

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

IN RE: : Chapter 11  
: Case No. 5-15-bk-05147-JJT  
The United Rehabilitation Services, Inc. :  
dba United Rehabilitation Services, Inc. :  
: Small Business Case under Chapter 11  
Debtor-in-Possession

**DISCLOSURE STATEMENT OF  
THE UNITED REHABILITATION SERVICES, INC  
DATED SEPTEMBER 26, 2016**

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A. Excerpts from prepetition Financial Statement for year ended June 30, 2014	
B. Summary of postpetition monthly Operating Report for August 2016.	

A copy of the proposed PLAN OF REORGANIZATION relating to this Disclosure statement is included as a separate attachment.

## I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the small business chapter 11 case of THE UNITED REHABILITATION SERVICES, INC (the “Debtor” or “URS”). This Disclosure Statement contains information about the Debtor and describes the PLAN OF LIQUIDATION (the “Plan”) filed by the Debtor dated September 2016. A full copy of the Plan is enclosed with this Disclosure Statement. ***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

The proposed distributions under the Plan are discussed at pages 8-10 of this Disclosure Statement.

### A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case,
- How the Plan proposes to treat claims of the type you hold (*i.e.*, what you will receive on your claim or equity interest if the plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan, and
- The effect of confirmation of the Plan.

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

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

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed. Refer to the Orders of the Bankruptcy Court setting the deadlines and procedures related to the approval of the Disclosure Statement and Plan.

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

The hearing at which the Court will determine whether to confirm the Plan will be set by Orders of the Bankruptcy Court and sent to creditors as required.

#### 2. *Deadline For Voting to Accept or Reject the Plan*

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot to counsel for the Debtor-in-Possession as indicated on the ballot form. See section IV(A) on page 9 below for a discussion of voting eligibility requirements.

Your ballot must be received by the deadline set by Order of the Bankruptcy Court or it will not be counted. The deadline is indicated on the ballot form.

3. *Deadline For Objecting to the Confirmation of the Plan*

Objections to the confirmation of the Plan must be filed with the Court by the deadline set in the Order of the Bankruptcy Court.

4. *Identity of Person to Contact for More Information*

For additional information about the Plan, contact Debtor's counsel: Lisa M. Doran, Esq, 69 Public Square, STE 700, Wilkes-Barre, PA 18701, telephone 570-823-9111.

II. **BACKGROUND**

A. **Description and History of the Debtor's Business**

The United Rehabilitation Services, Inc is a nonprofit corporation. URS was formed as a result of the Wyoming Valley United Way's *Community Services Study Commission Report* in 1958 that recommended the "establishment of a complete and far-reaching rehabilitation center for the Wyoming Valley" to prevent proliferation and duplication of services for people with disabilities.

In 1964, URS was incorporated in a merger between the Industrial Department of the Wilkes-Barre Branch of the Pennsylvania Association for the Blind and the Wyoming Valley Workshop Limited. The Blind Association in Wilkes-Barre had been in existence since 1921. The Wyoming Valley Workshop was organized in 1958 as a project of the Luzerne County Association for Retarded Citizens. The two agencies merged to form United Rehabilitation Services.

URS provided community vocational rehabilitation services to adults and students with disabilities in Northeastern Pennsylvania. In 1970 branches of URS were opened in Hazleton and Tunkhannock. With program locations in Wilkes-Barre, Hazleton, and Tunkhannock, the agency once served more than 500 people in eight counties through the provision of work therapy, employment programs and social and recreational services.

In recent years, the business declined and URS ceased operations, as more fully described in section D below.

B. **Insiders of the Debtor**

The following are insiders of the Debtor and compensation paid in the year prior to the commencement of the case and compensation during the Chapter 11:

Name of insider	Relationship to Debtor	Compensation paid in 12 months prior to filing	Annual compensation after Chapter 11 case
Joseph A. Pierangeli	CEO	\$ 47,854.20	\$ per diem (total of \$14,779.53 pd from 11-30-15 to date)
Justine A Muto	CFO	\$ 25,129.58	\$ per diem (total of \$9,350.72 pd from 11-30-15 to date)
Gladys G. Bernet	Secretary	\$ 0	\$ 0
Mark Mitchell	Treasurer	\$ 0	\$ 0
William V. Lewis, Jr	Director and Chair	\$ 0	\$ 0
Matthew Alferio	Director & 1st Vice Chair	\$ 0	\$ 0
Mary Beth Hayden	Director & 2nd Vice Chair	\$ 0	\$ 0
Molly Hinkin	Director	\$ 0	\$ 0
Lori Bennett	Director	\$ 0	\$ 0
Judith Dinofrio	Director	\$ 0	\$ 0
Lisa Gardner	Director	\$ 0	\$ 0
Robert O. Neher	Director	\$ 0	\$ 0
John Rossi	Director	\$ 0	\$ 0
Thomas P. Williams, III	Director	\$ 0	\$ 0

### **C. Management of the Debtor Before and During the Bankruptcy**

During the two years prior to the date on which the bankruptcy petition was filed, the officers, directors, or other persons in control of the Debtor (collectively the “Managers”) were as indicated above, as well as Gerald T. O’Donnell who was a director but resigned from the Board on May 7, 2015. The Managers of the Debtor during the Debtor’s chapter 11 case have been as listed above.

After the effective date of the order confirming the Plan, the directors, officers, of the Debtor will remain as indicated in the list above to finish the liquidation and dissolution of the corporation.

### **D. Events Leading to Chapter 11 Filing**

From its inception, URS received government funding for services rendered (“Program Funded”) based upon the company’s actual expenses each fiscal year. In fiscal year 2009-2010 the government payment system changed to “Fee for Service” which meant payment was based upon a government set rate for units of service provided per individual. Changing from an actual expense funding system to a fixed rate considerably reduced URS’ revenue each fiscal year. In addition to the loss of revenue, URS had to reimburse the government \$567,283.00 in 2009-2010 and \$161,443 in 2010-2011. In fiscal year 2012-2013 reimbursement rates were cut again, reducing revenue by \$646,000.00 for that fiscal year.

During this time, URS took steps to address the shortfalls including furloughing 8 people from July to September 2012; furloughing 5 people from April to June 2013; reducing 2 staff salaries by \$10,730.00 due to change in job description; reduction in management staff reduced by: 1 death, 1 retirement, 1 disability; adjustments to employee health care benefits to reduce premiums; increasing the use of subcontractors; adjusting billing practices; elimination of 5 programs out of 11 that were not covering cost; launching a letter campaign to the Governor and elected officials by clients, parents, staff, and advocates and meeting with State, Regional, County and Local Government Representative to discuss the financial burden placed on URS and seeking recommendations for remaining solvent.

Despite the efforts, the measures taken were not sufficient to overcome the ongoing reductions in the government reimbursements, therefore the Board of Directors and Officers of United Rehabilitation Services, Inc. made a difficult decision to cease operations on June 18, 2014. Following the cessation of business, the Debtor liquidated real property at 287 North Pennsylvania Avenue, Wilkes-Barre and 25 West Street Tunkhannock, PA, and liquidated most personal property at all locations.

### **E. Significant Events During the Bankruptcy Case**

- The Debtor employed a real estate professional to list the real property for sale.
- The Debtor employed general counsel.
- The Debtor’s employee pension plan was partially underfunded. The pension assets are not assets of the Debtor, but the Debtor is responsible to PBGC for any shortfall. To proceed with the pension termination, the Debtor employed accountants, a Third Party Administrator and special counsel. The PBGC agreed to a consensual turnover of the pension plan and approval by the Bankruptcy Court is pending.
- The Debtor maintained an account at Landmark Bank as partial security for a letter of credit in favor of Eastern Insurance Group, the debtor’s worker’s compensation insurance provider. Although the Debtor had no employees at the time of the filing and no former employee has made a claim on the workers comp, Eastern Insurance drew on the letter of credit. This action prompted Landmark Bank to bring a civil action against Eastern to return the funds. The Debtor has been working with counsel for Landmark Bank to attempt to resolve the issue and allow for the return of the funds in the future should no claim be made.

## F. Projected Recovery of Avoidable Transfers

The Debtor estimates that up to \$16,000.28 plus costs may be realized from the recovery of fraudulent, preferential or other avoidable transfers. While the results of litigation cannot be predicted with certainty and it is possible that other causes of action may be identified, the following is a summary of the actions filed or expected to be filed in this case:

Transaction	Defendant	Amount Claimed
Judith Dinofrio and Corrine Chabot removed, by check, the sum of \$16,000.28 from a URS bank account, payable to P.H.H.U.R.S. The transaction was unauthorized and the URS Board has requested the funds be repaid but there has been no repayment	Judith Dinofrio; Corrine Chabot; and P.H.H.U.R.S and/or its successors or assigns.	\$16,000.28 plus costs

## G. Claims Objections

Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to object to claims. Therefore, even if your claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are set forth in Article V of the Plan.

## H. Current and Historical Financial Conditions

The identity and fair market value of the estate's assets as listed on the Schedules filed in this Bankruptcy case:

<u>ASSET</u>	<u>PETITION VALUE</u>	<u>BASIS FOR VALUATION</u>
Real Property located at 489 W Broad St, Hazleton, PA (postfiling the listing price has been reduced)	445,500.00	listing price
Checking account at PNC Bank	118,976.09	actual
Money Market Account at Luzerne Bank	683,832.63	actual
Commercial insurance package for general liability ins	1.00	nominal value
State Workers Insurance fund workers comp insurance	1.00	nominal value
Traveler's insurance directors and officers insurance	1.00	nominal value
Claim against Judith Dinofrio and Corrine Chabot for return of funds removed from bank account and transferred to a third party without authorization.	16,000.28	actual amt funds withdrawn
Claim for return of funds withdrawn from Landmark account because of Eastern Insurance disputed draw on letter of credit	27,975.00	1 actual
Office equipment	830.00	est FMV
Office furniture	580.00	est FMV
Food Service equipment	150.00	est FMV
Furniture and Fixtures	705.00	est FMV
Office supplies	80.00	est FMV

Excerpts from prepetition Financial Statement for year ended June 30, 2014, including balance sheet and income statement are attached as Exhibit A. to this Disclosure Statement.

A summary of the most recent postpetition monthly operating report for the month of August 2016 is attached as Exhibit B.

### III. SUMMARY OF THE PLAN AND TREATMENT OF CLAIMS

#### A. What is the Purpose of the Plan of Liquidation?

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

#### B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

##### 1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under § 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtor in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires that all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment.

The Debtor's estimated administrative expenses and their proposed treatment are as follows:

Type	Est. Amount Owed	Proposed Treatment
Expenses Arising in the Ordinary Course of Business After the Petition Date	\$0	Are being paid per contract terms.
Professional Fees, as approved by the Court	to be determined	Will be paid after such approval.
Office of the U.S. Trustee Fees	\$0	Will be paid as they become due.
Shredding company (to be determined)	approx. \$4700	Pay in full to prepay shredding of records—approx 12,000 lbs. of documents.

##### 2. Priority Tax Claims

Priority tax claims are unsecured income, employment, and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

Priority Tax Creditors	Estimated Amount Owed
<b>INTERNAL REVENUE SERVICE</b>	0* IRS filed a proof of claim for \$141,507.90, however part of the claim was estimates for excise taxes, which returns have now been filed, and most of the claim is for estimated payroll taxes for periods when the Debtor had no employees, so no tax is due. Debtor anticipates little if any tax owed, but is awaiting an amended claim to be filed by IRS.

#### Treatment of Priority Tax Obligations

Allowed priority taxes will be paid in full within 60 days after the Effective Date unless the Debtor files a claim objection. If the Debtor objects, the Debtor will hold back the priority amount of the claim, as filed, pending resolution of the claim objection. Any amount determined to be owed by order will be paid within 30 days of such final order.

**C. Classes of Claims**

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

1. **Classes of Secured Claims**

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a general unsecured claim.

The following chart lists all classes containing Debtor’s secured prepetition claims and their proposed treatment under the Plan:

<b>Class #</b>	<b>Name of Creditor &amp; Description</b>	<b>Impaired?</b>	<b>Treatment of Secured Claim</b>
1	<p><b>LANDMARK BANK</b> claim #6</p> <p>Collateral: security interest in any unused draw from Letter of Credit which may be returned from Eastern Insurance Group.</p> <p>Allowed secured claim: <u>\$ 24,767.35</u></p>	no	<p>Debtor will continue negotiation and/or litigation with Eastern Insurance and Landmark Bank to achieve the release of the funds which Eastern drew from a letter of credit at Landmark. As of yet, the Debtor has not had any claims made against its worker’s compensation policy and the Debtor has not had employees since June, 2014. When Eastern returns the funds, Landmark will be paid for the draw amount remitted to Eastern (less amount set off from Debtor’s account) plus interest and reasonable attorney fees per the contract. Once Landmark is paid, the balance of the funds returned by Eastern will be paid into the Holdback Account.</p> <p>Landmark Bank will retain its lien per the contract until the obligation is paid.</p>
2	<p><b>Commonwealth of PA – UCTS</b></p> <p><i>Claim #1</i></p> <p>Collateral: lien on Debtor’s real property located at 489 West Broad St, Hazleton, PA.</p> <p>Allowed secured claim: \$270,553.73</p>	yes	<p>Debtor will continue to market the real property for sale. Once a suitable buyer is located, the Debtor will seek approval of the sale through the Bankruptcy Court. The Debtor will pay at closing the realtor’s commission, real estate taxes prorated, ordinary expenses of sale, and attorney fees and costs for seeking Bankruptcy Court approval of sale and to complete the sale transaction. Proceeds will also be paid from closing to reimburse the holdback account for the post-confirmation expenses of the real property as discussed in section D below. The net proceeds of sale will be paid to the Commonwealth of Pa UCTS in full satisfaction of the lien. The lienholder will release its lien as part of the closing of the sale.</p> <p>UCTS will retain its liens on the real property until the obligation is paid.</p>

## 2. Class of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code.

Class #	Description	Impairment
3	General Unsecured Class	impaired

The following are the general unsecured claims, where either the creditor has filed a proof of claim or the claim was included on the Debtor's schedules and is a deemed claim. The Debtor may still object to the allowance of these claims consistent with the Plan.

Name of Creditor	Claim #	Amount of Claim *
<b>Commonwealth of PA-UCTS</b>	#1	105,110.46
<b>Pension Benefit Guaranty Corp</b>	#3	1,617,776.00
<b>IRS general claim</b>	#2	1,200.00

*\*It is believed that PBGC will amend its claim if the Court approves transfer of the administration of the pension plan. The IRS claim is based on estimates and is expected to be amended; the Debtor anticipates the claim will be reduced.*

### TREATMENT OF Class #3 GENERAL UNSECURED CLASS:

Within 60 days after the Effective date the Debtor will make a lump sum distribution to creditors in the amount of no less than \$625,000 which will pay creditors in the following order:

1. administrative claims
2. any priority tax claims
3. The balance of the distributed, pro-rata- to allowed general unsecured creditors.

The Debtor will retain the remaining cash on hand in a Holdback Account for ongoing administrative expenses pending the receipt of additional funds from the sale of the real property, recovery of any claims for the unauthorized transfer, and any return from the draw on the letter of credit

As described in section III (D)(2)(c), (d), (e), and (f) below, as the remaining property is liquidated, the Debtor will make periodic lump sum distributions pro-rata to Class 3 creditors.

At such time as the final assets are recovered, the balance in the Holdback Account will be distributed pro-rata to general unsecured creditors as described in III (D)(2)(g) below.

#### D. Means of Implementing the Plan

##### 1. Source of Payments

Payments and distributions under the Plan will be funded from Cash on hand, funds from sale of real property, any proceeds of litigation, and any recovery of unused draw on letter of credit.

##### 2. Distributions to be made in the plan.

##### a. INITIAL LUMP SUM DISTRIBUTION

The Debtor will pay administrative expenses then make a lump sum distribution of no less than \$625,000.00. The Debtor will first pay any priority taxes from the \$625,000 (or set aside funds if the IRS claim is still in question as described in III(B)(2) above). The balance of the \$625,000 will be paid pro-rata to allowed general unsecured creditors in Class 3.



b. HOLDBACK ACCOUNT

The Debtor will initially hold back not less than \$50,000.00 toward future expenses. These future expenses will include the following:

(a) Real Estate: Until the Debtor's real property located at 489 West Broad Street, Hazleton PA is sold, the Debtor must keep the property insured, maintain minimal electric service, continue the alarm system and provide for a maintenance worker to do regular checks on the building. Once the sale does occur, the lienholder Commonwealth of PA UCTS, will reimburse the Holdback Account for the expenses paid related to the real property as described in (c) below.

(b) Administrative expenses: Until all assets are liquidated, the Debtor will incur some expenses to carry out the terms of the plan including attorney's fees, some basic accounting expenses, and the final expenses to resolve the corporation.

c. DISTRIBUTIONS FROM FUTURE SALE OF REAL PROPERTY.

Debtor will continue to list the real property located at 489 West Broad Street, Hazleton, PA for sale and renew the existing listing agreement or enter into a new Listing Agreement in its discretion. Once the Debtor has received a suitable offer for the property, the Debtor will file a Notice of Sale seeking Court approval for the sale of the real property. The sale proceeds will be distributed to the cost of sale as described in the treatment of Class 2 above, and the Commonwealth of PA UCTS will allow a carve-out from the real estate proceeds to reimburse the hold-back account for the expenses of electricity, alarm system, insurance and maintenance worker. The net proceeds would then be paid to PA UCTS up to the full amount of their secured claim. It is not anticipated that there will be any excess proceeds for payment of general creditors, but if there is any net, the net, together with the amount set aside to reimburse the holdback account would then be paid into the Holdback account. The Debtor will then reassess the amount needed for the Holdback account and if possible make a supplemental lump sum distribution, pro-rata to Class 3 general unsecured creditors.

d. RECOVERY OF UNAUTHORIZED TRANSFER

The Debtor will in its discretion pursue recovery of an unauthorized pre-petition transfer of funds taken from a bank account of the Debtor by Judith Dinofrio and Corinne Chabot. All proceeds recovered from this transfer litigation or any settlement thereof as approved by the Bankruptcy Court will be paid into the hold-back account. The Debtor will then reassess the amount needed for the Holdback account and if possible make a supplemental lump sum distribution, pro-rata to Class 3 general unsecured creditors.

e. EASTERN INSURANCE & LANDMARK MATTER

The Debtor will continue to pursue the negotiations or litigation for the recovery of funds taken from its bank account at Landmark Bank following a drawn made by Eastern Insurance on a Letter of Credit at Landmark Bank. Eastern Insurance drew on the letter of credit, however, as of this date the Debtor has not had any claims made against its worker's compensation policy. As detailed above, Landmark Bank is secured in any proceeds to be returned by Eastern Insurance to the Debtor to recover the sums it expended and its reasonable attorney fees. The net balance will be paid to the Debtor and placed into the holdback account. The Debtor will then reassess the amount needed for the Holdback account and if possible make a supplemental lump sum distribution, pro-rata to Class 3 general unsecured creditors.

f. PERSONAL PROPERTY

The Debtor has personal property of minimal economic value (estimated on the schedules at less than \$3,000) located in the Hazleton building. Pre-petition, the Debtor had sold various assets, but the Debtor was unable to find buyers for the items which remain. The Debtor also has minimal office equipment located in its current rental location such as furniture, copier and a computer, which are still in use at this time. When the office location is closed (no later than shortly after confirmation), any personal property will be moved to the Hazleton facility.

If the Debtor is able to find buyers for any or all of the items, it will do so and the proceeds will be paid into the Holdback Account for distribution. Because the Debtor is a non-profit the Debtor is directed to donate to other non-profit agencies any of the personal property which is not cost effective to sell. Debtor will have the authority to sell the personal property or donate to another nonprofit without the need for approval of the Bankruptcy Court.

Various accounting records of the Debtor are maintained on a computer of nominal value. The computer may be relocated to the custody of one of the corporate officers or board members for safe keeping of the records. The Debtor will take steps to remove the corporate data from the computer and the computer will eventually be disposed of consistent with reasonable steps to maintaining the security of any electronic data.

The Debtor has its paper records stored in a storage facility and has already prepaid the storage fee so that the records will be maintained for the period of time required by law. Following confirmation, as an Administrative Expense, the Debtor will prepay a shredding facility to shred these records at the expiration of the required storage period.

g. FINAL DISTRIBUTION

Once all of the above items (along with any unforeseen issues which may arise in the future) are resolved and the funds collected, the Debtor will arrange for the final dissolution of the corporation and pay any remaining holdback funds pro-rata to the general unsecured creditors.

3. *Post-confirmation Management*

The Post-Confirmation Managers of the Debtor will be as indicated in II(B) above. Compensation will be on a per diem basis only to Joseph A. Pierangeli, CEO (\$45.97 per hour) and Justine A. Muto, CFO (\$28.08 per hour) only to the extent necessary to oversee the liquidation, prepare necessary financial reports, and wind up the corporation.

E. **Risk Factors**

The proposed Plan has the following risks: There will be a lump sum distribution of the majority of the Debtor's assets within 60 days of the Effective Date. Any risk would be on the amount of proceeds which are received from the remaining assets and the expenses to liquidate those assets.

F. **Executory Contracts and Unexpired Leases**

The Debtor only has month to month obligations as of this time.

G. **Tax Consequences of Plan**

***Creditors and Equity Interest Holders Concerned with How the Plan May Affect Their Tax Liability Should Consult with Their Own Accountants, Attorneys, and/or Advisors.***

#### IV. CONFIRMATION REQUIREMENTS AND PROCEDURES

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each creditor at least as much as the creditor would receive in a chapter 7 liquidation case, unless the creditor votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

##### A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A creditor has a right to vote for or against the Plan only if that creditor has a claim that is both (1) allowed or allowed for voting purposes and (2) impaired.

In this case, the Plan Proponent believes that classes 1 & 3 are impaired and that holders of claims in each of these classes are therefore entitled to vote to accept or reject the Plan. The Plan Proponent believes that classes 2 are unimpaired and that holders of claims in each of these classes, therefore, do not have the right to vote to accept or reject the Plan.

##### 1. *What Is an Allowed Claim?*

Only a creditor with an allowed claim has the right to vote on the Plan. Generally, a claim is allowed if either (1) the Debtor has scheduled the claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the creditor has filed a proof of claim unless an objection has been filed to such proof of claim. When a claim is not allowed, the creditor holding cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the claim for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

***The deadline for filing a proof of claim in this case was September 13, 2016.***

##### 2. *What Is an Impaired Claim?*

As noted above, the holder of an allowed claim has the right to vote only if it is in a class that is *impaired* under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

##### 3. *Who is Not Entitled to Vote*

The holders of the following types of claims interests are *not* entitled to vote:

- holders of claims that have been disallowed by an order of the Court;
- holders of claims in unimpaired classes;
- holders of claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), & (a)(8) of the Code; and
- administrative expenses.

***Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan.***

#### 4. *Who Can Vote in More Than One Class*

A creditor whose claim has been allowed in part as a secured claim and in part as an unsecured claim, or who otherwise hold claims in multiple classes, is entitled to accept or reject a Plan in each capacity, and should cast one ballot for each claim.

##### **B. Votes Necessary to Confirm the Plan**

If impaired classes exist, the Court cannot confirm the Plan unless (1) at least one impaired class of creditors has accepted the Plan without counting the votes of any insiders within that class, and (2) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed later in Section [B.2.].

##### 1. *Votes Necessary for a Class to Accept the Plan*

A class of claims accepts the Plan if both of the following occur: (1) the holders of more than one-half (1/2) of the allowed claims in the class, who vote, cast their votes to accept the Plan, and (2) the holders of at least two-thirds (2/3) in dollar amount of the allowed claims in the class, who vote, cast their votes to accept the Plan.

##### 2. *Treatment of Nonaccepting Classes*

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting classes of claims if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired class that has not voted to accept the Plan.

***You should consult your own attorney if a “cramdown” confirmation will affect your claim, as the variations on this general rule are numerous and complex.***

##### **C. Liquidation Analysis**

To confirm the Plan, the Court must find that all creditors who do not accept the Plan will receive at least as much under the Plan as such claimholders would receive in a chapter 7 liquidation. This is a liquidating plan and should, therefore, return no less to creditors than a chapter 7 liquidation.

##### **D. Feasibility**

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, unless such liquidation or reorganization is proposed in the Plan, and this plan is intended to be a liquidating plan.

##### 1. *Ability to Initially Fund Plan*

The Debtor has cash on hand to make the initial lump sum payments.

2. *Ability to Make Future Plan Payments*

Future plan payment will depend on the timing and the amount of proceeds received from the (1) sale of the real property (2) resolution of litigation to recover funds from a bank account transferred to a third party and (3) resolution of a draw on a letter of credit at Landmark Bank by Eastern Insurance Group related to the debtor's worker's compensation policy, on which no claims have been made at this time.

V. **EFFECT OF CONFIRMATION OF PLAN**

A. **NO DISCHARGE OF DEBTOR.**

In accordance with § 1141(d)(3) of the Code, the Debtor will not receive any discharge of debt in this bankruptcy case because the Plan provides for the liquidation of substantially all the property of the Debtor.

B. **Modification of Plan**


The Plan Proponent may modify the Plan at any time before confirmation of the Plan. However, the Court may require a new disclosure statement and/or revoting on the Plan.

C. **Final Decree**

Once the estate has been fully administered, as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Plan Proponent, or such other party as the Court shall designate in the Plan Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such a final decree on its own motion.


The United Rehabilitation Services, Inc

By: \_\_\_\_\_

  
Joseph A. Pierangeli, CEO

Attorneys for The United Rehabilitation Services, Inc  
DORAN & DORAN, PC

By: \_\_\_\_\_

  
Lisa M. Doran, Esq  
69 Public Square STE 700  
Wilkes-Barre, PA 18701  
570-823-911 fax 570-829-3222

**ATTACHED EXHIBITS**

- A. Excerpts from Prepetition Financial Statement for the year ended June 30, 2014.
- B. Summary of Most Recent Postpetition Operating Reports.

**A. Excerpts from prepetition Financial Statement for year  
ended June 30, 2014**

**Exhibit “A”**

**UNITED REHABILITATION SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

**ASSETS**

	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS:</b>		
Cash	\$ 471,369	\$ 475,705
Investments-short term	-	129,366
Accounts receivable:		
Government agencies	-	21,433
County MH/MR	124,597	195,563
Professional services and contract work	118,990	176,312
United Way	<u>6,119</u>	<u>11,993</u>
Total accounts receivable	249,706	405,301
Prepaid expenses	<u>8,626</u>	<u>19,759</u>
<b>TOTAL CURRENT ASSETS</b>	729,701	1,030,131
Property, plant & equipment	<u>261,500</u>	<u>324,244</u>
<b>TOTAL ASSETS</b>	<u>\$ 991,201</u>	<u>\$ 1,354,375</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 179,321	\$ 236,543
Line of credit	150,000	-
Accrued pension cost	140,219	222,140
Payroll, taxes and withholdings payable	10,945	76,086
Deferred revenue	-	1,650
Notes payable-current	<u>21,526</u>	<u>17,994</u>
<b>TOTAL CURRENT LIABILITIES</b>	502,011	554,413
Notes payable-long term	<u>-</u>	<u>16,977</u>
<b>TOTAL LIABILITIES</b>	502,011	571,390
<b>NET ASSETS</b>		
Unrestricted	<u>489,190</u>	<u>782,985</u>
<b>TOTAL NET ASSETS</b>	<u>489,190</u>	<u>782,985</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 991,201</u>	<u>\$ 1,354,375</u>

The accompanying notes are an integral part of these financial statements.

**UNITED REHABILITATION SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2014 and 2013**

	2014	2013
Public support & revenue		
Public support:		
Waiver funding - Office of Developmental Programs	\$ 1,526,551	\$ 1,543,224
MH/MR base funding	304,731	332,533
Special events	78,356	180,380
PA Office of Vocational Rehabilitation	985	113,355
United Way	99,595	102,266
Luzerne County O.C.D.	70,914	73,438
Other public support	9,741	63,340
Projects with industry	11,503	10,657
MH/MR other counties	-	252
City of Wilkes-Barre	9,120	3,556
Total public support	2,111,496	2,423,001
Revenues:		
Vocational services:		
Sub-contracting	218,196	252,847
Services to school districts	99,299	50,466
Photo centers - non MH/MR	202,123	206,340
Community employment:		
Mobile workforce	314,840	311,711
Cafeteria	132,910	168,917
Other:		
Investment income	3,311	6,244
Realized/Unrealized gain on investment	9,209	7,560
Miscellaneous income and sales	113,756	16,611
Contributions	7,794	8,136
Total revenue	1,101,438	1,028,832
Total public support & revenue	3,212,934	3,451,833
Expenses:		
Program services:		
Industrial	71,499	88,554
Vocational services	1,899,583	2,167,255
Transitional work	904,634	1,012,581
Adult day care	133,521	99,645
Community support employee	-	249,662
Job coaching	-	13,997
Other program services	16,892	36,997
Total program services	3,026,129	3,668,691
Supporting services:		
Management & administration	453,993	368,654
Fundraising	26,607	36,425
Total supporting services	480,600	405,079
Total expenses	3,506,729	4,073,770
Change in net assets	\$ (293,795)	\$ (621,937)

The accompanying notes are an integral part of these financial statements.



**UNITED REHABILITATION SERVICES, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>2014 Total</u>
Net assets - beginning	\$ <u>782,985</u>	\$ <u>782,985</u>
Excess of public support & revenue over expenses	<u>(293,795)</u>	<u>(293,795)</u>
Net assets - ending	\$ <u><u>489,190</u></u>	\$ <u><u>489,190</u></u>

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The accompanying notes are an integral part of these financial statements.

**UNITED REHABILITATION SERVICES, INC.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>2013 Total</u>
Net assets - beginning	\$ 1,404,922	\$ 1,404,922
Excess of expenses over support & revenue	<u>(621,937)</u>	<u>(621,937)</u>
Net assets - ending	<u>\$ 782,985</u>	<u>\$ 782,985</u>

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The accompanying notes are an integral part of these financial statements.

**UNITED REHABILITATION SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (293,795)	\$ (621,937)
Adjustments to reconcile decrease in net assets to net cash flows used by operating activities:		
Depreciation and amortization	41,560	43,378
Realized gain on investments	(9,209)	(7,560)
Gain on sale of equipment	(58,442)	
Change in operating assets:		
Accounts receivable	155,595	93,193
Prepaid expenses	11,133	(10,378)
Accounts payable and accrued liabilities	(57,222)	(59,706)
Accrued pension cost	(81,921)	(59,642)
Payroll, taxes and withholdings	(65,141)	(17,920)
Deferred revenue	(1,650)	(8,141)
Net cash used by operating activities	<u>(359,092)</u>	<u>(648,713)</u>
Cash flows from investing activities:		
Proceeds from sale of equipment	93,810	-
Sale of investment securities	141,442	-
Property and equipment purchases	(4,975)	(31,709)
Purchase of investment securities	(12,076)	(3,092)
Net cash provided by/(used) by investing activities	<u>218,201</u>	<u>(34,801)</u>
Cash flows from financing activities:		
Proceeds from line of credit	150,000	-
Payments on notes payable	(13,445)	(17,463)
Net cash provided by financing activities	136,555	(17,463)
Net decrease in cash	(4,336)	(700,977)
Cash, beginning	<u>475,705</u>	<u>1,176,682</u>
Cash, ending	<u>\$ 471,369</u>	<u>\$ 475,705</u>
Supplemental disclosures:		
Interest paid	<u>\$ 1,509</u>	<u>\$ 2,000</u>

The accompanying notes are an integral part of these financial statements.

**B. Summary or postpetition Monthly Operating Report for  
August 2016**

**Exhibit B.**

# UNITED STATES BANKRUPTCY COURT

Middle District of Pennsylvania

In re United Rehabilitation Services, Inc.,  
*Debtor*

Case No. 5:15-05147-JJT

Small Business Case under Chapter 11

## SMALL BUSINESS MONTHLY OPERATING REPORT

Month: 8/1 to 8/31/2016

Date filed: 09/12/2016

Line of Business: Vocational Services

NAISC Code: 624310

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING SMALL BUSINESS MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT AND COMPLETE.

RESPONSIBLE PARTY:

  
Original Signature of Responsible Party

Joseph A. Pierangeli, CEO  
Printed Name of Responsible Party

**Questionnaire:** *(All questions to be answered on behalf of the debtor.)*

	Yes	No	
1. IS THE BUSINESS STILL OPERATING?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
2. HAVE YOU PAID ALL YOUR BILLS ON TIME THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
3. DID YOU PAY YOUR EMPLOYEES ON TIME?	<input type="checkbox"/>	<input type="checkbox"/>	N/A
4. HAVE YOU DEPOSITED ALL THE RECEIPTS FOR YOUR BUSINESS INTO THE DIP ACCOUNT THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
5. HAVE YOU FILED ALL OF YOUR TAX RETURNS AND PAID ALL OF YOUR TAXES THIS MONTH?	<input type="checkbox"/>	<input type="checkbox"/>	N/A
6. HAVE YOU TIMELY FILED ALL OTHER REQUIRED GOVERNMENT FILINGS?	<input type="checkbox"/>	<input type="checkbox"/>	N/A
7. HAVE YOU PAID ALL OF YOUR INSURANCE PREMIUMS THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
8. DO YOU PLAN TO CONTINUE TO OPERATE THE BUSINESS NEXT MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
9. ARE YOU CURRENT ON YOUR QUARTERLY FEE PAYMENT TO THE U.S. TRUSTEE?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
10. HAVE YOU PAID ANYTHING TO YOUR ATTORNEY OR OTHER PROFESSIONALS THIS MONTH?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
11. DID YOU HAVE ANY UNUSUAL OR SIGNIFICANT UNANTICIPATED EXPENSES THIS MONTH?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
12. HAS THE BUSINESS SOLD ANY GOODS OR PROVIDED SERVICES OR TRANSFERRED ANY ASSETS TO ANY BUSINESS RELATED TO THE DIP IN ANY WAY?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
13. DO YOU HAVE ANY BANK ACCOUNTS OPEN OTHER THAN THE DIP ACCOUNT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

B 25C (Official Form 25C) (12/08)

14. HAVE YOU SOLD ANY ASSETS OTHER THAN INVENTORY THIS MONTH?
15. DID ANY INSURANCE COMPANY CANCEL YOUR POLICY THIS MONTH?
16. HAVE YOU BORROWED MONEY FROM ANYONE THIS MONTH?
17. HAS ANYONE MADE AN INVESTMENT IN YOUR BUSINESS THIS MONTH?
18. HAVE YOU PAID ANY BILLS YOU OWED BEFORE YOU FILED BANKRUPTCY?

**TAXES**

DO YOU HAVE ANY PAST DUE TAX RETURNS OR PAST DUE POST-PETITION TAX OBLIGATIONS?

IF YES, PLEASE PROVIDE A WRITTEN EXPLANATION INCLUDING WHEN SUCH RETURNS WILL BE FILED, OR WHEN SUCH PAYMENTS WILL BE MADE AND THE SOURCE OF THE FUNDS FOR THE PAYMENT.

*(Exhibit A)***INCOME**

PLEASE SEPARATELY LIST ALL OF THE INCOME YOU RECEIVED FOR THE MONTH. THE LIST SHOULD INCLUDE ALL INCOME FROM CASH AND CREDIT TRANSACTIONS. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

**TOTAL INCOME** \$ 9.53

**SUMMARY OF CASH ON HAND**

Cash on Hand at Start of Month \$ 742,980.30

Cash on Hand at End of Month \$ 729,886.21

PLEASE PROVIDE THE TOTAL AMOUNT OF CASH CURRENTLY AVAILABLE TO YOU **TOTAL** \$ 729,886.21

*(Exhibit B)***EXPENSES**

PLEASE SEPARATELY LIST ALL EXPENSES PAID BY CASH OR BY CHECK FROM YOUR BANK ACCOUNTS THIS MONTH. INCLUDE THE DATE PAID, WHO WAS PAID THE MONEY, THE PURPOSE AND THE AMOUNT. *(THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)*

**TOTAL EXPENSES** \$ 13,103.62

*(Exhibit C)***CASH PROFIT**

INCOME FOR THE MONTH *(TOTAL FROM EXHIBIT B)* \$ 9.53

EXPENSES FOR THE MONTH *(TOTAL FROM EXHIBIT C)* \$ -13,103.62

*(Subtract Line C from Line B)* **CASH PROFIT FOR THE MONTH** \$ -13,094.09

**UNPAID BILLS**

PLEASE ATTACH A LIST OF ALL DEBTS (INCLUDING TAXES) WHICH YOU HAVE INCURRED SINCE THE DATE YOU FILED BANKRUPTCY BUT HAVE NOT PAID. THE LIST MUST INCLUDE THE DATE THE DEBT WAS INCURRED, WHO IS OWED THE MONEY, THE PURPOSE OF THE DEBT AND WHEN THE DEBT IS DUE. (THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)

**TOTAL PAYABLES** \$ 0.00

(Exhibit D)

**MONEY OWED TO YOU**

PLEASE ATTACH A LIST OF ALL AMOUNTS OWED TO YOU BY YOUR CUSTOMERS FOR WORK YOU HAVE DONE OR THE MERCHANDISE YOU HAVE SOLD. YOU SHOULD INCLUDE WHO OWES YOU MONEY, HOW MUCH IS OWED AND WHEN IS PAYMENT DUE. (THE U.S. TRUSTEE MAY WAIVE THIS REQUIREMENT.)

**TOTAL RECEIVABLES** \$ \_\_\_\_\_

(Exhibit E)

**BANKING INFORMATION**

PLEASE ATTACH A COPY OF YOUR LATEST BANK STATEMENT FOR EVERY ACCOUNT YOU HAVE AS OF THE DATE OF THIS FINANCIAL REPORT OR HAD DURING THE PERIOD COVERED BY THIS REPORT.

(Exhibit F)

**EMPLOYEES**

NUMBER OF EMPLOYEES WHEN THE CASE WAS FILED? 0  
NUMBER OF EMPLOYEES AS OF THE DATE OF THIS MONTHLY REPORT? 0

**PROFESSIONAL FEES**

*BANKRUPTCY RELATED:*

PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? Legal, Financial and Pension Fees paid this period \$ 8,333.97

TOTAL PROFESSIONAL FEES RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ 21,309.66

*NON-BANKRUPTCY RELATED:*

PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID DURING THIS REPORTING PERIOD? \$ 0.00

TOTAL PROFESSIONAL FEES NOT RELATING TO THE BANKRUPTCY CASE PAID SINCE THE FILING OF THE CASE? \$ 0.00

**PROJECTIONS**

COMPARE YOUR ACTUAL INCOME AND EXPENSES TO THE PROJECTIONS FOR THE FIRST 180 DAYS OF YOUR CASE PROVIDED AT THE INITIAL DEBTOR INTERVIEW.

	Projected	Actual	Difference
INCOME	\$ <u>522.00</u>	\$ <u>3,331.52</u>	\$ <u>2,809.52</u>
EXPENSES	\$ <u>49,692.00</u>	\$ <u>75,253.79</u>	\$ <u>25,561.79</u>
CASH PROFIT	\$ <u>-49,170.00</u>	\$ <u>-71,922.27</u>	\$ <u>-22,752.27</u>

TOTAL PROJECTED INCOME FOR THE NEXT MONTH:	\$ <u>10.00</u>
TOTAL PROJECTED EXPENSES FOR THE NEXT MONTH:	\$ <u>-3,513.90</u>
TOTAL PROJECTED CASH PROFIT FOR THE NEXT MONTH:	\$ <u>-3,503.90</u>

**ADDITIONAL INFORMATION**

**PLEASE ATTACH ALL FINANCIAL REPORTS INCLUDING AN INCOME STATEMENT AND BALANCE SHEET WHICH YOU PREPARE INTERNALLY.**



**UNITED REHABILITATION SERVICES, INC.**  
**Bankruptcy Case #5:15-05147- JJT**  
**August 31, 2016**

**EXHIBIT B**  
**INCOME**

<b>Summary of Cash on Hand</b>	<b>AMOUNT</b>	<b>TOTAL</b>
Citizen's Bank- Debtor-In-Possession Checking Account	58,839.84	
Citizen's Bank- Debtor-In-Possession Money Market Acct.	462,043.17	
M & T-Debtor-In-Possession Money Market Account	<u>222,097.29</u>	742,980.30
Citizen's Bank- Debtor-In-Possession Checking Account	45,736.22	
Citizen's Bank- Debtor-In-Possession Money Market Acct.	462,051.00	
M & T-Debtor-In-Possession Money Market Account	<u>222,098.99</u>	729,886.21