in connection therewith, notwithstanding the discharge of the balance of such Claim provided pursuant to the Plan, such Holder may continue to pursue the balance of such Claim against the Debtors solely for the purposes of liquidating such Claim and obtaining payment of the balance of such liquidated Claim from any otherwise applicable policy of insurance. Except as otherwise provided in the applicable insurance policy, the applicable insurance carrier may, at its expense, employ counsel, direct the defense, and determine whether and on what terms to settle any Claim for the purposes of determining the amount of insurance proceeds that will be paid on account of such Claim. If after liquidation of a Claim pursuant to section 9.6 of the Plan, it is determined that there are insufficient insurance proceeds available to satisfy the amount of such Claim that is in excess of any unpaid deductible or self-insured retention, then the Holder of such Claim shall have a Claim in the amount of such insufficiency. Notwithstanding any other provision of the Plan, after the Effective Date the Bankruptcy Court shall be authorized to enter one or more orders in the Bankruptcy Cases modifying and amending the provisions of section 9.6 of the Plan, provided that any such modifications shall not be material and adverse to the interests of Holders of insured Claims.

**G. DE MINIMIS DISTRIBUTIONS**

Except for Distributions to Holders of Class 4 Claims and Distributions being made on the Consummation Date, the Liquidating Agent shall have no obligation to make a Distribution if the amount to be distributed to the specific Holder of the Allowed Claim or Interest is less than fifty dollars (\$50.00); provided, however, if the Liquidating Agent elects not to make a Distribution as contemplated by this provision of the Plan, such Distribution shall be held for the Holder of such Claim or Interest until the next Distribution Date at which time such Distribution shall be made (unless this provision of the Plan shall again apply).

**H. FRACTIONAL SECURITIES; FRACTIONAL DOLLARS**

Any other provision of the Plan notwithstanding, the Debtors shall not be required to make Distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down.

**I. WITHHOLDING TAXES**

The Debtors or the Liquidating Agent shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Distributions under the Plan shall be subject to any such withholding and reporting requirements.

**VIII.**

**TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. REJECTION OF CONTRACTS AND LEASES**

Under the Plan, on the Effective Date, all Executory Contracts or Unexpired Leases of the Debtors will be deemed rejected in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except those Executory Contracts or Unexpired Leases that (1) have been previously rejected or assumed by either Debtor pursuant to an order of the Bankruptcy Court (including all Sale Order Assumed Contracts), or (2) are the subject of a motion to assume filed by either Debtor which is pending on the Effective Date.

**B. CLAIMS BASED ON REJECTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

All proofs of claim with respect to Claims arising from the rejection pursuant to the Plan of any Executory Contracts or Unexpired Leases, if any, must be filed with the Claims Agent and served upon counsel for the Liquidating Agent within thirty (30) days after the Effective Date. Any Claims arising from the rejection of Executory Contracts or Unexpired Leases that become Allowed Claims are classified and shall be treated as a Class 3 General Unsecured Claims or Class 4 Unsecured Convenience Claims, as applicable. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan not filed within the time required by this section will be forever barred from assertion against the Debtors, the Estates and property

of the Debtors unless otherwise ordered by the Bankruptcy Court or provided in the Plan. Notwithstanding the foregoing, a Claim for damages arising from the rejection of an Executory Contract or Unexpired Lease rejected pursuant to an order of the Bankruptcy Court must be filed prior to any bar date set forth in such order.

### **C. SURVIVAL OF CERTAIN INDEMNIFICATION OBLIGATIONS**

Notwithstanding any other provision of the Plan, the obligations of the Debtors pursuant to their certificates or articles of incorporation, bylaws and other organizational documents to indemnify persons serving after the Filing Date as officers, directors, agents or employees of the Debtors with respect to actions, suits and proceedings against the Debtors or such officers, directors, agents or employees, based upon any act or omission for, on behalf of, or relating to the Debtors and occurring prior to or after the Filing Date, shall not be discharged or impaired by the confirmation of the Plan (it being understood that such obligations shall continue to be obligations of the Debtors from and after the Confirmation Date).

## **IX.**

### **PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS**

#### **A. OBJECTIONS TO CLAIMS**

The Debtors and the Liquidating Agent shall be entitled to object to Claims; provided, however, that the Debtors and Liquidating Agent shall not be entitled to object to Claims (i) that have been Allowed by a Final Order entered by the Bankruptcy Court prior to the Effective Date, or (ii) that are Allowed by the express terms of the Plan. Any objections to Claims must be filed by the Claims Objection Deadline.

#### **B. NO DISTRIBUTIONS PENDING ALLOWANCE**

Except as otherwise provided in the Plan, no Distributions will be made with respect to any portion of a Claim unless and until (i) the Claims Objection Deadline has passed and no objection to such Claim has been filed, or (ii) any objection to such Claim has been settled, withdrawn or overruled pursuant to a Final Order of the Bankruptcy Court. Notwithstanding the foregoing, any undisputed portion of a Disputed Claim shall be deemed Allowed and the Holder of such Disputed Claim shall receive Distributions on the undisputed portion of such Disputed Claim pursuant to the terms of the Plan.

#### **C. ESTIMATION OF CLAIMS**

The Debtors or the Liquidating Agent, as the case may be, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502 of the Bankruptcy Code regardless of whether the Debtors or the Liquidating Agent have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed

amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors (and after the Effective Date, the Liquidating Agent) may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another.

**D. RESOLUTION OF CLAIMS OBJECTIONS**

On and after the Effective Date, the Liquidating Agent shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Claims without approval of the Bankruptcy Court.

**E. DISTRIBUTIONS AFTER ALLOWANCE**

As soon as practicable after (i) the occurrence of the applicable Claims Objection Deadline, if no objection to such Claim has been timely filed, or (ii) the Disputed Claim becomes an Allowed Claim, the Debtors, with respect to all Distributions other than to Holders of Unsecured Claims, will distribute to the Holder thereof all Distributions to which such Holder is then entitled under the Plan. With respect to Unsecured Claims, on the first Distribution Date after (i) the occurrence of the applicable Claims Objection Deadline, if no objection to such Claim has been timely filed, or (ii) the Disputed Claim becomes an Allowed Claim, then notwithstanding the dollar threshold in section 1.1.38 of the Plan, the Holder of an Allowed Unsecured Claim shall receive the Distribution to which such Holder is then entitled plus any Distribution such Holder would have received on a prior Distribution Date had such Holder's Claim been Allowed on such prior Distribution Date; provided, however, if the date such Unsecured Claim becomes entitled to a Distribution is less than twenty (20) Business Days prior to the next Distribution Date, the Distribution with respect to such Claim will be made on the first Distribution Date that occurs more than twenty (20) Business Days after the Claim becomes entitled to a Distribution.

**X.**

**CONDITIONS PRECEDENT TO THE EFFECTIVE DATE**

**A. CONDITIONS TO CONFIRMATION**

The following are conditions precedent to confirmation of the Plan that may be satisfied or waived in accordance with section 11.3 of the Plan: (a) the Bankruptcy Court shall have approved a Disclosure Statement with respect to the Plan in form and substance that is acceptable to the Debtors, in their sole and absolute discretion; and (b) the Confirmation Order shall have been signed by the Bankruptcy Court and entered on the docket of the Bankruptcy Cases.

**B. CONDITIONS TO EFFECTIVE DATE**

The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with section 11.3 of the Plan:

(a) The Confirmation Order shall be in all material respects reasonably acceptable to the Debtors, shall not have been vacated, reversed or modified and, as of the Effective Date, shall not be stayed;

(b) All documents and agreements to be executed on the Effective Date or otherwise necessary to implement the Plan shall be in form and substance that is acceptable to the Debtors, in their reasonable discretion;

(c) The Debtors shall have received any authorization, consent, regulatory approval, ruling, letter, opinion, or document that may be necessary to implement the Plan and that is required by law, regulation, or order; and

(d) The Confirmation Order shall have become a Final Order.

Under Section 11.3 of the Plan, each of the conditions set forth above may be waived, in whole or in part, by the Debtors without any notice to any other parties in interest or the Bankruptcy Court and without a hearing. The failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be asserted by the Debtors in their sole discretion regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors in their sole discretion). The failure of the Debtors to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

## XI.

### CERTAIN EFFECTS OF CONFIRMATION

#### **A. REVESTING OF THE DEBTORS' ASSETS**

Except as otherwise explicitly provided in the Plan, on the Effective Date, all property comprising the Estates (including Cause of Actions, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall revert in the Debtors for the express purpose of allowing the Liquidating Agent to make Distributions to Holders of Claims and Holders of Interests pursuant to the terms and conditions of the Plan.

#### **B. TREATMENT OF CLAIMS AND INTERESTS**

Except as otherwise specifically provided in the Plan or in the Confirmation Order, the Distributions and rights that are provided in the Plan shall govern the rights of all Holders of Claims, whether known or unknown, against, Liens on, and Interests in the Debtors or their Estates that arose prior to the Effective Date, and no such Holder shall be authorized or permitted to take any action that is inconsistent with the Plan.

#### **C. RELEASE BY DEBTORS OF CERTAIN PARTIES**

**Except as otherwise specifically provided in the Plan, pursuant to section 1123(b)(3) of the Bankruptcy Code, as of the Effective Date, each Debtor, in its individual capacity and as a debtor in possession for and on behalf of its Estate, shall release and discharge and**

be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged all Released Parties for and from any and all claims (including derivative claims) or Causes of Action existing as of the Effective Date in any manner arising from, based on or relating to, in whole or in part, the Debtors. The Debtors, the Committee, the Liquidating Agent, the Creditor Oversight Committee, the Equity Oversight Representative and any potential representatives of the Estates shall be bound, to the same extent the Debtors are bound, by the releases set forth above. The Released Parties include all of the current and former officers and directors of each of the Debtors, in each case in their capacity as such.

#### **D. SETOFFS**

The Debtors may, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, claims of any nature whatsoever that the Debtors may have against such Holder; but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Estates of any such claim that the Debtors or the Estates may have against such Holder.

#### **E. EXCULPATION AND LIMITATION OF LIABILITY**

The Debtors, the Estates, the Committee, the members of the Committee in their capacities as such, and any of such parties' respective current and/or post-Filing Date and pre-Effective Date members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers, or agents and any of such parties' successors and assigns, shall not have or incur, and are released from, any claim, obligation, cause of action, or liability to one another or to any Holder of any Claim or Interest, or any other party-in-interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Bankruptcy Cases, the negotiation, formulation and filing of the Plan, the filing of the Bankruptcy Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the Estates and the property to be distributed under the Plan, except for their willful misconduct or gross negligence, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. No Holder of any Claim or Interest, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, and no successors or assigns of the foregoing, shall have any right of action against the parties listed in this provision for any act or omission in connection with, relating to, or arising out of the Bankruptcy Cases, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan. Nothing in this Section of the Plan relieves any Person from complying with the applicable provisions of the federal securities laws.



## **F. INJUNCTION**

**Except as otherwise expressly provided in the Plan, the Confirmation Order, or a separate Final Order of the Bankruptcy Court, all Persons who have held, hold, or may hold Claims against or Interests in any of the Debtors are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors with respect to any such Claim or Interest; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against the Debtors on account of any such Claim or Interest; (c) creating, perfecting, or enforcing any Lien or encumbrance of any kind against the Debtors or against the property or interests in the property thereof on account of any such Claim or Interest; (d) commencing or continuing in any manner any action or other proceeding of any kind with respect to any Claim which is treated or satisfied pursuant to the Plan; and (e) taking any action to interfere with the implementation or consummation of the Plan; provided, however, the provisions of this Section of the Plan shall not prevent any Person from taking action in the Bankruptcy Court to enforce their rights under and in accordance with the Plan.**

## **G. WAIVER OF CERTAIN AVOIDANCE ACTIONS**

On and as of the Effective Date, each Debtor, in its individual capacity and as a debtor in possession for and on behalf of its Estate, shall waive, and be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever waived (i) any Avoidance Action against any Holder of an Allowed Claim arising out of or maintainable pursuant to any state fraudulent conveyance laws or sections 544, 547, 548, 550 or 553(b) of the Bankruptcy Code; and (ii) any Avoidance Action against any Holder of an Allowed Claim arising out of or maintainable pursuant to section 549 of the Bankruptcy Code relating to the payment of valid pre-petition obligations of the Debtors. The Debtors, the Committee, the Liquidating Agent, the Creditor Oversight Committee, the Equity Oversight Representative and other potential representatives of the Estates shall be bound, to the same extent the Debtors are bound, by such waiver.

## **H. THE CREDITOR OVERSIGHT COMMITTEE**

### **1. Procedures and Rules**

On the Effective Date, the Creditor Oversight Committee shall be created and established. The initial members of the Creditor Oversight Committee shall be (i) Ampro Products, Inc., (ii) Archer Daniels Midland, (iii) Diversified Ingredients, (iv) Evonik Degussa Corporation, (v) International Paper, (vi) Southeastern Minerals, Inc., and (vii) R.L. Zeigler, Co., Inc. The formation of the Creditor Oversight Committee shall be effective as of the Effective Date. The Creditor Oversight Committee shall prescribe its own rules of procedure and the bylaws adopted previously by the Committee shall continue to govern the actions of the Creditor Oversight Committee subject, however, to the following requirements:

- (a) Any member of the Creditor Oversight Committee may act by proxy;

- (b) All actions by the Creditor Oversight Committee shall be upon the affirmative vote of a majority of the members of the Creditor Oversight Committee voting, either personally or by proxy;
- (c) Presence of a majority of the members, in person, by proxy or by telephone conference call, shall constitute a quorum;
- (d) Authorization for or approval of any action may be granted orally or evidenced by the written consent of a majority of the Creditor Oversight Committee;
- (e) Meetings of the Creditor Oversight Committee shall be conducted in person or by telephone conference call;
- (f) In the event of the death or resignation of any member of the Creditor Oversight Committee, the remaining members of the Creditor Oversight Committee shall have the right to designate a successor from among the Holders of Allowed Unsecured Claims;
- (g) If an Creditor Oversight Committee member assigns its Claim or releases the Debtor from payment of the balance of its Claim, such act shall constitute a resignation from the Creditor Oversight Committee. Until a vacancy on the Creditor Oversight Committee is filled, the Creditor Oversight Committee shall function in its reduced number; and
- (h) The Creditor Oversight Committee may adopt additional rules governing its conduct, but the Creditor Oversight Committee shall not be entitled to authorize or take any action contrary to the provisions of the Plan or the Confirmation Order.

## **2. Retention of Counsel and Financial Advisor.**

The Creditor Oversight Committee may retain counsel and a financial advisor and the reasonable fees and expenses of such counsel and financial advisor shall be paid out of the Retained Proceeds upon submission of monthly fee statements to the Liquidating Agent, without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest with respect to such retention or payment.

## **3. Limited Liability.**

Neither the Creditor Oversight Committee nor any of its members, counsel or financial advisor shall be liable for any act, omission, default or misconduct of any other members of the Creditor Oversight Committee nor shall any member be liable for anything other than such member's own acts or omissions as constitute willful misconduct or gross negligence in the performance of its duties. Each member of the Creditor Oversight Committee shall be indemnified and held harmless by the Estates from and against any expenses (including the reasonable fees and expenses of counsel), damages, liabilities, claims or losses incurred or suffered by such member in connection with any claim or demand which in any way arises out of

or relates to the Plan or the services of such member under the Plan; provided, however, if any member of the Creditor Oversight Committee is determined to be guilty of defalcation, misappropriation, fraud or gross negligence by a Final Order of a court of competent jurisdiction, then such member shall bear all losses, damages and expenses arising as a result of such defalcation, misappropriation, fraud or gross negligence.

**4. Authority.**

Consistent with the terms of the Plan, the Creditor Oversight Committee shall have the authority to review the activities of the Liquidating Agent, and shall have authority to seek to remove and replace the Liquidating Agent for good cause shown; provided, however, any removal or replacement of the Liquidating Agent shall require approval of the Bankruptcy Court following Designated Notice and the removal or replacement of the Liquidating Agent shall not be effective unless the Liquidating Agent shall have received at least 30 days' advance written notice of such proposed removal or replacement.

**5. Reporting.**

The Liquidating Agent shall submit such reports as it deems reasonable and necessary to the Creditor Oversight Committee. The Liquidating Agent shall also promptly report to the Creditor Oversight Committee, at the reasonable request of the chairperson of the Creditor Oversight Committee or a professional retained by the Creditor Oversight Committee, on any matter that reasonably relates to the post-Effective Date administration of the Estates or Distributions under the Plan.

**6. Reimbursement.**

Each member of the Creditor Oversight Committee will serve without compensation but the Liquidating Agent shall reimburse each member of the Creditor Oversight Committee for its reasonable out-of-pocket expenses.

**7. Dissolution.**

Effective as of the date that the Holders of Allowed Claims in Class 3 shall have received Distributions in an aggregate amount equal to at least 80% of such Holders' Allowed Claims plus postpetition interest on such 80% Distribution as provided in section 3.3.2 of the Plan, the Creditor Oversight Committee shall dissolve (permanently and automatically) and each member of the Creditor Oversight Committee shall be discharged of its duties and responsibilities under the Plan.

**I. THE EQUITY OVERSIGHT REPRESENTATIVE**

**1. Appointment.**

On the Effective Date, J. Douglas Cagle shall be appointed as the Equity Oversight Representative. In the event of the death or resignation of the Equity Oversight Representative,

the Bankruptcy Court shall have the right (but not the obligation) to designate a successor from among the Holders of Allowed Interests.

**2. Retention of Counsel.**

The Equity Oversight Representative may retain counsel and the reasonable fees and expenses of such counsel shall be paid out of the Retained Proceeds upon submission of monthly fee statements to the Liquidating Agent, without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest with respect to such retention or payment.

**3. Limited Liability.**

Neither the Equity Oversight Representative nor his counsel shall be liable for anything other than such Person's own acts or omissions as constitute willful misconduct or gross negligence in the performance of his duties. The Equity Oversight Representative shall be indemnified and held harmless by the Estates from and against any expenses (including the reasonable fees and expenses of counsel), damages, liabilities, claims or losses incurred or suffered by such Person in connection with any claim or demand which in any way arises out of or relates to the Plan or the services of such Person under the Plan; provided, however, if the Equity Oversight Representative is determined to be guilty of defalcation, misappropriation, fraud or gross negligence by a Final Order of a court of competent jurisdiction, then such Person shall bear all losses, damages and expenses arising as a result of such defalcation, misappropriation, fraud or gross negligence.

**4. Authority.**

Consistent with the terms of the Plan, the Equity Oversight Representative shall have the authority to review the activities of the Liquidating Agent, and shall have authority to seek to remove and replace the Liquidating Agent for good cause shown; provided, however, any removal or replacement of the Liquidating Agent shall require approval of the Bankruptcy Court following Designated Notice and the removal or replacement of the Liquidating Agent shall not be effective unless the Liquidating Agent shall have received at least 30 days' advance written notice of such proposed removal or replacement.

**5. Reporting.**

The Liquidating Agent shall submit such reports as it deems reasonable and necessary to the Equity Oversight Representative. The Liquidating Agent shall also promptly report to the Equity Oversight Representative, at the reasonable request of the Equity Oversight Representative, on any matter that reasonably relates to the post-Effective Date administration of the Estates or Distributions under the Plan.

**6. Reimbursement.**

The Equity Oversight Representative will serve without compensation but the Liquidating Agent shall reimburse the Equity Oversight Representative for his reasonable out-of-pocket expenses incurred in connection with the discharge of his duties under the Plan.

**7. Discharge.**

Effective as of the Consummation Date, the Equity Oversight Representative shall be discharged of his duties and responsibilities under the Plan.

**J. MISCELLANEOUS PLAN PROVISIONS**

**1. Modification of Plan**

The Debtors may modify the Plan pursuant to section 1127 of the Bankruptcy Code and as provided in the Plan, to the extent applicable law permits. The Debtors may modify the Plan before or after confirmation, upon notice to the Creditor Oversight Committee and the Equity Oversight Representative only, or after such notice and hearing as the Bankruptcy Court deems appropriate, if the Bankruptcy Court finds that the modification does not materially and adversely affect the rights of any parties in interest which have not had notice and an opportunity to be heard with regard thereto. In the event of any modification on or before confirmation, any votes to accept or reject the Plan shall be deemed to be votes to accept or reject the Plan as modified, unless the Bankruptcy Court finds that the modification materially and adversely affects the rights of parties in interest which have cast said votes. The Debtors reserve the right in accordance with section 1127 of the Bankruptcy Code to modify the Plan at any time before the Confirmation Date.

**2. Retention of Jurisdiction**

The Plan provides that subsequent to the Effective Date, the Bankruptcy Court shall have or retain jurisdiction for the following purposes:

- (a) To adjudicate objections concerning the allowance, priority or classification of Claims and any subordination thereof, and to establish a date or dates by which objections to Claims must be filed to the extent not established in the Plan;
- (b) To liquidate the amount of any disputed, contingent or unliquidated Claim, to estimate the amount of any disputed, contingent or unliquidated Claim, and to establish the amount of any reserve required to be withheld from any Distribution under the Plan on account of any disputed, contingent or unliquidated Claim;
- (c) To resolve all matters related to the rejection, or assumption and/or assignment, of any Executory Contract or Unexpired Lease of the Debtors;
- (d) To hear and rule upon all Causes of Action and Avoidance Actions commenced and/or pursued by the Debtors and/or the Liquidating Agent;

- (e) To hear and rule upon all applications for Professional Compensation;
- (f) To remedy any defect or omission or reconcile any inconsistency in the Plan, as may be necessary to carry out the intent and purpose of the Plan;
- (g) To construe or interpret any provisions in the Plan and to issue such orders as may be necessary for the implementation, execution and consummation of the Plan, to the extent authorized by the Bankruptcy Code;
- (h) To hear, rule upon and enter orders approving any sales of Assets (including, without limitation, sales of fee owned real property and the assumption and assignment of real property leases) by Debtors after the Effective Date;
- (i) To adjudicate controversies arising out of the administration of the Estates or the implementation of the Plan, including any disputes that may arise between the Liquidating Agent and the Creditor Oversight Committee and/or the Equity Oversight Representative;
- (j) To make such determinations and enter such orders as may be necessary to effectuate all the terms and conditions of the Plan, including the Distribution of funds from the Estates and the payment of Claims and Interests;
- (k) To determine any suit or proceeding brought by the Debtors and/or the Liquidating Agent to recover property under any provisions of the Bankruptcy Code;
- (l) To hear and determine any tax disputes concerning the Debtors and to determine and declare any tax effects under the Plan;
- (m) To hear, rule upon and enter orders regarding any disputes, controversies or other matters relating to or arising under the Asset Purchase Agreement and/or the Debtors' rights thereunder;
- (n) To determine such other matters as may be provided for in the Plan or the Confirmation Order or as may be authorized by or under the provisions of the Bankruptcy Code;
- (o) To determine any controversies, actions or disputes that may arise under the provisions of the Plan, or the rights, duties or obligations of any Person under the provisions of the Plan;
- (p) To adjudicate any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, any agreement pursuant to which the Debtors sold any of their assets during the Bankruptcy Cases; and
- (q) To enter a final decree.



### **3. Dissolution of Creditors' Committee**

The Committee shall be dissolved and shall not continue to exist following the Effective Date, except for the limited purpose of filing any fee applications.

### **K. NO DISCHARGE**

Notwithstanding any other provision of the Plan or Confirmation Order, pursuant to section 1141(d)(3) of the Bankruptcy Code, the Debtors will not receive a discharge.

## **XII.**

### **CONFIRMATION AND CONSUMMATION PROCEDURE**

#### **A. GENERAL INFORMATION**

All Holders of Claims or Interests that are impaired by the Plan may cast their votes for or against the Plan. As a condition to confirmation of the Plan, the Bankruptcy Code requires that one Class of Impaired Claims votes to accept the Plan. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a Class of Impaired Claims as acceptance by Holders of at least two-thirds of the dollar amount of the class *and* by more than one-half in number of Claims. Holders of Claims or Interests who fail to vote are not counted as either accepting or rejecting a plan. Voting is accomplished by completing, dating, signing and returning the ballot form (the "Ballot") by the Voting Deadline. Ballots will be distributed to all creditors and Holders of Allowed Interests entitled to vote on the Plan as part of the Solicitation Package accompanying the Disclosure Statement. The Ballot indicates (i) where the Ballot is to be filed and (ii) the deadline by which creditors must return their Ballots. *See* Section I.C. of this Disclosure Statement for a more detailed explanation of who will receive Ballots and voting procedures.

#### **B. SOLICITATION OF ACCEPTANCES**

This Disclosure Statement has been approved by the Bankruptcy Court as containing "adequate information" to permit creditors and equity interest holders to make an informed decision whether to accept or reject the Plan. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to, or concurrently with, such solicitation.

#### **C. ACCEPTANCES NECESSARY TO CONFIRM THE PLAN**

At the Confirmation Hearing, the Bankruptcy Court shall determine, among other things, whether the Plan has been accepted by the Debtors' creditors. Class 3 and Class 4 will be deemed to accept the Plan if at least two-thirds in amount and more than one-half in number of the Claims in such Classes vote to accept the Plan. Class 5 will be deemed to accept the Plan if the Plan is accepted by the Holders of Class 5 Interests in Cagle's that hold at least two-thirds in amount of the Allowed Class 5 Interests that have accepted or rejected the Plan. Furthermore, unless there is unanimous acceptance of the Plan by Classes 3, 4 and 5, the Bankruptcy Court must also determine that any non-accepting Class members will receive property with a value, as of the Effective Date of the Plan, that is not less than the amount that such Class member would

receive or retain if the Debtors were liquidated as of the Effective Date of the Plan under Chapter 7 of the Bankruptcy Code.

#### **D. CONSIDERATIONS RELEVANT TO ACCEPTANCE OF THE PLAN**

The Debtors' recommendation that all creditors and equity interest holders should vote to accept the Plan is premised upon the Debtors' view that the Plan is preferable to other alternatives for liquidation of the Debtors' Estates. It appears highly unlikely to the Debtors that an alternate plan of reorganization or liquidation can be proposed that would provide for payments in an amount equal to or greater than the amounts proposed under the Plan. Among other things, the Debtors believe that in the current economic climate it would be inappropriate to use the Cash currently held by the Debtors to enter into a new line of business. If the Plan is not accepted, it is likely that the interests of all creditors and equity interest holders will be further diminished.

#### **E. LIQUIDATION ANALYSIS**

An unaudited liquidation and distribution analysis (the "Liquidation Analysis") is attached to this Disclosure Statement as Exhibit B. As set forth in the Liquidation Analysis, the Debtors expect to have Cash in an amount equal to approximately \$35.1 million (assuming the Purchase Note is paid in full) and estimate that the total unpaid Claims against the Estates will aggregate less than \$20.1 million. As a result and as set forth in the Liquidation Analysis, the Debtors believe they will have sufficient Cash to make all of the payments to Creditors required by the Plan and to make substantial Distributions to Holders of Allowed Interests.

### **XIII.**

#### **ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

The Debtors have analyzed whether a liquidation of their remaining Assets by a Chapter 7 trustee would result in a higher return to the creditors and equity interest holders of the Estates than an orderly liquidation by the Debtors and the Liquidating Agent. Conversion to Chapter 7 would likely delay the Distributions to Holders of Claims and Interests under the Plan. In a Chapter 7 case, a trustee would be appointed or elected and would require additional time to become familiar with the Debtors' financial affairs. Moreover, a new bar date would be set for the filing of Claims against the Debtors. Under section 326(a) of the Bankruptcy Code, a Chapter 7 trustee would be entitled to compensation based upon a percentage of all funds distributed in the case to parties in interest. In addition, the Chapter 7 trustee would be authorized to hire professionals to assist the trustee in the administration of the chapter 7 estates and the costs and expenses of such professionals that are Allowed would be additional Administrative Expense Claims against the Estate. Accordingly, the Debtors believe that a Chapter 7 liquidation would result in substantial diminution in the value to be realized by Holders of Allowed Claims and Holders of Allowed Interests because:

1. any successor Chapter 7 trustee will not have the relevant knowledge of the Debtors' remaining Assets that will be necessary to maximize the proceeds therefrom; and
2. the substantial additional Administrative Expenses that will be required in order to compensate the Chapter 7 trustee and for a Chapter 7 trustee to retain new attorneys, accountants, and other professionals who are unfamiliar with the Bankruptcy Cases and for such new professionals to familiarize themselves with the Claims against the Estates.

Consequently, the Debtors believe that the Plan, which provides for collection, marshaling and liquidation of the Debtors' remaining Assets by individuals familiar with the Debtors and their Bankruptcy Cases, provides a substantially greater return to Holders of Claims and Holders of Interests than would liquidation by a new Chapter 7 trustee who is unfamiliar with these Bankruptcy Cases or the Debtors.

#### **XIV.** **CERTAIN RISK FACTORS TO CONSIDER**

The following disclosures are not intended to be inclusive and should be read in connection with the other disclosures contained in this Disclosure Statement and the Exhibits hereto. You should consult your legal, financial, and tax advisors regarding the risks associated with the Plan and the distributions you may receive thereunder.

*Claims Estimation:* There can be no assurance that the estimated Claim amounts assumed for the purposes of preparing the Plan are correct. The actual amount of Allowed Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated for the purpose of preparing the Plan. Depending on the outcome of claims objections and various other factors, the estimated recovery percentages provided in this Disclosure Statement may be materially different than the actual recovery percentages that are realized under the Plan.

*Risk of Nonpayment of Purchase Note:* There can be no assurances that the Debtors will receive any or all of the amounts due under the Purchase Note. The Purchase Note is an unsecured obligation of JCG and is subordinated to the prior payment (in full) of the Rabobank debt pursuant to the terms of the Intercreditor Agreement. Any failure or inability to collect amounts due under the Purchase Note will likely have a material, adverse effect on the amount of Distributions payable to the holders of Cagle's common stock (i.e., Class 5 Interests).

*Certain Risks of Nonconfirmation:* There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A rejecting creditor or Interest Holder might challenge the balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court were to determine that the balloting procedures and results were appropriate, the Bankruptcy Court

could still decline to confirm the Plan if it were to find that any of the statutory requirements for confirmation had not been met. The statutory requirements are explained in more detail in Sections I and XII of this Disclosure Statement.

**XV.**

**UNITED STATES FEDERAL INCOME TAX CONSEQUENCES**

**THE DEBTORS HAVE NOT SOUGHT OR OBTAINED ANY RULING FROM THE INTERNAL REVENUE SERVICE OR FROM ANY OTHER TAXING AUTHORITY WITH RESPECT TO ANY OF THE TAX CONSEQUENCES OF THE PLAN, NOR HAVE THE DEBTORS SOUGHT OR OBTAINED AN OPINION OF COUNSEL WITH RESPECT TO ANY SUCH TAX CONSEQUENCES. NO REPRESENTATIONS OR ASSURANCES ARE MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN. BECAUSE THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON INDIVIDUAL CIRCUMSTANCES, EACH CREDITOR AND EQUITY INTEREST HOLDER SHOULD CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF ANY ASPECT OF THE PLAN WITH RESPECT TO SUCH CREDITOR OR EQUITY INTEREST HOLDER.**

**XVI.**

**RECOMMENDATION**

For all of the reasons set forth in this Disclosure Statement, the Debtors and the Committee believe that confirmation and consummation of the Plan is preferable to all other alternatives. **Consequently, the Debtors and the Committee urge all Holders of Claims in Classes 3 and 4 and Holders of Interests in Class 5 to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED on or before October 11, 2012 at 4:00 p.m. local time in El Segundo, California.**

Dated this 6th day of September, 2012.

Respectfully submitted,

**CAGLE'S, INC.**

By: /s/ J. Douglas Cagle  
J. Douglas Cagle  
President and CEO

**CAGLE'S FARMS, INC.**

By: /s/ J. Douglas Cagle  
J. Douglas Cagle  
President and CEO

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**COUNSEL FOR THE  
DEBTORS IN POSSESSION**



**EXHIBITS TO DISCLOSURE STATEMENT**

Exhibit A Joint Plan of Liquidation

Exhibit B Liquidation Analysis

**EXHIBIT A**

**Joint Plan of Liquidation**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>CAGLE'S, INC.,</b>	)	<b>Case No. 11-80202-PWB</b>
<b>CAGLE'S FARMS, INC.,</b>	)	
	)	
<b>Debtors.</b>	)	<b>Jointly Administered</b>
	)	
	)	
	)	

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**AMENDED AND RESTATED PLAN OF LIQUIDATION FOR  
CAGLE'S, INC. AND CAGLE'S FARMS, INC.**

**Dated the 6th day of September, 2012**

---

**Filed by:**

**Cagle's, Inc. and Cagle's Farms, Inc.,  
Debtors and Debtors In Possession**

**Attorneys for the Debtors and Debtors In Possession:**

**Paul K. Ferdinands  
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Atlanta, Georgia 30309  
(404) 572-4600**

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**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF GEORGIA  
ATLANTA DIVISION**

<b>In re:</b>	)	<b>Chapter 11</b>
	)	
<b>CAGLE’S, INC.,</b>	)	<b>Case No. 11-80202-PWB</b>
<b>CAGLE’S FARMS, INC.,</b>	)	
	)	
<b>Debtors.</b>	)	<b>Jointly Administered</b>
	)	
	)	
	)	

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**AMENDED AND RESTATED PLAN OF LIQUIDATION  
FOR CAGLE’S, INC. AND CAGLE’S FARMS, INC.**

**INTRODUCTION**

Cagle’s, Inc. and Cagle’s Farms, Inc. (each a “Debtor” and together, the “Debtors”), debtors and debtors in possession in the above-captioned cases, propose this Plan for the resolution of the outstanding Claims against and Interests in the Debtors. The Debtors are the proponents of this Plan within the meaning of section 1129 of the Bankruptcy Code.

**ARTICLE I  
Definitions and General Provisions**

For the purposes of this Plan, except as otherwise expressly provided, all capitalized terms not otherwise defined shall have the meanings ascribed to them in section 1.1 of this Plan. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules. Whenever the context requires, terms shall include the plural as well as the singular in number, and the masculine shall include the feminine and the feminine shall include the masculine in gender.

1.1 *Definitions.* The following terms shall have the following meanings when used in this Plan:

1.1.1 “Administrative Expense Claim” means a Claim (other than a Claim under the DIP Loan Facility) for payment of an administrative expense of a kind specified in section 503(b) or 1114(e)(2) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code, including the actual, necessary costs and expenses, incurred on or after the Filing Date, of preserving the Estates and operating the business of the Debtors, including wages, salaries or commissions for services rendered after the commencement of the Bankruptcy Cases, Professional Compensation, and all fees and charges assessed against the Estates under chapter 123 of title 28 of the United States Code; provided, however, that the term

Administrative Expense Claim does not include any Assumed Liabilities (as defined in the Asset Purchase Agreement) or any 503(b)(9) Claims.

1.1.2 “Affiliates” shall have the meaning ascribed to such term by section 101(2) of the Bankruptcy Code.

1.1.3 “Allowed” shall mean: (a) when used in reference to an Interest, that such an Interest is reflected in the stock transfer ledger or similar register of the applicable Debtor on the Record Date; and (b) when used in reference to a Claim, such Claim or any portion thereof that (i) has been allowed by a Final Order of the Bankruptcy Court; (ii) is listed in any of the Debtors’ respective Schedules and for which no contrary proof of claim has been filed, other than a Claim that is listed in any of the Debtors’ Schedules at zero or as disputed, contingent, or unliquidated; (iii) is evidenced by a proof of claim that has been timely filed with the Bankruptcy Court or the Claims Agent on or before any applicable claim bar date or deemed to be timely filed pursuant to any Final Order of the Bankruptcy Court or under applicable law, and as to which (A) no objection to its allowance has been filed on or before the Claims Objection Deadline, or (B) any objection to its allowance has been settled or withdrawn, or has been overruled by a Final Order; or (iv) is allowed pursuant to the terms of this Plan (regardless of whether such Claim has been listed by the Debtors in their Schedules and regardless of whether a proof of claim has been filed in respect thereof); provided, however, that Claims allowed solely for the purpose of voting to accept or reject this Plan pursuant to an order of the Bankruptcy Court shall not be considered Allowed Claims for the purposes of distribution under this Plan.

1.1.4 “Assets” means, collectively, all of the property, as defined by section 541 of the Bankruptcy Code, of each of the Estates of the Debtors (including all of the assets, property, interests (including equity interests) and effects, real and personal, tangible and intangible, including all Causes Actions), wherever situated as such property exists on the Effective Date or thereafter.

1.1.5 “Asset Purchase Agreement” means that certain Second Amended and Restated Asset Purchase Agreement by and between JCG Foods LLC and the Debtors, dated as of May 10, 2012, as amended.

1.1.6 “Avoidance Action” means any claim or cause of action of an Estate arising out of or maintainable pursuant to sections 544, 545, 547, 548, 549, 550, or 553 of the Bankruptcy Code or under any other similar applicable law, regardless of whether or not such action has been commenced prior to the Effective Date.

1.1.7 “Ballot” means each of the ballot forms that were distributed with the Disclosure Statement to Holders of Interests and Holders of Claims included in Classes that are Impaired under this Plan and are entitled to vote under Article III of this Plan to accept or reject this Plan.

1.1.8 “Bankruptcy Case” means, with respect to each Debtor, the chapter 11 case initiated by such Debtor’s filing on the Filing Date of a voluntary petition for relief in the Bankruptcy Court under chapter 11 of the Bankruptcy Code. The Bankruptcy Cases are being

jointly administered in the Bankruptcy Court as Bankruptcy Case No. 11-80202-PWB pursuant to the *Order Directing Joint Administration of Chapter 11 Cases* entered by the Bankruptcy Court on October 20, 2011.

1.1.9 “Bankruptcy Code” means title 11 of the United States Code.

1.1.10 “Bankruptcy Court” means the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division or, in the event such court ceases to exercise jurisdiction over any Bankruptcy Case, such court or adjunct thereof that exercises jurisdiction over such Bankruptcy Case in lieu of the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division.

1.1.11 “Bankruptcy Rules” means, collectively, the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as applicable to the Bankruptcy Cases or proceedings therein, and the Local Rules of the Bankruptcy Court, as applied to the Bankruptcy Cases or proceedings therein, as the case may be.

1.1.12 “Business Day” means any day on which commercial banks are required to be open for business in Atlanta, Georgia.

1.1.13 “Cagle’s” means Cagle’s, Inc., a Georgia corporation.

1.1.14 “Cagle’s Farms” means Cagle’s Farms, Inc., a Georgia corporation.

1.1.15 “Cash” means legal tender of the United States of America and equivalents thereof.

1.1.16 “Causes of Action” means all Avoidance Actions of Cagle’s or Cagle’s Farms and any and all actions, causes of action, suits, accounts, agreements, promises, rights to payment and claims of Cagle’s or Cagle’s Farms, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured, and whether asserted or assertable directly or derivatively, in law, equity, or otherwise; provided, however, the term “Causes of Action” shall not include any Waived Avoidance Actions, actions, causes of action, suits, accounts, agreements, promises, rights to payment or claims released pursuant to Article X of this Plan.

1.1.17 “Certificate” means any instrument, including any note, bond, indenture, or other document, evidencing or creating any indebtedness or obligation of the Debtors or otherwise evidencing a Claim.

1.1.18 “Claim” means a claim against one of the Debtors (or both of them), whether or not asserted, as defined in section 101(5) of the Bankruptcy Code.

1.1.19 “Claims Agent” means Kurtzman Carson Consultants, LLC.

1.1.20 “Claims Litigation” means any and all litigation or proceedings arising out of objections to Claims asserted against the Estates, motions to estimate Claims asserted

against the Estates or affirmative counterclaims or requests for setoff or recoupment that are raised with regard to Claims asserted against the Estates.

1.1.21 “Claims Objection Deadline” means the latest of (i) the Effective Date, (ii) the first Business Day that is at least ninety (90) days after a specific proof of claim was filed, or (iii) such other time as may be ordered by the Bankruptcy Court after Designated Notice.

1.1.22 “Classes” means a category of Claims or Interests described in Article III of this Plan.

1.1.23 “Committee” means the Official Committee of Unsecured Creditors appointed in the Debtors’ Bankruptcy Cases pursuant to section 1102(a) of the Bankruptcy Code.

1.1.24 “Confirmation Date” means the date on which the Bankruptcy Court enters the Confirmation Order.

1.1.25 “Confirmation Hearing” means the hearing before the Bankruptcy Court held to consider confirmation of this Plan and related matters under section 1128 of the Bankruptcy Code, as such hearing may be continued.

1.1.26 “Confirmation Order” means the order entered by the Bankruptcy Court confirming this Plan pursuant to section 1129 of the Bankruptcy Code.

1.1.27 “Consummation Date” means the date on which the Liquidating Agent makes the Final Distribution of the Liquidation Proceeds and Retained Proceeds in accordance with this Plan.

1.1.28 “Creditor Oversight Committee” means a committee comprised of seven Persons. The initial members of the Creditor Oversight Committee have been appointed by the Committee and shall be (i) Ampro Products, Inc., (ii) Archer Daniels Midland, (iii) Diversified Ingredients, (iv) Evonik Degussa Corporation, (v) International Paper, (vi) Southeastern Minerals, Inc., and (vii) R.L. Zeigler, Co., Inc. The formation of the Creditor Oversight Committee shall be effective as of the Effective Date.

1.1.29 “Debtor” or “Debtors” means, individually, Cagle’s and Cagle’s Farms, each of which is a Debtor in its Bankruptcy Case.

1.1.30 “Designated Notice” means notice and an opportunity for a hearing as defined in section 102(1) of the Bankruptcy Code, with notice limited to the Debtors, the Liquidating Agent, the Creditor Oversight Committee, the Equity Oversight Representative, the United States Trustee, and other parties in interest who, after entry of the Confirmation Order, file a request for such notice with the Clerk of the Bankruptcy Court and serve a copy of same on counsel for the Debtors. Until and including thirty (30) days after the Effective Date, Designated Notice means notice pursuant to the *Order Establishing Notice and Administrative Procedures* entered by the Bankruptcy Court on October 20, 2011, in the Bankruptcy Cases.

1.1.31 “DIP Lender” means AgSouth Farm Credit, ACA.

1.1.32 “DIP Lender Claims” means any Claims of the DIP Lender arising under the DIP Loan Facility.

1.1.33 “DIP Loan Facility” means that certain Debtor in Possession Credit and Security Agreement, as amended from time to time, by and between the Debtors and the DIP Lender, dated as of October 24, 2011.

1.1.34 “Disallowed Claim” means a Claim or any portion thereof that (i) has been disallowed by a Final Order, (ii) is listed in any of the Debtors’ respective Schedules at zero or as contingent, disputed, or unliquidated and as to which a proof of claim bar date has been established but no proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court or the Claims Agent pursuant to the Bankruptcy Code or any Final Order of the Bankruptcy Court, or (iii) is not listed in any of the Debtors’ respective Schedules and as to which a proof of claim bar date has been established but no proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court or the Claims Agent pursuant to the Bankruptcy Code or any Final Order of the Bankruptcy Court.

1.1.35 “Disclosure Statement” means the written disclosure statement that relates to this Plan, as approved by the Bankruptcy Court pursuant to section 1125 of the Bankruptcy Code and Bankruptcy Rule 3017, as such disclosure statement may be amended, modified or supplemented from time to time.

1.1.36 “Disputed Claim” means, with reference to any Claim, a Claim or any portion thereof that is the subject of an objection timely filed in the Bankruptcy Court and which objection has not been withdrawn, settled or overruled by a Final Order of the Bankruptcy Court. Disputed Claims shall also include any Claim held by a creditor against which the Debtors or the Liquidating Agent has asserted a claim that has the effect, under section 502(d) of the Bankruptcy Code, of precluding a Distribution with respect to such Claim; provided, however, the Debtors and the Liquidating Agent shall not assert any claims that constitute Waived Avoidance Actions.

1.1.37 “Distribution” means any distribution of Cash by the Debtors to a Holder of an Allowed Claim or to a Holder of an Allowed Interest.

1.1.38 “Distribution Date” means (i) the Initial Distribution Date, and (ii) the first Business Day after the end of the months of March, June, September and December, commencing with the first such date to occur more than ninety (90) days after the Initial Distribution Date and continuing until the Consummation Date; provided, however, that a Distribution Date (other than the Initial Distribution Date and Consummation Date) shall not occur in the discretion of the Liquidating Agent if the aggregate value of the consideration to be distributed on account of all Allowed Claims or Interests on such Distribution Date is less than one million and 00/100 dollars (\$1,000,000.00), in which case the amount to be distributed shall be retained and added to the amount to be distributed on the next Distribution Date.

1.1.39 “District Court” means the United States District Court for the Northern District of Georgia, Atlanta Division.

1.1.40 “Effective Date” means the date specified by the Debtors in a notice filed with the Bankruptcy Court as the date on which this Plan shall take effect, which date shall be not more than ten (10) Business Days after the date on which the conditions to the Effective Date provided for in this Plan have been satisfied or waived by the Debtors.

1.1.41 “Equity Oversight Representative” means J. Douglas Cagle. The appointment of the Equity Oversight Representative shall be effective as of the Effective Date.

1.1.42 “ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto.

1.1.43 “Estate” means, with regard to each Debtor, the estate that was created by the commencement by a Debtor of a Bankruptcy Case pursuant to section 541 of the Bankruptcy Code, and shall be deemed to include any and all rights, powers, and privileges of such Debtor and any and all interests in property, whether real, personal or mixed, rights, causes of action, avoidance powers or extensions of time that such Debtor or such Estate shall have had as of the commencement of the Bankruptcy Case, or which such Estate acquired after the commencement of the Bankruptcy Case.

1.1.44 “Executory Contract or Unexpired Lease” means all executory contracts and unexpired leases to which either of the Debtors is a party.

1.1.45 “Existing Securities” means, collectively, shares of stock of the Debtors, regardless of class, that are authorized, issued and outstanding on the Effective Date immediately prior to this Plan taking effect, and all options, warrants and rights (whether fixed or contingent, matured or unmatured, disputed or undisputed) contractual, legal or otherwise to acquire any of the foregoing.

1.1.46 “Filing Date” means October 19, 2011.

1.1.47 “Final Distribution” means the Distribution by the Debtors that satisfies all Allowed Claims and Allowed Interests to the extent provided in accordance with this Plan.

1.1.48 “Final Order” means an order of the Bankruptcy Court, the District Court, or any other court as to which (i) any appeal that has been taken has been finally determined or dismissed, or (ii) the time for appeal has expired and no appeal has been filed timely. In the case of an order of the Bankruptcy Court, the time for appeal, for purposes of this definition, shall be the time permitted for an appeal to the District Court.

1.1.49 “503(b)(9) Claims” means any Claims arising under section 503(b)(9) of the Bankruptcy Code.

1.1.50 “General Unsecured Claim” means any Unsecured Claim other than an Unsecured Convenience Claim.

1.1.51 “Holder” means a holder of a Claim or Interest, as applicable.



1.1.52 “Impaired” shall have the meaning ascribed to such term in section 1124 of the Bankruptcy Code.

1.1.53 “Initial Distribution Date” means the first Business Day after the Effective Date or as soon as reasonably practical thereafter; provided, however, that in no event shall the Initial Distribution Date be more than thirty (30) days after the Effective Date unless otherwise ordered by the Bankruptcy Court.

1.1.54 “Intercompany Claim” means any Claim asserted by a Debtor against the other Debtor.

1.1.55 “Interests” means the equity interests in the Debtors, including the Existing Securities and the common stock of Cagle’s and Cagle’s Farms, and any options, warrants, puts, calls, subscriptions or other similar rights or other agreements, commitments, or outstanding securities obligating either of the Debtors to issue, transfer, purchase, redeem, or sell any shares of capital stock or other equity securities, any claims arising out of any appraisal or dissenter’s rights, any claims arising from rescission of a purchase, sale or other acquisition of any common stock or other equity security (or any right, claim, or interest in and to any common stock or equity security) of either of the Debtors, and any claims for damages or any other relief arising from any such purchase, sale, or other acquisition of such common stock or other equity security.

1.1.56 “Lien” has the meaning set forth in section 101(37) of the Bankruptcy Code.

1.1.57 “Liquidating Agent” means Sean M. Harding and any successors under this Plan. Confirmation of this Plan shall constitute the approval of the Liquidating Agent as a professional person pursuant to the applicable provisions of the Bankruptcy Code. Except as otherwise specifically provided for herein, the Liquidating Agent shall direct and oversee the Debtors’ business activities, conduct the final liquidation and distribution of the Estates and conduct the wind-up of the Debtors’ affairs, in each case in accordance with the terms and conditions of this Plan.

1.1.58 “Liquidation Proceeds” means any Cash received by the Estates from any source, less and except an appropriate amount of Retained Proceeds. “Liquidation Proceeds” includes Cash generated by (a) the collection of outstanding accounts receivable, (b) sales of the Debtors’ assets, (c) the return of any deposits or escrowed funds to the Debtors, and (d) the prosecution or settlement of the Causes of Action. Liquidation Proceeds shall include any Cash held by either of the Debtors as of the Effective Date and all Cash realized from the liquidation of any asset of the Debtors or the Estates (after satisfaction of any Lien on such asset that secures a Secured Claim).

1.1.59 “MetLife Claims” means all Claims arising under that certain Loan Agreement by and between Cagle’s, Inc. and Metropolitan Life Insurance Company, dated March 28, 2001, as amended from time to time.

1.1.60 “Miscellaneous Secured Claims” means a Secured Claim other than a DIP Lender Claim, a MetLife Claim, a Prepetition Lender Claim or any other Secured Claim that

has been fully and finally satisfied prior to the Effective Date or that has been assumed by JCG Foods LLC (or its assignees) pursuant to the Asset Purchase Agreement.

1.1.61 “Person” means an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization, governmental unit (as defined in section 101(27) of the Bankruptcy Code) or other entity.

1.1.62 “Plan” means this Amended and Restated Plan of Liquidation for Cagle’s, Inc. and Cagle’s Farms, Inc., dated September 6, 2012, as it may be amended, supplemented or modified from and after the date hereof.

1.1.63 “Prepetition Credit Agreement” means that certain Third Amended and Restated Revolving Line of Credit and Security Agreement by and between the Debtors and AgSouth Farm Credit, ACA, dated September 4, 2008, as amended, modified and restated, and all documents executed in connection therewith.

1.1.64 “Prepetition Lender Claims” means all Claims arising under or pursuant to the Prepetition Credit Agreement.

1.1.65 “Prepetition Lenders” means the Holders of the Prepetition Lender Claims.

1.1.66 “Priority Claim” means a Claim entitled to priority under the provisions of section 507(a) of the Bankruptcy Code other than an Administrative Expense Claim or a Tax Claim.

1.1.67 “Professional Compensation” means (i) any amounts that the Bankruptcy Court allows pursuant to section 330 of the Bankruptcy Code as compensation earned, and reimbursement of expenses incurred, by professionals employed by the Debtors or the Committee, and (ii) any amounts the Bankruptcy Court allows pursuant to sections 503(b)(3) and (4) of the Bankruptcy Code in connection with the making of a substantial contribution to the Bankruptcy Cases.

1.1.68 “Record Date” means the date established in the Confirmation Order or any other Final Order of the Bankruptcy Court for determining the identity of Holders of Allowed Claims and Holders of Allowed Interests entitled to Distributions under this Plan. If no Record Date is established in the Confirmation Order or any other order of the Bankruptcy Court, then the Record Date shall be the Confirmation Date.

1.1.69 “Record Holder” means the Holder of a Claim or Holder of an Interest as of the Record Date.

1.1.70 “Released Parties” means the current and former officers and directors of each of the Debtors, in each case in their capacity as such.

1.1.71 “Retained Proceeds” means the Unpaid Claims Reserve plus a portion of the Cash in the Estates, as determined by the Liquidating Agent in its reasonable discretion from

time to time after consulting with the Creditor Oversight Committee (if it has not been dissolved) and the Equity Oversight Representative, that shall be retained in the Estates as a reserve fund to cover, among other things, (a) pro rata payments to Holders of Disputed Claims that are not Allowed Claims on the Effective Date or any applicable Distribution Date (it being understood that the Bankruptcy Court may, at the request of the Liquidating Agent, fix the amount of the reserve fund allocated to Disputed Claims); (b) Professional Compensation; (c) the post-Effective Date costs and expenses of liquidating and administering the Estates (including resolving Disputed Claims); (d) Tax Claims (if any) and other Priority Claims accruing after the Effective Date; and (e) a reasonable reserve for the payment of the post-Effective Date compensation and expenses of the Liquidating Agent, the fees and expenses of professional persons retained by the Liquidating Agent and/or the Debtors, the out-of-pocket expenses of the Equity Oversight Representative and members of the Creditor Oversight Committee, and the fees and expenses of the Creditor Oversight Committee's counsel and financial advisor and the Equity Oversight Representative's counsel. On the Consummation Date, any remaining Retained Proceeds shall be used to make the Final Distribution under this Plan.

1.1.72 "Sale Order Assumed Contracts" means the "Assumed Contracts," as such term is defined and used in the *Order (A) Approving Asset Purchase Agreement and Authorizing the Sale of Assets of the Debtors Outside the Ordinary Course of Business, (B) Authorizing the Sale of Assets Free and Clear of All Liens, Claims, Encumbrances, and Interests, (C) Authorizing the Assumption and Sale and Assignment of Certain Executory Contracts and Unexpired Leases, and (D) Granting Related Relief*, which was entered by the Bankruptcy Court on May 11, 2012.

1.1.73 "Schedules" means, with respect to any Debtor, the Schedules of Assets and Liabilities such Debtor filed in its Bankruptcy Case, as such Schedules may be amended from time to time in accordance with Bankruptcy Rule 1009.

1.1.74 "Secured Claim" means a Claim against any Debtor to the extent secured by a Lien on any property of such Debtor to the extent of the value of said property as provided in section 506(a) of the Bankruptcy Code.

1.1.75 "Tax Claim" means any Claim entitled to priority under section 507(a)(8) of the Bankruptcy Code.

1.1.76 "Unimpaired" means, with respect to a Class of Claims or Interests, any Class that is not Impaired.

1.1.77 "Unpaid Claims Reserve" shall have the meaning ascribed to such term in section 8.4 hereof.

1.1.78 "Unsecured Claim" means any Claim against either Debtor that is not a Secured Claim, a Priority Claim, a Tax Claim, or an Administrative Expense Claim.

1.1.79 "Unsecured Convenience Claim" means any Unsecured Claim in an amount that is equal to or less than ten thousand dollars (\$10,000.00).

1.1.80 "Unsecured Interest Rate" means the rate of 5.0% per annum.

1.1.81 “Waived Avoidance Action” means: (i) any Avoidance Action against any Holder of an Allowed Claim arising out of or maintainable pursuant to any state fraudulent conveyance laws or sections 544, 547, 548, 550 or 553(b) of the Bankruptcy Code; and (ii) any Avoidance Action against any Holder of an Allowed Claim arising out of or maintainable pursuant to section 549 of the Bankruptcy Code relating to the payment of valid pre-petition obligations of the Debtors.

1.2 *Time.* Whenever the time for the occurrence or happening of an event as set forth in this Plan falls on a day which is a Saturday, Sunday, or legal holiday under the laws of the United States of America or the State of Georgia, then the time for the occurrence or happening of said event shall be extended to the next day that is not a Saturday, Sunday, or legal holiday.

**ARTICLE II  
Classification of Claims and Interests; Impairment**

2.1 *Summary.* The categories of Claims and Interests set forth below classify all Claims against and Interests in the Debtors for all purposes of this Plan. A Claim or Interest shall be deemed classified in a particular Class only to the extent the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. The treatment with respect to each Class of Claims and Interests provided for in Article III shall be in full and complete satisfaction, release and discharge of such Claims and Interests.

The classification of Claims under this Plan is as follows:

<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled to Vote</u>
<b>1</b>	<b>Miscellaneous Secured Claims</b>	<b>Unimpaired</b>	<b>No</b>
<b>2</b>	<b>Priority Claims</b>	<b>Unimpaired</b>	<b>No</b>
<b>3</b>	<b>General Unsecured Claims</b>	<b>Impaired</b>	<b>Yes</b>
<b>4</b>	<b>Unsecured Convenience Claims</b>	<b>Impaired</b>	<b>Yes</b>

The classification of Interests under this Plan is as follows:

<b>5</b>	<b>Interests in Cagle’s</b>	<b>Impaired</b>	<b>Yes</b>
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2.2 *Deemed Acceptance of Plan.* Classes 1 and 2 are Unimpaired under this Plan. Accordingly, pursuant to section 1126(f) of the Bankruptcy Code, Classes 1 and 2 are deemed to accept this Plan and are not entitled to vote to accept or reject this Plan.

2.3 *Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code.* The Debtors will request confirmation of this Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code with respect to any Class that rejects, or is deemed to have rejected, this Plan.

2.4 *Prepetition Lender Claims, MetLife Claims, DIP Lender Claims and 503(b)(9) Claims.* During the Bankruptcy Cases, the Holders of Prepetition Lender Claims, MetLife Claims, DIP Lender Claims and 503(b)(9) Claims received, in full and final satisfaction of their

Claims, Cash equal to one hundred percent (100%) of their Claims (plus, with respect to 503(b)(9) Claims, interest at the Unsecured Interest Rate accruing from the Filing Date through the date such 503(b)(9) Claims were paid) and, as a result, Prepetition Lender Claims, MetLife Claims, DIP Lender Claims and 503(b)(9) Claims are not classified or otherwise provided for in this Plan and the Holders of such Claims are not entitled to vote to accept or reject this Plan or to receive any Distributions under this Plan.

### **ARTICLE III Treatment of Claims and Interests**

#### *3.1 Class 1—Miscellaneous Secured Claims.*

3.1.1 Classification: Class 1 consists of all Miscellaneous Secured Claims.

3.1.2 Treatment: The legal, equitable and contractual rights of the Holders of Class 1 Miscellaneous Secured Claims are unaltered by this Plan. Unless the Holder of such Claim and the Debtors agree to a different treatment, on or as soon as reasonably practicable after the later of (i) the Effective Date, and (ii) the date such Miscellaneous Secured Claim becomes Allowed, each Holder of an Allowed Class 1 Miscellaneous Secured Claim shall receive, in full and final satisfaction of such Allowed Class 1 Miscellaneous Secured Claim, either:

- (a) Cash in an amount equal to such Allowed Miscellaneous Secured Claim, including any interest on such Allowed Miscellaneous Secured Claim required to be paid pursuant to applicable law;
- (b) the proceeds of the sale or disposition of the collateral securing such Allowed Miscellaneous Secured Claim to the extent of the value of the Holder's interest in such collateral; or
- (c) the collateral securing such Allowed Miscellaneous Secured Claim.

In the event that the Debtors elect to treat an Allowed Miscellaneous Secured Claim under clause (a) or (b) of this section 3.1.2, the Liens securing such Claim shall be deemed released without the need for further action.

3.1.3 Voting: Class 1 is an Unimpaired Class, and the Holders of Allowed Class 1 Miscellaneous Secured Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 1 are not entitled to vote to accept or reject this Plan.

#### *3.2 Class 2—Priority Claims.*

3.2.1 Classification: Class 2 consists of all Priority Claims.

3.2.2 Treatment: The legal, equitable and contractual rights of the Holders of Class 2 Priority Claims are unaltered by this Plan. Unless the Holder of such Claim and the Debtors agree to a different treatment, each Holder of an Allowed Class 2 Priority Claim shall

receive, in full and final satisfaction of such Allowed Class 2 Priority Claim, Cash equal to the full amount of such Allowed Priority Claim on or as soon as reasonably practicable after the later of (a) the Effective Date, or (b) the date such Priority Claim becomes Allowed.

3.2.3 Voting: Class 2 is an Unimpaired Class, and the Holders of Class 2 Priority Claims are conclusively deemed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Claims in Class 2 are not entitled to vote to accept or reject this Plan.

3.3 *Class 3—General Unsecured Claims.*

3.3.1 Classification: Class 3 consists of all General Unsecured Claims.

3.3.2 Treatment: On either (i) the first Distribution Date after the applicable Claims Objection Deadline has occurred, if no objection to such Claim has been timely filed, or (ii) the first Distribution Date after the date on which any objection to such General Unsecured Claim is settled, withdrawn, or overruled pursuant to a Final Order of the Bankruptcy Court, each Holder of an Allowed Class 3 General Unsecured Claim shall receive a pro rata Distribution of any Liquidation Proceeds and/or Retained Proceeds, as appropriate, that remain in the Debtors' Estates after the payment and satisfaction of Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1, Class 2 and Class 4. On each subsequent Distribution Date or as soon thereafter as is reasonably practicable, the Liquidating Agent shall cause the Debtors to continue to make pro rata Distributions to the holders of Allowed Claims in Class 3 of any available Liquidation Proceeds and/or Retained Proceeds, as appropriate, that remain in the Debtors' Estates after the payment of the remaining Allowed Administrative Expense Claims and Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1, Class 2 and Class 4, until either such Allowed General Unsecured Claim is satisfied in full or the Consummation Date. Each Holder of an Allowed Class 3 General Unsecured Claim shall be entitled to receive interest on the unpaid amount of such Allowed Class 3 General Unsecured Claim through the date such Claim is paid in full at the Unsecured Interest Rate as follows: (a) with respect to Claims arising from (i) the rejection of an Executory Contract or Unexpired Lease, or (ii) the Debtors' withdrawal from the Retail, Wholesale and Department Store Union and Industry Pension Fund, interest shall accrue from the effective date of such rejection or withdrawal; and (b) with respect to all other Claims, interest shall accrue from the Filing Date. No other interest shall be payable with respect to any Allowed General Unsecured Claim. The aggregate Distributions payable to each Holder of an Allowed Class 3 General Unsecured Claim shall not exceed the Allowed Amount of such Claim plus any interest payable on such Claim pursuant to the terms of this Plan. The Distributions payable under this Section 3.3.2 shall be in full and final satisfaction of the amounts due to Holders of Allowed Class 3 General Unsecured Claims under the Plan.

3.3.3 Voting: Class 3 is an Impaired Class. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Class 3 General Unsecured Claim is entitled to vote to accept or reject this Plan.

3.4 *Class 4—Unsecured Convenience Claims.*



3.4.1 Classification: Class 4 consists of all Unsecured Convenience Claims.

3.4.2 Treatment: Unless the Holder of such Claim and the Debtors agree to a different treatment, each Holder of an Allowed Class 4 Unsecured Convenience Claim shall receive, in full and final satisfaction of such Allowed Class 4 Unsecured Convenience Claim, a one-time payment of Cash equal to the full amount of such Allowed Unsecured Convenience Claim on or as soon as reasonably practicable after the later of (a) the Initial Distribution Date, or (b) the first Distribution Date after the date such Unsecured Convenience Claim becomes Allowed. Each Holder of an Allowed Class 4 Unsecured Convenience Claim shall be entitled to receive interest on the unpaid amount of such Allowed Class 4 Unsecured Convenience Claim through the date such Claim is paid in full at the Unsecured Interest Rate as follows: (a) with respect to Claims arising from (i) the rejection of an Executory Contract or Unexpired Lease, or (ii) the Debtors' withdrawal from the Retail, Wholesale and Department Store Union and Industry Pension Fund, interest shall accrue from the effective date of such rejection or withdrawal; and (b) with respect to all other Claims, interest shall accrue from the Filing Date. No other interest shall be payable on any Allowed Unsecured Convenience Claim. The aggregate Distributions payable to each Holder of an Allowed Class 4 Unsecured Convenience Claim shall not exceed the Allowed Amount of such Claim plus any interest payable on such Claim pursuant to the terms of this Plan.

3.4.3 Voting: Class 4 is an Impaired Class. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Claim in Class 4 is entitled to vote to accept or reject this Plan.

3.5 *Class 5—Interests in Cagle's.*

3.5.1 Classification: Class 5 consists of all Interests in Cagle's.

3.5.2 Treatment: On and as of the Effective Date, all Interests in Cagle's shall be cancelled and extinguished. On each Distribution Date, each Holder of an Allowed Class 5 Interest in Cagle's shall receive a pro rata Distribution of any Liquidation Proceeds and/or Retained Proceeds that remain in the Debtors' Estates after (i) the payment and satisfaction of all Allowed Administrative Expense Claims and all Allowed Tax Claims and all amounts owed to Allowed Claims in Class 1, Class 2, Class 3 and Class 4, and (ii) the creation of a reserve fund (as part of the Retained Proceeds) to cover any remaining Disputed Claims. The Distributions payable under this Section 3.5.2 shall be in full and final satisfaction of the Allowed Class 5 Interests.

3.5.3 Voting: Class 5 is an Impaired Class. Pursuant to section 1126 of the Bankruptcy Code, each Holder of an Allowed Class 5 Interest in Cagle's is entitled to vote to accept or reject this Plan.

3.6 *No Waiver of Defenses.* Except as otherwise provided in this Plan, nothing under this Plan is intended to or shall affect the Debtors', the Liquidating Agent's or the Estates' rights and defenses in respect of any Claim under this Plan, including all rights in respect of legal and equitable defenses to or setoffs or recoupment against such Claims.



## ARTICLE IV Treatment of Unclassified Claims

4.1 *Summary.* Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, this Plan. All such Claims are instead treated separately in accordance with this Article IV and in accordance with the requirements set forth in sections 1129(a)(9)(A) and (C) of the Bankruptcy Code.

### 4.2 *Administrative Expense Claims.*

4.2.1 Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, each Holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim in Cash on the latest of (i) the Effective Date, (ii) as soon as practicable after the date on which such Claim becomes an Allowed Administrative Expense Claim, (iii) upon such other terms as may be agreed upon by such Holder and the Liquidating Agent, or (iv) as otherwise ordered by the Bankruptcy Court.

4.2.2 **Except as otherwise provided in this Plan, any Person holding an Administrative Expense Claim (other than a claim for Professional Compensation) shall file a proof of such Administrative Expense Claim with the Claims Agent within thirty (30) days after the Liquidating Agent provides notice by mail or by publication, in a form and manner approved by the Bankruptcy Court, of the occurrence of the Effective Date. At the same time any Person files an Administrative Expense Claim, such Person shall also serve a copy of the Administrative Expense Claim upon counsel for the Liquidating Agent. Any Person who fails to timely file and serve a proof of such Administrative Expense Claim shall be forever barred from seeking payment of such Administrative Expense Claim by the Debtors and the Estates.**

4.2.3 Any Person seeking an award by the Bankruptcy Court of Professional Compensation shall file a final application with the Bankruptcy Court for allowance of Professional Compensation for services rendered and reimbursement of expenses incurred through the Effective Date within sixty (60) days after the Effective Date or by such other deadline as may be fixed by the Bankruptcy Court. The provisions of this paragraph shall not apply to any professional providing services pursuant to, and subject to the limits contained in, the *Order Authorizing Debtors to Retain and Compensate Professionals Used in the Ordinary Course of Business* entered in the Bankruptcy Cases on November 28, 2011.

4.3 *Tax Claims.* Except to the extent that the Holder of a particular Tax Claim has agreed to a different treatment of such Claim, each Holder of an Allowed Tax Claim shall receive Cash on the Effective Date (or as soon thereafter as is reasonably practicable) in an amount equal to such Allowed Tax Claim. The Debtors shall pay each Tax Claim that becomes Allowed following the Effective Date in Cash in full as soon as reasonably practicable after the date such Claim becomes Allowed.

**ARTICLE V**  
**Treatment of Executory Contracts and Unexpired Leases**

5.1 *Rejection of Executory Contracts and Unexpired Leases.* On the Effective Date, all Executory Contracts or Unexpired Leases of the Debtors will be deemed rejected in accordance with the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except those Executory Contracts or Unexpired Leases that (a) have been previously rejected or assumed by either Debtor pursuant to an order of the Bankruptcy Court (including all Sale Order Assumed Contracts), or (b) are the subject of a motion to assume filed by either Debtor which is pending on the Effective Date.

5.2 *Claims Based on Rejection of Executory Contracts or Unexpired Leases.* **All proofs of claim with respect to Claims arising from the rejection pursuant to this Plan of any Executory Contracts or Unexpired Leases, if any, must be filed with the Claims Agent and served upon counsel for the Liquidating Agent within thirty (30) days after the Effective Date. Any Claims arising from the rejection of Executory Contracts or Unexpired Leases that become Allowed Claims are classified and shall be treated as a Class 3 General Unsecured Claims or Class 4 Unsecured Convenience Claims, as applicable. Any Claims arising from the rejection of an Executory Contract or Unexpired Lease pursuant to this Plan not filed within the time required by this section will be forever barred from assertion against the Debtors, the Estates and property of the Debtors unless otherwise ordered by the Bankruptcy Court or provided in this Plan. Notwithstanding the foregoing, a Claim for damages arising from the rejection of an Executory Contract or Unexpired Lease rejected pursuant to an order of the Bankruptcy Court must be filed prior to any bar date set forth in such order.**

5.3 *Survival of Certain Indemnification Obligations.* Notwithstanding any other provision of this Plan, the obligations of the Debtors pursuant to their certificates or articles of incorporation, bylaws and other organizational documents to indemnify persons serving after the Filing Date as officers, directors, agents, or employees of the Debtors with respect to actions, suits and proceedings against the Debtors or such officers, directors, agents, or employees, based upon any act or omission for, on behalf of, or relating to the Debtors and occurring prior to or after the Filing Date, shall not be discharged or impaired by the confirmation of the Plan (it being understood that such obligations shall continue to be obligations of the Debtors from and after the Confirmation Date).

**ARTICLE VI**  
**Means for Implementation of Plan**

6.1 *Substantive Consolidation.* This Plan is premised on the substantive consolidation of the Debtors with respect to the treatment of all Claims and Interests. This Plan shall serve as a request by the Debtors, in lieu of a separate motion, to the Bankruptcy Court, that it grant substantive consolidation with respect to the treatment of all Claims and Interests as follows: on the Effective Date, (a) all assets and liabilities of the Debtors will be pooled or treated as though they were pooled; (b) all guarantees by each Debtor of the obligations of the other Debtor and any joint and several liability of the Debtors shall be eliminated; (c) all Intercompany Claims shall be cancelled and extinguished without the payment of any

consideration; (d) no Distributions shall be made under the Plan on account of any Interest held by Cagle's in Cagle's Farms; and (e) each and every Claim against any Debtor shall be deemed filed against the consolidated Debtors and all Claims filed against more than one Debtor for the same liability shall be deemed one Claim against the consolidated Debtors. The entry of the Confirmation Order shall constitute the approval by the Bankruptcy Court, pursuant to sections 105(a) and 1123(a)(5)(C) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors and their Estates for all purposes relating to the Plan, including for purposes of voting, confirmation, and Distributions. The consolidation of the Debtors effected by the Plan shall not (other than for purposes relating to Distributions, as set forth above) affect (i) the legal and organizational structure of the Debtors, (ii) any defense to any Claim or cause of action, or (iii) any distributions out of any insurance policy or proceeds of such policy.

6.2 *Continued Corporate Existence.* Each Debtor will continue to exist after the Effective Date as a separate corporate entity with all the powers of a corporation under applicable law in the jurisdiction in which it is incorporated or otherwise formed and pursuant to its certificate or articles of incorporation and bylaws or other organizational documents in effect prior to the Effective Date, except to the extent such articles of incorporation and bylaws or other organizational documents are amended by this Plan, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date.

6.3 *Vesting of the Debtors' Assets.* Pursuant to this Plan, all property of the Debtors and their Estates shall vest automatically in the Debtors on the Effective Date (without the necessity of executing any instruments of assignment), for the express purpose of allowing the Liquidating Agent to make Distributions to Holders of Claims and Holders of Interests pursuant to the terms and conditions of this Plan. Without limiting the foregoing, the Debtors shall be vested with all of the Causes of Action, which shall be prosecuted and enforced under the direction and control of the Liquidating Agent (except as provided in sections 10.3 and 10.7 of this Plan). As of the Effective Date, (a) all property of the Debtors shall be free and clear of all Liens, Claims and Interests, and (b) the rights of Holders of Claims and Interests to receive Distributions shall be governed by the Plan.

6.4 *Operation of the Debtors.* The Liquidating Agent shall have the rights, powers and duties as set forth in this Plan and shall be responsible for administering this Plan under the terms and subject to the conditions set forth herein. After the Effective Date, the Liquidating Agent shall be authorized to take all necessary, desirable or appropriate actions to direct and oversee the Debtors' business activities and to proceed with an orderly, expeditious and efficient liquidation and distribution of the Estates. The Liquidating Agent shall be authorized to retain or engage, or to cause the Debtors to retain or engage, such employees, professional persons and agents as are appropriate or desirable to continue the liquidation of the Estates. Further, the Liquidating Agent shall be authorized to make Distributions from the Retained Proceeds to pay the costs and expenses incurred after the Confirmation Date in connection with the operation of the Debtors' businesses and the administration, liquidation and distribution of the Estates, without the necessity of providing any notice or seeking or obtaining any approval of the Bankruptcy Court with respect to such Distributions. Without limiting the generality of the foregoing, the Liquidating Agent shall be authorized to make Distributions from the Retained Proceeds to pay the fees and expenses of any professional persons retained by the Liquidating

Agent and/or the Debtors, the out-of-pocket expenses incurred by the Equity Oversight Representative and members of the Creditor Oversight Committee, and the fees and expenses of the Creditor Oversight Committee's counsel and financial advisor and the Equity Oversight Representative's counsel. The Liquidating Agent shall be the representative of the Estates as contemplated by section 1123(b)(3)(B) of the Bankruptcy Code. Except as otherwise specifically provided in this Plan, the Liquidating Agent shall have full and exclusive power and authority to act on behalf of the Debtors and shall be responsible for performing the duties of the Debtors under this Plan. The Liquidating Agent shall have the rights, duties and powers of a trustee appointed pursuant to sections 701, 702 and 1104 of the Bankruptcy Code to act on behalf of the Debtors with regard to the administration of the Bankruptcy Cases and the assets of the Estates. No recourse shall ever be had, directly or indirectly, against the Liquidating Agent personally, by legal or equitable proceedings or by virtue of any statute or otherwise, nor upon any promise, contract, instrument, undertaking, obligation, covenant or agreement whatsoever executed by the Liquidating Agent under this Plan, or by reason of the creation of any indebtedness by the Liquidating Agent under this Plan for any purpose authorized by this Plan, save and except in cases of defalcation, misappropriation, fraud or gross negligence by the Liquidating Agent, it being expressly understood and agreed that such liabilities, promises, contracts, instruments, undertakings, obligations, covenants and agreements shall be enforceable only against and be satisfied only out of the assets of the Debtors or shall be evidence only of a right of payment from the Debtors' assets. The Liquidating Agent shall be indemnified and held harmless by the Estates from and against any expenses (including the reasonable fees and expenses of counsel), damages or losses incurred or suffered by the Liquidating Agent in connection with any claim or demand which in any way arises out of or relates to this Plan or the services of the Liquidating Agent under this Plan; provided, however, if the Liquidating Agent is guilty of defalcation, misappropriation, fraud or gross negligence, then the Liquidating Agent shall bear all losses, damages and expenses arising as a result of such defalcation, misappropriation, fraud or gross negligence. The Liquidating Agent may resign at any time in its sole discretion, and such resignation shall be effective upon the earlier of (i) 30 days after the Liquidating Agent has given written notice of resignation to the Creditor Oversight Committee (if it has not been dissolved) and the Equity Oversight Representative and filed such notice with the Bankruptcy Court, and (ii) the date the Bankruptcy Court approves a successor to the resigning Liquidating Agent. In case of the resignation of the Liquidating Agent, a successor shall thereupon be appointed by the Creditor Oversight Committee, subject to approval of the Bankruptcy Court, or, in the event that the Creditor Oversight Committee does not exist, by the Bankruptcy Court. The Liquidating Agent shall be reimbursed for any out-of-pocket expenses incurred in connection with the discharge of its duties under this Plan and shall be compensated for its services at a "blended" hourly rate of \$500 per hour for each person providing services to the Debtors. The Liquidating Agent's compensation and expenses shall be reimbursed and/or paid out of the Retained Proceeds and such compensation and expenses may be paid without the necessity of providing notice to any party in interest or obtaining any approval from the Bankruptcy Court. On the Consummation Date, after making the Final Distribution under this Plan, the Liquidating Agent shall be discharged from its duties under this Plan.

6.5 *Billing and Collection of Accounts Receivable.* As of the Effective Date, the Liquidating Agent shall be authorized to: (i) complete the billing of the Debtors' account debtors; (ii) send correspondence to the Debtors' account debtors requesting payment of all amounts outstanding, due and payable to the Debtors; (iii) engage in other collection activity to

ensure payment of outstanding accounts receivable; and (iv) employ or cause the Debtors to employ one or more collection agencies to further pursue collection of the outstanding accounts receivable.

6.6 *Maintenance of Bank Accounts and Distribution of Liquidation Proceeds.* The Liquidating Agent shall have the authority and responsibility to disburse the assets of the Estates to the Holders of Allowed Claims and Holders of Allowed Interests and otherwise in accordance with the terms of this Plan. All Liquidation Proceeds and Retained Proceeds shall be held in trust for the benefit of Holders of Allowed Claims and Holders of Allowed Interests in one or more separate bank or other depository accounts throughout the term of this Plan. The Liquidating Agent shall be entitled to use the Debtors' bank accounts that are in existence as of the Effective Date and shall be authorized to open such bank or other depository accounts as may be necessary or appropriate in the discretion of the Liquidating Agent to enable it to carry out the provisions of this Plan (provided that any bank account opened by the Liquidating Agent shall be at a financial institution approved by the Office of the United States Trustee). The Liquidating Agent may, from time to time, cause the Debtors to invest Liquidation Proceeds and Retained Proceeds in certificates of deposit, treasury bills, money market accounts or other short term investments. All interest earned shall be retained for Distribution to the Holders of Allowed Claims and Holders of Allowed Interests pursuant to this Plan. The Liquidating Agent shall prepare and maintain an adequate set of financial books, records or databases that will allow the Liquidating Agent to accurately track the amount of Claims asserted against the Estates and the amounts paid to each Holder of an Allowed Claim and to each Holder of an Allowed Interest pursuant to the terms of this Plan; provided that the Liquidating Agent also shall be entitled to use the Debtors' books and records (including the books and records maintained by the Claims Agent that are in existence on the Effective Date). On the Initial Distribution Date (or as soon thereafter as is reasonably practicable) and each subsequent Distribution Date, the Liquidating Agent shall make Distributions to the Holders of Allowed Claims and the Holders of Allowed Interests in accordance with the terms of this Plan. The Liquidating Agent will continue to make Distributions until the assets in the Estates have been fully distributed to Holders of Allowed Claims and Allowed Interests in accordance with the terms of this Plan.

6.7 *Cancellation of Existing Securities of Debtors and Agreements.* On the Effective Date, except as otherwise specifically provided for herein, (a) the Existing Securities and any Certificates evidencing or creating any indebtedness or obligation of or ownership interest in the Debtors will be deemed to be fully and finally cancelled, and (b) the obligations of, Claims against, and/or Interests in the Debtors under, relating, or pertaining to any agreements, indentures, certificates of designation, bylaws, or certificate or articles of incorporation or similar documents governing the Existing Securities will be terminated and released.

6.8 *Corporate Action.* Each of the matters provided for under this Plan involving the corporate structure of any Debtor or any corporate action to be taken by or required of any Debtor shall be deemed to have occurred and be effective as provided herein, and shall be authorized, approved and, to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors or directors of any of the Debtors.



6.9 *Preservation of Causes of Action.* In accordance with section 1123(b)(3) of the Bankruptcy Code, the Debtors will retain and may (but are not required to) enforce all Causes of Action. After the Effective Date, the Liquidating Agent, in its sole and absolute discretion (except as provided in sections 10.3 and 10.7 of this Plan), shall have the right to bring, settle, release, compromise, or enforce such Causes of Action (or decline to do any of the foregoing), without further approval of the Bankruptcy Court. The Liquidating Agent, in the exercise of its sole discretion, may pursue such Causes of Action so long as it is the best interests of the Debtors or any successors holding such rights of action. The failure of the Debtors to specifically list any claim, right of action, suit, proceeding or other Cause of Action in this Plan does not, and will not be deemed to, constitute a waiver or release by the Estates, the Liquidating Agent or the Debtors of such claim, right of action, suit, proceeding or other Cause of Action, and the Liquidating Agent (on behalf of the Debtors) will retain the right to pursue such claims, rights of action, suits, proceedings and other Causes of Action in its sole discretion and, therefore, no preclusion doctrine, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches will apply to such claim, right of action, suit, proceeding or other Cause of Action upon or after the confirmation or consummation of this Plan.

6.10 *Effectuating Documents; Further Transactions.* Each of the Debtors, their respective officers and designees, and the Liquidating Agent, are authorized to execute, deliver, file, or record such contracts, instruments, releases, indentures, and other agreements or documents, and to take such actions, as may be necessary, desirable or appropriate to effectuate and further evidence the terms and conditions of this Plan or to otherwise comply with applicable law. In order to facilitate the liquidation and distribution of the Estates and the wind-down of the Debtors' affairs, on the Effective Date the Liquidating Agent shall be deemed, by operation of law and the Confirmation Order and without need for any action by any person affiliated with the Debtors or any officer or director of the Debtors, to hold an irrevocable power of attorney on behalf of each Debtor and each Estate and with respect to all of the Assets.

6.11 *Sales of Remaining Assets.* On and after the Effective Date, the Liquidating Agent shall have sole authority to cause the Debtors to liquidate and sell, and the Liquidating Agent shall pursue the liquidation of, all remaining Assets. The Liquidating Agent shall have the authority to consummate such liquidations and sales without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest if the aggregate purchase price for the Assets to be sold in connection with a particular transaction is less than or equal to \$500,000; provided, however, the Liquidating Agent shall have the right in its sole discretion to seek and obtain Bankruptcy Court approval of any sale transaction if the Liquidating Agent believes it is in the best interests of the Estates to do so. If the aggregate purchase price in connection with a particular sale transaction exceeds \$500,000, then Bankruptcy Court approval (following Designated Notice) shall be required. The Liquidating Agent shall also have the authority, if appropriate in the sole discretion of the Liquidating Agent, to abandon any Assets that cannot be liquidated or sold in a cost effective manner or that have inconsequential value.

6.12 *Exemption From Certain Transfer Taxes and Recording Fees.* Pursuant to section 1146(a) of the Bankruptcy Code, any transfers from a Debtor to any other Person pursuant to this Plan, or any agreement regarding the transfer of title to or ownership of any of the Debtors' real or personal property will not be subject to any document recording tax, stamp tax, conveyance

fee, sales tax, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, and the Confirmation Order will direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

6.13 *Further Authorization.* Each of the Debtors and the Liquidating Agent shall be entitled to seek such orders, judgments, injunctions and rulings as they deem necessary or desirable to carry out the intentions and purposes, and to give full effect to the provisions, of this Plan.

6.14 *Dissolution.* After the occurrence of the Consummation Date and the entry of an order of the Bankruptcy Court closing the Bankruptcy Cases, each Debtor shall be deemed dissolved pursuant to the applicable laws of the State of Georgia without the necessity of taking any action or making any filing with the Georgia Secretary of State or otherwise.

## **ARTICLE VII**

### **Provisions Regarding Corporate Governance of Debtors**

7.1 *Amendment of Charters.* On and as of the Effective Date, the charters of the Debtors shall be deemed to have been amended to prohibit the issuance of nonvoting equity securities to the extent required by the Bankruptcy Code.

7.2 *Directors and Officers of Debtors.* On the Effective Date (a) the authority, power and incumbency of the persons then acting as officers and directors of the Debtors shall be terminated and such officers and directors shall be deemed to have resigned, and (b) the Liquidating Agent shall be deemed the sole officer and sole director of each Debtor and shall be deemed to have succeeded to such powers as would have been previously exercisable by the shareholders of each Debtor.

## **ARTICLE VIII**

### **Distributions**

8.1 *Disbursing Agent.* Unless otherwise provided for herein, all Distributions under this Plan shall be made by the Liquidating Agent.

8.2 *Distributions of Cash.* Any Distribution of Cash made by the Liquidating Agent pursuant to this Plan shall, at the Liquidating Agent's option, be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

8.3 *No Interest on Claims.* Unless otherwise specifically provided for in this Plan or the Confirmation Order, postpetition interest shall not accrue or be paid on Claims and no Holder shall be entitled to interest accruing on or after the Filing Date on any Claim.

8.4 *Delivery of Distributions.* The Distribution to a Holder of an Allowed Claim or to a Holder of an Allowed Interest shall be made by the Liquidating Agent (a) at the address set forth on the proof of claim filed by such Holder, (b) at the address set forth in any written notices



of address change delivered to the Debtors or the Liquidating Agent after the date of any related proof of claim, (c) at the address set forth in any Notice of Transfer of Claim, (d) at the address reflected in the Schedules if no proof of claim has been filed and the Debtors or Liquidating Agent have not received a written notice of a change of address, or (e) if the Holder's address is not listed in the Schedules, at the last known address of such Holder according to the Debtors' books and records. If any Holder's Distribution is returned as undeliverable, no further Distributions to such Holder shall be made unless and until the Liquidating Agent is notified of such Holder's then-current address, at which time all missed Distributions shall be made to such Holder without interest from the original Distribution Date to the new Distribution Date. Amounts in respect of undeliverable Distributions made in Cash shall be retained by the Liquidating Agent in an "Unpaid Claims Reserve" until such Distributions are claimed. All Cash Distributions returned to the Liquidating Agent and not claimed within six (6) months of return shall be irrevocably retained by the Liquidating Agent (and the funds held in the Unpaid Claims Reserve shall become Liquidation Proceeds at the end of such six-month period) notwithstanding any federal or state escheat laws to the contrary. After the end of such six-month period, the Claim of any other Person to such property shall be discharged and forever barred.

8.5 *Distributions to Holders as of the Record Date.* All Distributions on Allowed Claims or Allowed Interests shall be made to the Record Holders of such Claims or Interests. As of the close of business on the Record Date: (i) the Claims register maintained by the Claims Agent shall be closed; and (ii) the stock transfer ledger or similar register of Cagle's shall be closed. The Liquidating Agent shall have no obligation to recognize any transfer of any Claim or Interest occurring after the Record Date. The Liquidating Agent shall instead be entitled to recognize and deal for all purposes under this Plan with the Record Holders as of the Record Date. After the Record Date has been fixed, the Debtors shall file with the Securities and Exchange Commission a report on Form 8-K disclosing the Record Date and further disclosing that any transfer of Claims or Interests made after the Record Date shall not be recognized by the Liquidating Agent for purposes of making Distributions under the Plan.

8.6 *De Minimis Distributions.* Except for Distributions to the Holders of Class 4 Claims and Distributions being made on the Consummation Date, the Liquidating Agent shall have no obligation to make a Distribution if the amount to be distributed to the specific Holder of the Allowed Claim or Allowed Interest is less than Fifty Dollars (\$50.00); provided, however, if the Liquidating Agent elects not to make a Distribution as contemplated by this section 8.6, such Distribution shall be held for the Holder of such Claim or Interest until the next Distribution Date at which time such Distribution shall be made (unless this section 8.6 shall again apply).

8.7 *Fractional Securities; Fractional Dollars.* Any other provision of this Plan notwithstanding, the Debtors shall not be required to make Distributions or payments of fractions of dollars. Whenever any payment of a fraction of a dollar under this Plan would otherwise be called for, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down.

8.8 *Withholding Taxes.* The Debtors or the Liquidating Agent shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing

authority, and all Distributions under this Plan shall be subject to any such withholding and reporting requirements.

## **ARTICLE IX**

### **Procedures for Treating and Resolving Disputed Claims**

9.1 *Objections to Claims.* The Debtors and the Liquidating Agent shall be entitled to object to Claims; provided, however, that the Debtors and Liquidating Agent shall not be entitled to object to Claims (i) that have been Allowed by a Final Order entered by the Bankruptcy Court prior to the Effective Date, or (ii) that are Allowed by the express terms of this Plan. Any objections to Claims must be filed by the Claims Objection Deadline.

9.2 *No Distributions Pending Allowance.* Except as otherwise provided herein, no Distributions will be made with respect to any portion of a Claim unless and until (i) the Claims Objection Deadline has passed and no objection to such Claim has been filed, or (ii) any objection to such Claim has been settled, withdrawn or overruled pursuant to a Final Order of the Bankruptcy Court. Notwithstanding the foregoing, any undisputed portion of a Disputed Claim shall be deemed Allowed and the Holder of such Disputed Claim shall receive Distributions on the undisputed portion of such Disputed Claim pursuant to the terms of this Plan.

9.3 *Estimation of Claims.* The Debtors or the Liquidating Agent, as the case may be, may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502 of the Bankruptcy Code regardless of whether the Debtors or the Liquidating Agent have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors (and after the Effective Date, the Liquidating Agent) may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and are not necessarily exclusive of one another.

9.4 *Resolution of Claims Objections.* On and after the Effective Date, the Liquidating Agent shall have the authority to compromise, settle, otherwise resolve, or withdraw any objections to Claims without approval of the Bankruptcy Court.

9.5 *Distributions After Allowance.* As soon as practicable after (i) the occurrence of the applicable Claims Objection Deadline, if no objection to such Claim has been timely filed, or (ii) a Disputed Claim becomes an Allowed Claim, the Debtors, with respect to all Distributions other than to Holders of Unsecured Claims, will distribute to the Holder thereof all Distributions to which such Holder is then entitled under this Plan. With respect to Unsecured Claims, on the first Distribution Date after (i) the occurrence of the applicable Claims Objection Deadline, if no objection to such Claim has been timely filed, or (ii) a Disputed Claim becomes an Allowed Claim, notwithstanding the dollar threshold in section 1.1.38 of the Plan, the Holder of an

Allowed Unsecured Claim shall receive the Distribution to which such Holder is then entitled plus any Distribution such Holder would have received on a prior Distribution Date had such Holder's Claim been Allowed on such prior Distribution Date; provided, however, if the date such Unsecured Claim becomes entitled to a Distribution is less than twenty (20) Business Days prior to the next Distribution Date, the Distribution with respect to such Claim will be made on the first Distribution Date that occurs more than twenty (20) Business Days after the Claim becomes entitled to a Distribution.

9.6 *Distributions On Insured Claims.* If any Holder has asserted a Claim that is covered as to liability, in whole or in part, by an insurance policy that is assumed or otherwise remains in effect pursuant to the terms of this Plan, such Holder will have a Claim entitled to a Distribution under this Plan only to the extent of any deductible or self-insured retention under the applicable insurance policy that was unpaid or otherwise unexhausted as of the Filing Date. Notwithstanding the foregoing, the Holder shall be entitled to pursue recovery of any amount in excess of such unpaid deductible or self-insured retention from the applicable insurance carrier and, in connection therewith, notwithstanding the discharge of the balance of such Claim provided pursuant to this Plan, such Holder may continue to pursue the balance of such Claim against the Debtors solely for the purposes of liquidating such Claim and obtaining payment of the balance of such liquidated Claim from any otherwise applicable policy of insurance. Except as otherwise provided in the applicable insurance policy, the applicable insurance carrier may, at its expense, employ counsel, direct the defense, and determine whether and on what terms to settle any Claim for the purposes of determining the amount of insurance proceeds that will be paid on account of such Claim. If after liquidation of a Claim pursuant to this section 9.6, it is determined that there are insufficient insurance proceeds available to satisfy the amount of such Claim that is in excess of any unpaid deductible or self-insured retention, then the Holder of such Claim shall have a Claim in the amount of such insufficiency. Notwithstanding any other provision of this Plan, after the Effective Date the Bankruptcy Court shall be authorized to enter one or more orders in the Bankruptcy Cases modifying and amending the provisions of this section 9.6, provided that any such modifications shall not be material and adverse to the interests of Holders of insured Claims.

## ARTICLE X

### Effect of Plan on Claims and Interests

10.1 *Revesting of Assets.* Except as otherwise explicitly provided in this Plan, on the Effective Date, all property comprising the Estates (including Cause of Actions, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall revert in the Debtors for the express purpose of allowing the Liquidating Agent to make Distributions to Holders of Claims and Holders of Interest pursuant to the terms and conditions of this Plan.

10.2 *Treatment of Claims and Interests.* Except as otherwise specifically provided in this Plan or in the Confirmation Order, the Distributions and rights that are provided in this Plan shall govern the rights of all Holders of Claims, whether known or unknown, against, Liens on, and Interests in the Debtors or their Estates that arose prior to the Effective Date, and no such Holder shall be authorized or permitted to take any action that is inconsistent with the Plan.

**10.3 Release by Debtors of Certain Parties.** Except as otherwise specifically provided in this Plan, pursuant to section 1123(b)(3) of the Bankruptcy Code, as of the Effective Date, each Debtor, in its individual capacity and as a debtor in possession for and on behalf of its Estate, shall release and discharge and be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever released and discharged all Released Parties for and from any and all claims (including derivative claims) or Causes of Action existing as of the Effective Date in any manner arising from, based on or relating to, in whole or in part, the Debtors. The Debtors, the Committee, the Liquidating Agent, the Creditor Oversight Committee, the Equity Oversight Representative and any potential representatives of the Estates shall be bound, to the same extent the Debtors are bound, by the releases set forth above.

**10.4 Setoffs.** The Debtors may, but shall not be required to, set off against any Claim, and the payments or other Distributions to be made pursuant to this Plan in respect of such Claim, claims of any nature whatsoever that the Debtors may have against such Holder; but neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Estates of any such claim that the Debtors or the Estates may have against such Holder.

**10.5 Exculpation and Limitation of Liability.** The Debtors, the Estates, the Committee, the members of the Committee in their capacities as such, and any of such parties' respective current and/or post-Filing Date and pre-Effective Date members, officers, directors, employees, advisors, attorneys, representatives, financial advisors, investment bankers, or agents and any of such parties' successors and assigns, shall not have or incur, and are hereby released from, any claim, obligation, cause of action, or liability to one another or to any Holder of any Claim or Interest, or any other party-in-interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Bankruptcy Cases, the negotiation, formulation and filing of this Plan, the filing of the Bankruptcy Cases, the pursuit of confirmation of this Plan, the consummation of this Plan, or the administration of this Plan or the Estates and the property to be distributed under this Plan, except for their willful misconduct or gross negligence, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under this Plan. No Holder of any Claim or Interest, or other party in interest, none of their respective agents, employees, representatives, financial advisors, attorneys, or Affiliates, and no successors or assigns of the foregoing, shall have any right of action against the parties listed in this provision for any act or omission in connection with, relating to, or arising out of the Bankruptcy Cases, the pursuit of confirmation of this Plan, the consummation of this Plan, the administration of this Plan or the property to be distributed under this Plan. Nothing in this Section 10.5 relieves any Person from complying with the applicable provisions of the federal securities laws.

**10.6 Injunction.** Except as otherwise expressly provided in the Plan, the Confirmation Order, or a separate Final Order of the Bankruptcy Court, all Persons who have held, hold, or may hold Claims against or Interests in any of the Debtors are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing

**in any manner any action or other proceeding of any kind against the Debtors with respect to any such Claim or Interest; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order against the Debtors on account of any such Claim or Interest; (c) creating, perfecting, or enforcing any Lien or encumbrance of any kind against the Debtors or against the property or interests in the property thereof on account of any such Claim or Interest; (d) commencing or continuing in any manner any action or other proceeding of any kind with respect to any Claim which is treated or satisfied pursuant to the Plan; and (e) taking any action to interfere with the implementation or consummation of the Plan; provided, however, the provisions of this Section 10.6 shall not prevent any Person from taking action in the Bankruptcy Court to enforce their rights under and in accordance with this Plan.**

10.7 *Waiver of Certain Avoidance Actions.* On and as of the Effective Date, each Debtor, in its individual capacity and as a debtor in possession for and on behalf of its Estate, shall waive, and be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever waived, the Waived Avoidance Actions. The Debtors, the Committee, the Liquidating Agent, the Creditor Oversight Committee, the Equity Oversight Representative and other potential representatives of the Estates shall be bound, to the same extent the Debtors are bound, by the waiver set forth above.

10.8 *Effect of Confirmation.*

10.8.1 Binding Effect. On the Confirmation Date, the provisions of this Plan shall be binding on the Debtors, the Estates, all Holders of Claims against or Interests in the Debtors, and all other parties-in-interest whether or not such Holders are Impaired and whether or not such Holders have accepted this Plan.

10.8.2 Automatic Stay. The automatic stay arising out of section 362(a) of the Bankruptcy Code shall continue in full force and effect until the Consummation Date and the Debtors and the Estates shall be entitled to all of the protections afforded thereby. All assets of the Debtors (including the Liquidation Proceeds and the Retained Proceeds) shall remain property of the Estates until distributed in accordance with this Plan, and no Person shall at any time have any claim to or interest in any asset of the Debtors except to the extent that such Person is the Holder of an Allowed Claim or Allowed Interest entitled to Distributions under this Plan.

10.8.3 Filing of Reports. The Debtors shall file all reports and pay all fees required by the Bankruptcy Code, Bankruptcy Rules, U.S. Trustee guidelines, and the rules and orders of the Bankruptcy Court.

10.8.4 Post-Effective Date Retention of Professionals. Upon the Effective Date, any requirement that professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date will terminate, and the Debtors and the Liquidating Agent will employ and pay professionals, the Creditor Oversight Committee will employ its counsel and financial advisor (to be paid from Retained Proceeds), and the Equity Oversight Representative will employ his counsel (to be paid from Retained Proceeds), in each case in the ordinary course of business.



10.9 *No Discharge.* Notwithstanding any other provision of the Plan or Confirmation Order, pursuant to section 1141(d)(3) of the Bankruptcy Code, the Debtors will not receive a discharge.

## **ARTICLE XI Conditions Precedent**

11.1 *Conditions to Confirmation.* The following are conditions precedent to confirmation of this Plan that may be satisfied or waived in accordance with section 11.3 of this Plan:

11.1.1 The Bankruptcy Court shall have approved the Disclosure Statement with respect to this Plan in form and substance that is acceptable to the Debtors in their sole and absolute discretion, and

11.1.2 The Confirmation Order shall have been signed by the Bankruptcy Court and entered on the docket of the Bankruptcy Cases.

11.2 *Conditions to the Effective Date.* The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with section 11.3 of this Plan:

11.2.1 The Confirmation Order shall be in all material respects reasonably acceptable to the Debtors, shall not have been vacated, reversed or modified and, as of the Effective Date, shall not be stayed;

11.2.2 All documents and agreements to be executed on the Effective Date or otherwise necessary to implement this Plan shall be in form and substance that is acceptable to the Debtors, in their reasonable discretion;

11.2.3 The Debtors shall have received any authorization, consent, regulatory approval, ruling, letter, opinion, or document that may be necessary to implement this Plan and that is required by law, regulation, or order; and

11.2.4 The Confirmation Order shall have become a Final Order.

11.3 *Waiver of Conditions to Confirmation or Effective Date.* The conditions set forth in section 11.1 and section 11.2 of this Plan may be waived, in whole or in part, by the Debtors without any notice to any other parties in interest or the Bankruptcy Court and without a hearing. The failure to satisfy or waive any condition to the Confirmation Date or the Effective Date may be asserted by the Debtors in their sole discretion regardless of the circumstances giving rise to the failure of such condition to be satisfied (including any action or inaction by the Debtors). The failure of the Debtors to exercise any of the foregoing rights shall not be deemed a waiver of any other rights, and each such right shall be deemed an ongoing right, which may be asserted at any time.

## ARTICLE XII

### Retention and Scope of Jurisdiction of the Bankruptcy Court

12.1 *Retention of Jurisdiction.* Subsequent to the Effective Date, the Bankruptcy Court shall have or retain jurisdiction for the following purposes:

12.1.1 To adjudicate objections concerning the allowance, priority or classification of Claims and any subordination thereof, and to establish a date or dates by which objections to Claims must be filed to the extent not established herein;

12.1.2 To liquidate the amount of any disputed, contingent or unliquidated Claim, to estimate the amount of any disputed, contingent or unliquidated Claim, and to establish the amount of any reserve required to be withheld from any Distribution under this Plan on account of any disputed, contingent or unliquidated Claim;

12.1.3 To resolve all matters related to the rejection, or assumption and/or assignment, of any Executory Contract or Unexpired Lease of the Debtors;

12.1.4 To hear and rule upon all Cause of Actions commenced or pursued by the Debtors or the Liquidating Agent;

12.1.5 To hear and rule upon all applications for Professional Compensation;

12.1.6 To remedy any defect or omission or reconcile any inconsistency in this Plan, as may be necessary to carry out the intent and purpose of this Plan;

12.1.7 To construe or interpret any provisions in this Plan and to issue such orders as may be necessary for the implementation, execution and consummation of this Plan, to the extent authorized by the Bankruptcy Code;

12.1.8 To hear, rule upon and enter orders approving any sales of Assets (including sales of fee owned real property) by the Debtors after the Effective Date;

12.1.9 To adjudicate controversies arising out of the administration of the Estates or the implementation of this Plan, including any disputes that may arise between the Liquidating Agent and the Creditor Oversight Committee and/or the Equity Oversight Representative;

12.1.10 To make such determinations and enter such orders as may be necessary to effectuate all the terms and conditions of this Plan, including the Distribution of funds from the Estates and the payment of Claims and Interests;

12.1.11 To determine any suit or proceeding brought by the Debtors or the Liquidating Agent to recover property under any provisions of the Bankruptcy Code;

12.1.12 To hear and determine any tax disputes concerning the Debtors and to determine and declare any tax effects under this Plan;



12.1.13 To hear, rule upon and enter orders regarding any disputes, controversies or other matters relating to or arising under the Asset Purchase Agreement and/or the Debtors' rights thereunder;

12.1.14 To determine such other matters as may be provided for in this Plan or the Confirmation Order or as may be authorized by or under the provisions of the Bankruptcy Code;

12.1.15 To determine any controversies, actions or disputes that may arise under the provisions of this Plan, or the rights, duties or obligations of any Person under the provisions of this Plan;

12.1.16 To adjudicate any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of, or in connection with, any agreement pursuant to which the Debtors sold any of their assets during the Bankruptcy Cases; and

12.1.17 To enter a final decree.

12.2 *Alternative Jurisdiction.* In the event that the Bankruptcy Court is found to lack jurisdiction to resolve any matter, then the District Court shall hear and determine such matter. If the District Court does not have jurisdiction, then the matter may be brought before any court having jurisdiction with regard thereto.

12.3 *Final Decree.* The Bankruptcy Court may, upon application of the Liquidating Agent after Designated Notice, at any time on or after one hundred twenty (120) days after the Initial Distribution Date, enter a final decree in these cases, notwithstanding the fact that additional funds may eventually be distributed to parties in interest. In such event, the Bankruptcy Court may enter an Order closing these cases pursuant to section 350 of the Bankruptcy Code; provided, however, that: (a) the Debtors, the Liquidating Agent, the Creditor Oversight Committee (if not yet dissolved), the Equity Oversight Representative, and other parties in interest shall continue to have the rights, powers, and duties set forth in this Plan; (b) any provision of this Plan requiring the absence of an objection shall no longer be required, except as otherwise ordered by the Bankruptcy Court; and (c) the Bankruptcy Court may from time to time reopen the Bankruptcy Cases if appropriate for any of the following purposes: (1) administering Assets; (2) entertaining any adversary proceedings, contested matters or applications the Debtors have brought or bring with regard to the liquidation of Assets and the prosecution of Causes of Action; (3) enforcing or interpreting this Plan or supervising its implementation; or (4) for other cause.

### **ARTICLE XIII**

#### **The Creditor Oversight Committee**

13.1 *Procedures and Rules.* On the Effective Date, the Creditor Oversight Committee shall be created and established. The Creditor Oversight Committee shall prescribe its own rules of procedure and the bylaws previously adopted by the Committee shall continue to govern the actions of the Creditor Oversight Committee subject, however, to the following requirements:

(a) Any member of the Creditor Oversight Committee may act by proxy;

- (b) All actions by the Creditor Oversight Committee shall be upon the affirmative vote of a majority of the members of the Creditor Oversight Committee voting, either personally or by proxy;
- (c) Presence of a majority of the members, in person, by proxy or by telephone conference call, shall constitute a quorum;
- (d) Authorization for or approval of any action may be granted orally or evidenced by the written consent of a majority of the Creditor Oversight Committee;
- (e) Meetings of the Creditor Oversight Committee shall be conducted in person or by telephone conference call;
- (f) In the event of the death or resignation of any member of the Creditor Oversight Committee, the remaining members of the Creditor Oversight Committee shall have the right to designate a successor from among the Holders of Allowed Unsecured Claims;
- (g) If an Creditor Oversight Committee member assigns its Claim or releases the Debtor from payment of the balance of its Claim, such act shall constitute a resignation from the Creditor Oversight Committee. Until a vacancy on the Creditor Oversight Committee is filled, the Creditor Oversight Committee shall function in its reduced number; and
- (h) The Creditor Oversight Committee may adopt additional rules governing its conduct, but the Creditor Oversight Committee shall not be entitled to authorize or take any action contrary to the provisions of this Plan or the Confirmation Order.

13.2 *Retention of Counsel and Financial Advisor.* The Creditor Oversight Committee may retain counsel and a financial advisor and the reasonable fees and expenses of such counsel and financial advisor shall be paid out of the Retained Proceeds upon submission of monthly fee statements to the Liquidating Agent, without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest with respect to such retention or payment.

13.3 *Limited Liability.* Neither the Creditor Oversight Committee nor any of its members, counsel or financial advisor shall be liable for any act, omission, default or misconduct of any other members of the Creditor Oversight Committee nor shall any member be liable for anything other than such member's own acts or omissions as constitute willful misconduct or gross negligence in the performance of its duties. Each member of the Creditor Oversight Committee shall be indemnified and held harmless by the Estates from and against any expenses (including the reasonable fees and expenses of counsel), damages, liabilities, claims or losses incurred or suffered by such member in connection with any claim or demand which in any way arises out of or relates to this Plan or the services of such member under this Plan; provided,

however, if any member of the Creditor Oversight Committee is determined to be guilty of defalcation, misappropriation, fraud or gross negligence by a Final Order of a court of competent jurisdiction, then such member shall bear all losses, damages and expenses arising as a result of such defalcation, misappropriation, fraud or gross negligence.

13.4 *Authority.* Consistent with the terms of this Plan, the Creditor Oversight Committee shall have the authority to review the activities of the Liquidating Agent, and shall have authority to seek to remove and replace the Liquidating Agent for good cause shown; provided, however, any removal or replacement of the Liquidating Agent shall require approval of the Bankruptcy Court following Designated Notice and the removal or replacement of the Liquidating Agent shall not be effective unless the Liquidating Agent shall have received at least 30 days' advance written notice of such proposed removal or replacement.

13.5 *Reporting.* The Liquidating Agent shall submit such reports as it deems reasonable and necessary to the Creditor Oversight Committee. The Liquidating Agent shall also promptly report to the Creditor Oversight Committee, at the reasonable request of the chairperson of the Creditor Oversight Committee or a professional retained by the Creditor Oversight Committee, on any matter that reasonably relates to the post-Effective Date administration of the Estates or Distributions under the Plan.

13.6 *Reimbursement.* Each member of the Creditor Oversight Committee will serve without compensation but the Liquidating Agent shall reimburse each member of the Creditor Oversight Committee for its reasonable out-of-pocket expenses.

13.7 *Dissolution.* Effective as of the date that the Holders of Allowed Claims in Class 3 shall have received Distributions in an aggregate amount equal to at least 80% of such Holders' Allowed Claims plus postpetition interest on such 80% Distribution as provided in section 3.3.2 of the Plan, the Creditor Oversight Committee shall dissolve (permanently and automatically) and each member of the Creditor Oversight Committee shall be discharged of its duties and responsibilities under this Plan.

#### **ARTICLE XIV**

##### **The Equity Oversight Representative**

14.1 *Appointment.* On the Effective Date, the Equity Oversight Representative shall be appointed. In the event of the death or resignation of the Equity Oversight Representative, the Bankruptcy Court shall have the right (but not the obligation) to designate a successor from among the Holders of Allowed Interests.

14.2 *Retention of Counsel.* The Equity Oversight Representative may retain counsel and the reasonable fees and expenses of such counsel shall be paid out of the Retained Proceeds upon submission of monthly fee statements to the Liquidating Agent, without the necessity of obtaining any approval from the Bankruptcy Court or providing notice to any party in interest with respect to such retention or payment.

14.3 *Limited Liability.* Neither the Equity Oversight Representative nor his counsel shall be liable for anything other than such Person's own acts or omissions as constitute willful misconduct or gross negligence in the performance of his duties. The Equity Oversight

Representative shall be indemnified and held harmless by the Estates from and against any expenses (including the reasonable fees and expenses of counsel), damages, liabilities, claims or losses incurred or suffered by such Person in connection with any claim or demand which in any way arises out of or relates to this Plan or the services of such Person under this Plan; provided, however, if the Equity Oversight Representative is determined to be guilty of defalcation, misappropriation, fraud or gross negligence by a Final Order of a court of competent jurisdiction, then such Person shall bear all losses, damages and expenses arising as a result of such defalcation, misappropriation, fraud or gross negligence.

14.4 *Authority.* Consistent with the terms of this Plan, the Equity Oversight Representative shall have the authority to review the activities of the Liquidating Agent, and shall have authority to seek to remove and replace the Liquidating Agent for good cause shown; provided, however, any removal or replacement of the Liquidating Agent shall require approval of the Bankruptcy Court following Designated Notice and the removal or replacement of the Liquidating Agent shall not be effective unless the Liquidating Agent shall have received at least 30 days' advance written notice of such proposed removal or replacement.

14.5 *Reporting.* The Liquidating Agent shall submit such reports as it deems reasonable and necessary to the Equity Oversight Representative. The Liquidating Agent shall also promptly report to the Equity Oversight Representative, at the reasonable request of the Equity Oversight Representative, on any matter that reasonably relates to the post-Effective Date administration of the Estates or Distributions under the Plan.

14.6 *Reimbursement.* The Equity Oversight Representative will serve without compensation but the Liquidating Agent shall reimburse the Equity Oversight Representative for his reasonable out-of-pocket expenses incurred in connection with the discharge of his duties under the Plan.

14.7 *Discharge.* Effective as of the Consummation Date, the Equity Oversight Representative shall be discharged of his duties and responsibilities under this Plan.

## **ARTICLE XV Miscellaneous Provisions**

15.1 *Modification of this Plan.* The Debtors may modify this Plan pursuant to section 1127 of the Bankruptcy Code and as herein provided, to the extent applicable law permits. The Debtors may modify this Plan in accordance with this paragraph, before or after confirmation, upon notice to the Creditor Oversight Committee and the Equity Oversight Representative only, or after such notice and hearing as the Bankruptcy Court deems appropriate, if the Bankruptcy Court finds that the modification does not materially and adversely affect the rights of any parties in interest which have not had notice and an opportunity to be heard with regard thereto. In the event of any modification on or before confirmation, any votes to accept or reject this Plan shall be deemed to be votes to accept or reject this Plan as modified, unless the Bankruptcy Court finds that the modification materially and adversely affects the rights of parties in interest which have cast said votes. The Debtors reserve the right in accordance with section 1127 of the Bankruptcy Code to modify this Plan at any time before the Confirmation Date.

15.2 *Allocation of Plan Distributions Between Principal and Interest.* To the extent that any Allowed Claim entitled to a Distribution under this Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for United States federal income tax purposes to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest.

15.3 *Creditors' Committee.* On the Effective Date, the Committee shall dissolve automatically, whereupon its members, professionals, and agents shall be released from any further duties and responsibilities in the Bankruptcy Cases and under the Bankruptcy Code; provided, however, notwithstanding the foregoing, the Committee shall continue to exist for the limited purpose of filing appropriate fee applications or requests for expense reimbursements.

15.4 *Applicable Law.* Except to the extent that the Bankruptcy Code or the Bankruptcy Rules are applicable, the rights and obligations arising under this Plan shall be governed by the laws of the State of Georgia.

15.5 *Preparation of Estates' Returns and Resolution of Tax Claims.* The Debtors or the Liquidating Agent shall file all tax returns and other filings with governmental authorities and may file determination requests under section 505 of the Bankruptcy Code to resolve any Disputed Claim relating to taxes with a governmental authority.

15.6 *Headings.* The headings of the Articles and the sections of this Plan have been used for convenience of reference only and shall not limit or otherwise affect the meaning of this Plan. Whenever the words "include," "includes" or "including" (or other words of similar import) are used in this Plan, they shall be deemed to be followed by the words "without limitation."

15.7 *Revocation of Plan.* The Debtors reserve the right, unilaterally and unconditionally, to revoke or withdraw this Plan at any time prior to entry of the Confirmation Order, and upon such revocation or withdrawal this Plan shall be deemed null and void and of no force or effect.

15.8 *Confirmation of Plans for Separate Debtors.* In the event the Debtors are unable to confirm this Plan with respect to both Debtors, the Debtors reserve the right, unilaterally and unconditionally, to proceed with this Plan with respect to any Debtor for which the confirmation requirements of the Bankruptcy Code are met.

15.9 *No Admissions; Objection to Claims.* Nothing in this Plan shall be deemed to constitute an admission that any Person as being the Holder of a Claim is the Holder of an Allowed Claim, except as expressly provided in this Plan. The failure of the Debtors to object to or examine any Claim for purposes of voting shall not be deemed a waiver of the Debtors' rights to object to or reexamine such Claim in whole or in part (including for purposes of Distribution).

15.10 *No Bar to Suits.* Except as otherwise provided in Article X of this Plan, neither this Plan nor confirmation hereof shall operate to bar or estop the Liquidating Agent, the Estates or the Debtors from commencing any Cause of Action or any other legal action against any Holder of a Claim or Interest or any other Person, whether such Cause of Action or other legal

action arose prior to or after the Confirmation Date and whether or not the existence of such Cause of Action or any other legal action was disclosed in any disclosure statement filed by the Debtors in connection with this Plan or whether or not any payment was made or is made on account of any Claim or Interest.

15.11 *Exhibits/Schedules.* All exhibits and schedules to this Plan are incorporated into and are a part of this Plan as if set forth in full herein.

15.12 *Conflicts.* In the event that provisions of the Disclosure Statement and provisions of this Plan conflict, the terms of this Plan shall govern and control.

15.13 *Notices.* Any notice required or permitted to be provided to the Debtors, the Liquidating Agent, the Creditor Oversight Committee or the Equity Oversight Representative under this Plan shall be in writing and served by overnight courier service, facsimile transmission or certified mail, return receipt requested, addressed as follows:

The Liquidating Agent or the Debtors:

Cagle's, Inc.  
c/o FTI Consulting, Inc.  
1201 W. Peachtree Street, NW  
Suite 500  
Atlanta, GA 30309  
Attn: Sean Harding  
Facsimile: (404) 460-6200

with a copy to (which shall not constitute notice):

King & Spalding LLP  
1180 Peachtree Street, NE  
Atlanta, GA 30309  
Attn: Paul Ferdinands  
Facsimile: (404) 572-5100

The Creditor Oversight Committee:

Lowenstein Sandler PC  
65 Livingston Avenue  
Roseland, NJ 07068  
Attn: Jeffrey D. Prol  
Facsimile: (973) 597-2491  
Attn: Michael Savetsky  
Facsimile: (973) 597-6119

Lowenstein Sandler PC  
1251 Avenue of the Americas  
New York, NY 10020



Attn: Bruce S. Nathan  
Facsimile: (973) 422-6851

The Equity Oversight Representative:

J. Douglas Cagle  
c/o Cagle's, Inc.  
1385 Collier Road NW  
Atlanta, GA 30318  
Facsimile: (404) 350-9605

15.14 *Section 1125 of the Bankruptcy Code.* The entry of the Confirmation Order shall constitute the determination by the Bankruptcy Court that the Debtors have solicited acceptances of this Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code and the Debtors (and each of their respective Affiliates, officers, directors, employees, consultants, agents, advisors, members, attorneys, accountants, financial advisors, other representatives and Professionals) have participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code in the offer, issuance, sale, and/or purchase of any securities offered or sold under this Plan, and are not, and on account of such offer, issuance, sale, solicitation, and/or purchase will not be, liable at any time on account of such solicitation or participation for the violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or the offer, issuance, sale, or purchase of any securities offered or sold under this Plan.

15.15 *Severability.* Should the Bankruptcy Court determine, prior to the Confirmation Date, that any provision of this Plan is either illegal on its face or illegal as applied to any Claim or Interest, such provision shall be unenforceable as to all Holders of Claims or Interests or to the specific Holder of such Claim or Interest, as the case may be, as to which such provision is illegal. Unless otherwise determined by the Bankruptcy Court, such a determination of unenforceability shall in no way limit or affect the enforceability and operative effect of any other provision of this Plan. The Debtors reserve the right not to proceed with Confirmation or consummation of this Plan if any such ruling occurs.

15.16 *Designated Notice.* Notwithstanding any other provision of this Plan, when notice and a hearing is required with regard to any action to be take after the Confirmation Date by the Debtors and/or the Liquidating Agent, Designated Notice shall be adequate.

**CONFIRMATION REQUEST**

The Debtors hereby request confirmation of this Plan pursuant to section 1129(a) or section 1129(b) of the Bankruptcy Code.

[SIGNATURE PAGE FOLLOWS]



Dated this 6th day of September, 2012.

Respectfully submitted,

**CAGLE'S, INC.**

By: /s/ J. Douglas Cagle  
J. Douglas Cagle  
President and CEO

**CAGLE'S FARMS, INC.**

By: /s/ J. Douglas Cagle  
J. Douglas Cagle  
President and CEO

**KING & SPALDING LLP**

/s/ Paul K. Ferdinands  
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1180 Peachtree Street  
Atlanta, Georgia 30309-3521  
Telephone: (404) 572-4600  
Facsimile: (404) 572-5131

**COUNSEL FOR THE  
DEBTORS IN POSSESSION**

**EXHIBIT B**

**Liquidation Analysis**

**Cagle's, Inc. and Cagle's Farms, Inc.  
Liquidation and Distribution Analysis  
Pro-Forma as of Effective Date<sup>1</sup>**

**Assets<sup>2</sup>**

Cash	\$	19,577,737
A/R <sup>3</sup>		50,857
Worker's Compensation Refund <sup>4</sup>		400,000
Utility Deposits		19,047
Insurance - Unearned Premium Refund		418,000
Purchase Note (due from JCG) <sup>5</sup>		14,613,945
Total Assets	\$	35,079,586

**Liabilities**

Administrative Claims (Accrued Expenses not assumed by JCG)	\$	834,649
Administrative Claims (Professional Fees)		4,464,269
Tax Claims		22,936
Priority Claims		--
General Unsecured Claims <sup>6</sup>		13,806,196
Unsecured Convenience Claims <sup>6</sup>		939,985
Total Liabilities	\$	20,068,035

Proceeds Available for Distribution to Equity	\$	15,011,551
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<sup>1</sup> Effective Date is assumed to be October 18, 2012; certain of the assets are expected to be converted to Cash prior to the Effective Date.

<sup>2</sup> Does not include the following additional assets that have uncertain (if any) value, will be difficult to monetize and/or are not expected to be collectible for a considerable period of time:

Receivable due from Cagle Trusts	\$1,242,462
Macon facility	--
Allocated surplus from AgSouth Investment	\$ 400,000
Worker's compensation excess refunds	\$ 100,000
Norfolk Southern claim/cause of action	\$ 278,284

<sup>3</sup> Net of amounts that are expected to be uncollectible.

<sup>4</sup> Remaining balance of the deposit held by the Trust Fund.

<sup>5</sup> This is the Debtors' (conservative) estimate of the final principal amount of the Purchase Note after all post-closing adjustments have been completed.

<sup>6</sup> Includes postpetition interest through October 18, 2012.