

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

In re:	:	CHAPTER 11
	:	
W.E. YODER, INC.,	:	Case No. 14-19893 (REF)
	:	
Debtor.	:	

**DEBTOR'S AMENDED DISCLOSURE STATEMENT
SUBMITTED PURSUANT TO 11 U.S.C. SECTION 1125**

March 24, 2017

NOTICE TO CREDITORS AND PARTIES IN INTEREST:

THIS AMENDED DISCLOSURE STATEMENT IS BEING SUBMITTED TO ALL CREDITORS AND PARTIES IN INTEREST. THIS AMENDED DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY AFFECT YOUR DECISION TO ACCEPT OR REJECT THE AMENDED CHAPTER 11 PLAN FILED BY THE ABOVE-CAPTIONED DEBTOR DATED AS OF THE DATE HEREOF, AS IT MAY BE FURTHER MODIFIED OR AMENDED FROM TIME TO TIME. ALL CREDITORS AND PARTIES IN INTEREST ARE URGED TO READ THIS DISCLOSURE STATEMENT CAREFULLY.

SMITH KANE HOLMAN, LLC
Robert M. Greenbaum, Esquire
112 Moores Road, Suite 300
Malvern, PA 19355
(610) 407-7216 Phone
(610) 407-7218 Fax
rgreenbaum@skhlaw.com

W.E. Yoder, Inc. (the “Debtor”), submits as proponent, this Amended Disclosure Statement (the “Disclosure Statement”) in connection with its Amended Chapter 11 Plan (the “Plan”), pursuant to Chapter 11 of the United States Bankruptcy Code (the “Code”). A copy of the Plan was filed on March 24, 2017 (any capitalized terms not defined herein shall have the meaning ascribed to such terms in Article I of the Plan).

I. INTRODUCTION

The Debtor filed a voluntary petition for relief under chapter 11 of the United States Bankruptcy Code on December 18, 2014 (the “Petition Date”), and has continued as a debtor-in-possession pursuant to Sections 1107 and 1108 of the Code. On March 24, 2017, the Debtor filed the Plan seeking to provide a basis for resolving outstanding claims against the Debtor through two general mechanisms: (1) use of proceeds from the refinancing of the Stone Harbor Property; and (2) from the Debtor’s net income over a 5-year period, which income shall be disbursed on a quarterly basis. On March 24, 2017, the Debtor filed this Disclosure Statement as containing adequate information as required by the provisions of the Code.

II. PRELIMINARY STATEMENT AND SOLICITATION

As a creditor involved in the Debtor’s bankruptcy case, you should take the time to vote on the proposed Plan, which, if confirmed, will affect your economic interest in the case. Before casting your ballot, it is important that you be properly informed about the nature of the case and the workings of the proposed Plan and its consequences. The Disclosure Statement has been approved by the United States Bankruptcy Court as containing adequate information to enable you to make an informed judgment about the Plan. The Debtor urges you to review the Disclosure Statement and the Plan, consult with your own legal counsel or other advisors if you think it is appropriate and, for the reasons that follow, vote in favor of the Plan. The Plan will accomplish its objectives through the repayment of certain of the Debtor’s obligations mainly through the Debtor’s future earnings. The Debtor believes that creditors will receive a higher overall return under the provisions of the Plan than other alternatives, particularly liquidation of all of the Debtor’s assets.

III. PURPOSE OF THE DISCLOSURE STATEMENT AND PROVISIONS FOR VOTING AND CONFIRMATION

A. PURPOSE

The Debtor provides this Disclosure Statement, pursuant to the requirements of Section 1125 of the Code, in order to provide to the holders of all Claims against the Debtor adequate information about the Debtor and the Plan, so that they may make an informed judgment with respect to the merits of the Plan.

This Disclosure Statement does not purport to be a complete description of the Plan, the financial status of the Debtor, the applicable provisions of the Code, or other matters that may be deemed significant by certain creditors, and parties-in-interest. This Disclosure Statement is an

attempt to set forth, in reasonable detail, information that will enable a creditor to make an informed judgment with respect to the Plan. The Disclosure Statement necessarily involves a series of compromises between “raw data,” the legal language in documents or statutes, and the considerations of readability and usefulness. For further information, you may desire to examine the Plan directly (a copy of which accompanies this Disclosure Statement), and/or consult with your legal and financial advisors. The description of the Plan herein is provided only as a summary and it is recommended that all creditors and parties-in-interest review the Plan, the balance of this Disclosure Statement, and the other documents and information referenced herein, in order to obtain more complete information. Approval by the Bankruptcy Court of the Disclosure Statement is not an approval of the Plan.

Except as set forth in this Disclosure Statement, no representations concerning the Debtor or its assets or the Plan are authorized, and any such representations are not to be relied upon in arriving at a decision with respect to the Plan. Any representation made to secure the acceptance or rejection of the Plan other than as contained in this Disclosure Statement should be reported to Debtor’s counsel.

IN ACCORDANCE WITH UNITED STATES TREASURY CIRCULAR 230, BE ADVISED THAT: (A) ANY DISCUSSION OF TAX MATTERS IN THIS DOCUMENT IS NOT TAX ADVICE AND IS NOT INTENDED TO BE USED, AND CANNOT BE USED, FOR PURPOSES OF AVOIDING PENALTIES IMPOSED UNDER THE UNITED STATES INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS DOCUMENT; AND (C) A TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The information contained in this Disclosure Statement has been supplied by the Debtor. Based on the information made available, Debtor’s counsel has no information to indicate that the information disclosed in this Disclosure Statement is inaccurate. While every effort has been made to provide the most accurate information available, neither the Debtor nor Debtor’s counsel are able to state definitely that there is no inaccuracy in this Disclosure Statement or that future events may not render the information contained in this Disclosure Statement inaccurate. No known inaccuracies are included, however, much of the financial information contained herein consists of financial projections of the Debtor’s future net income, which may be complicated and uncertain.

Please be advised that the Debtor has attempted to provide only a general overview regarding its background and financial difficulties, and not to provide a detailed account of all events, actions, and circumstances that have contributed to those difficulties.

The terms and definitions contained in the Plan also apply to the Disclosure Statement, and Claimants are urged to read the Plan in its entirety in conjunction with the review of the Disclosure Statement.

B. VOTING PROVISIONS

1. General

Except for Claimants holding Administrative Claims, Priority Tax Claims or a Claim in an unimpaired class, every holder of a Claim is entitled to vote to accept or reject the Plan, provided that either: (a) its Claim has been scheduled by the Debtor and such Claim is not scheduled as a disputed, contingent or unliquidated claim; or (b) it has filed a timely Proof of Claim, unless its Claim has been disallowed for voting purposes by the Bankruptcy Court. All Creditors who hold a Claim against the Debtor, except as indicated below, may vote on the Plan by filling out the enclosed ballot and mailing it in the enclosed, self-addressed envelope or transmitting it to counsel for the Debtor.

2. Claimants Not Entitled to Vote

a. Administrative Claims and Priority Tax Claims

Claimants holding only Administrative Claims are not entitled to vote on the Plan because Section 1123(a)(1) of the Code does not require that such Claims be designated in a Class and because the Plan provides for the payment of such Claimants under terms which satisfy such Claimants pursuant to Sections 1129(a)(9)(A) and (C) of the Code. Sections 1122(a) and 1123(a)(1) of the Code require that a Plan proponent designate Classes of Claims, other than Administrative Claims and Priority Tax Claims, and that each Class consists of substantially similar Claims.

b. Unimpaired Claims

Claimants holding Claims in a Class which is not impaired (as discussed below) are not entitled to vote on the Plan because pursuant to Section 1126(f) of the Code, a Class that is not impaired under the Plan, and each Claimant in such Class, is conclusively presumed to have accepted the Plan. As a general matter, under Section 1124 of the Code, a Class of Claims is impaired unless the rights of the Claimants in such Class are not altered by the Plan (with exception of certain rights of Claimants to receive accelerated payment of their Claims and certain rights of debtors to cure defaults) or unless the Plan provides, that, on the Effective Date, each Claimant in such Class shall receive, on account of its Claim, cash equal to the Allowed amount of such Claim. Class 1 is the only unimpaired Class under the Plan.

3. Claimants Entitled to Vote: Impaired Claims

Claimants in Classes 2, 3, 4, 5 and 6 (as described below) are impaired under the Plan and Claimants and/or Interest Holders in such Classes, therefore, are entitled to vote on the Plan.

4. Acceptance of the Plan

Please note that the Plan is deemed accepted by a Class of Creditors when it is approved by creditors who hold at least two-thirds of the dollar amount, and who comprise more than one-half in number of, the Allowed Claims of such Class that are held by Creditors and who in fact vote. An abstention by a Creditor will not count toward either acceptance or rejection of the Plan.

THE DEBTOR RECOMMENDS THAT EACH VOTER ACCEPT THE PLAN. IN ORDER FOR YOUR VOTE TO COUNT, YOUR BALLOT MUST BE COMPLETED AND RECEIVED AT THE ADDRESS STATED ON THE BALLOT (WHICH IS ALSO SET FORTH BELOW) OR TRANSMITTTED TO COUNSEL FOR THE DEBTOR ON OR BEFORE THE DATE SET FORTH ON THE BALLOT.

SMITH KANE HOLMAN, LLC
Robert M. Greenbaum, Esquire
112 Moores Road, Suite 300
Malvern, PA 19355
(610) 407-7216 Phone
(610) 407-7218 Fax
rgreenbaum@skhlaw.com

Even though a Creditor may not choose to vote or may vote against the Plan, the Creditor will be bound by the terms and treatment set forth in the Plan if the Plan is accepted by the requisite majorities in each Class of Claimants and/or is confirmed by the Court. Allowance of a Claim for voting purposes does not necessarily mean that the Claim will be Allowed for purposes of distribution under the terms of the Plan. Any Claim to which an objection has been or shall be made will be Allowed for purposes of distribution only after determination by the Court. Such determination may be made after the Plan is confirmed

C. CONFIRMATION

1. Objections

Should you have an objection to Confirmation of the Plan, it must be filed, in writing, with the Bankruptcy Court and a copy caused to be received by counsel for the Debtor, on or before the date set forth in the Order approving the Disclosure Statement. A hearing to consider confirmation of the Plan will be held on the date and time set forth in the Order approving the Disclosure Statement before the Honorable Richard E. Fehling.

2. Confirmation by Acceptance

The Debtor is seeking Confirmation of the Plan under Section 1129(a) of the Code. Confirmation under Section 1129(a) is dependent upon a finding of the Bankruptcy Court that a number of requirements have been met. One of these requirements is that each Impaired Class of Claims must have accepted the Plan. Accordingly, the Plan cannot be confirmed under Section 1129(a) unless accepted by each Impaired Class of Claims.

3. Confirmation Without Acceptance

While the Debtor intends to seek Confirmation of the Plan under Section 1129(a), the Debtor reserves the right to seek Confirmation of the Plan under Section 1129(b) or otherwise under the Code, notwithstanding non-acceptance by one or more Classes of Impaired Claims.

Under Section 1129(b)(1) of the Code, the Court may confirm the Plan even if it has not been accepted by one or more Impaired Classes of Claims, provided that the Plan does not discriminate unfairly and it is fair and equitable with respect to each Impaired Class of Claims that has not accepted the Plan.

In order for the Plan to be fair and equitable with respect to an Impaired Class of Secured Claims, Section 1129(b)(2)(A) of the Code requires that the Plan provide for each Claimant in such Class: (a) to receive payments over time which, in the aggregate, total at least the allowed amount of such Claimant's Claim, and which have a present value, as of the Effective Date of the Plan, at least equal to the value of such Claimant's interest in the Debtor's Property encumbered by such Claimant's lien(s); and (b) shall retain such lien(s) in order to secure such payments.

In order for the Plan to be fair and equitable with respect to an Impaired Class of Unsecured Claims, Section 1129(b)(2)(B) of the Code requires that the Plan provide either: (a) that each Claimant in such Class shall receive on account of its Claim payments which have a present value, as of the Effective Date of the Plan, equal to the allowed amount of such Claim; or (b) that no Claimant or holder of an interest in the Debtor that is junior to the Claims of such impaired Class will receive or retain under the Plan on account of such junior Claim or interest any Property until the unsecured creditors are paid in full.

While the Debtor intends to seek confirmation of the Plan based on acceptance by each Impaired Class of Claims, if one or more such Classes does not accept the Plan, the Debtor intends to seek confirmation of the Plan under Section 1129(b) of the Code or otherwise under the Code and believes that the Plan satisfies the requirements of such Section.

IV. INQUIRIES

Inquiries by Creditors may be directed to counsel for the Debtor, SMITH KANE HOLMAN, LLC, Robert M. Greenbaum, Esquire, 112 Moores Road, Suite 300, Malvern, PA 19355, Tel: (610) 407-72176, Fax: (610) 407-7218, rgreenbaum@skhlaw.com.

V. THE DEBTOR

A. The Debtor, Related Debtors and the Reasons for Filing

As noted, on the Petition Date, the Debtor filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtor, a Pennsylvania corporation, is a heavy construction company specializing in railroad construction and maintenance. Bill Yoder is the President and majority shareholder of the Debtor. Bill Yoder is also the managing general partner of Yoder Real Estate Partnership ("YREP"), a Pennsylvania Limited Partnership in which his siblings are limited partners. YREP was set up to purchase and manage residential and commercial real estate and at one time owned numerous real estate properties, its primary asset currently is a 50% interest in the Stone Harbor Property (as defined below). For reasons set forth below, YREP is also a debtor in a pending chapter 11 bankruptcy in this Court (Case No. 15-11569(REF)), together with Bill Yoder who also filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code in this Court (Case No. 15-11568(REF)). While not substantively consolidated or jointly administered, because of the related nature of these debtors and the similar creditor claims, the bankruptcy cases of the Debtor, YREP and Bill Yoder have been administered in coordination with each other.

The Debtor has operated successfully for most of its 58 years. Its work is weather sensitive and cannot be performed as efficiently in the winter months. The winter of 2013-2014 was especially cold, snowy and frozen. During this time period, there were 3 months of unprecedented winter weather. Therefore, business activity was minimal resulting in low cash flow. The general economy prior to the winter 2013-2014 was weak. Despite the down economy, the Debtor was operating at a profit. Prior to December 2013, the Debtor completed a railroad project for Bengal Paper. After submitting an invoice of approximately \$200,000.00, the Debtor was informed that Bengal Paper filed a Chapter 7 bankruptcy petition resulting in no payment on the outstanding invoice. In addition, in December 2013, the Debtor's primary lending institution, Penn Business Credit, was bought by a larger bank, Fulton Bank. Penn Business Credit was sensitive to the impact of weather conditions on Debtor's cash flow and was flexible in this regard. Fulton Bank took a more aggressive approach and initiated foreclosure proceedings upon default. Four factors placed an unbearable financial strain on the Debtor: (i) a sluggish economy, (ii) the unusually harsh winter weather, (iii) a large customer, Bengal Paper, filing its bankruptcy and (iv) a new primary lender. Because the Debtor was historically profitable and had a good backlog of work, it immediately attempted to refinance and to negotiate a settlement with Fulton Bank. These attempts were unsuccessful. Therefore, to protect its assets, the Debtor filed its pending Chapter 11 proceeding on December 18, 2014.

Continued attempts at refinancing were unsuccessful post-petition. YREP's real estate, as well as Bill Yoder's real estate holdings, including his home, were also pledged as security for Fulton Bank's loan. As Fulton became more aggressive and scheduled Sheriff's sales, there was no alternative but to protect YREP's 14 income producing properties and Bill Yoder's residence by filing bankruptcies for both the partnership and the individual. All three Debtors filed their respective voluntary petitions pursuant to Chapter 11 of Title 11 of the United States Code, and have continued in possession of their respective property and operating as debtors-in-possession

pursuant to Section 1107(a) and 1108 of the Bankruptcy Code. YREP and Bill Yoder filed their respective bankruptcy proceedings on March 5, 2015.

B. Assets and Debt Structure

At the Petition Date, the Debtor's primary assets consisted of cash in accounts frozen by Fulton Bank, accounts receivable, machinery, fixtures and equipment used in its business operations and inventory used in its business operations. As of the Petition Date, the Debtor's assets were fully encumbered by liens in favor of Fulton Bank. Because of events that occurred in this bankruptcy case, including Fulton Bank's execution and sale of the Debtor's personalty, as well as the of liquidation of YREP's residential and commercial properties, in the YREP and Bill Yoder cases (as described below), Fulton Bank's secured claims have been satisfied and its liens have been released.

The Debtor scheduled total claims of \$8,487,056.47, of which \$4,632,594.81 were scheduled as secured claims (most of which was Fulton Bank). The Debtor did move for a claims bar date in the case. As such, filed claims in the case totaled \$5,295,754.20, as amended to date. These amounts have further and significantly decreased as a result of payouts and agreements with the Debtor's largest creditor, Fulton Bank.

C. Retention of Professionals

The Debtor retained Smith Kane Holman, LLC, whose retention order was approved by this Court on January 15, 2015.

D. Fulton Bank Issues and Refinancing of the Stone Harbor Property

Listed at Schedule "A" of YREP's schedules is its real property ("Properties"), including the Stone Harbor property. The Stone Harbor property is owned by YREP and the Trust under Will of Jean F. Yoder, in equal shares, as tenants in common. Fulton Bank held a security interest in all of the Properties, including a judicial lien against the Stone Harbor Property, all of the Debtor's equipment and inventory and both Bill Yoder's residence and Pocono properties. On or about March 27, 2015, Fulton filed a motion for relief from the automatic stay pursuant to 11 U.S.C. Section 362 in YREP's bankruptcy proceeding. On or about May 13, 2015, the aforementioned relief motion was resolved by Stipulation. Pursuant to the terms of the Stipulation, Fulton was granted stay relief, but agreed to not hold a Sheriff's Sale of the YREP's Residential Properties (as defined in the Stipulation) until July 10, 2015 and of YREP's Commercial Properties (as defined in the Stipulation; the real property utilized by the Debtor to conduct its business operations) and St. Croix Property until October 2, 2015. On or about July 10, 2015, Sheriff's Sales of the Residential Properties occurred and, per the terms of the Stipulation, the amount due to Fulton was reduced by \$1,703,183.50. Following the expiration of the October 2, 2015 deadline, Sheriff's Sales of the St. Croix and Commercial Properties occurred and, per the terms of the Stipulation, the amount due to Fulton was reduced by another \$884,000.00. In June, 2016, non-debtor real estate which was also pledged as collateral for the Fulton Bank loan was sold and resulted in the payment to Fulton in the amount of \$149,759.48.

Following the credit of certain rent and interest payments in the amount of \$432,211.80, Fulton alleged that the balance due was \$1,573,168.96. Following a hearing on June 23, 2016 regarding Fulton's motion for relief from stay in the Debtor's matter, the parties agreed to consent to stay relief so as to allow Fulton to schedule a private Uniform Commercial Code ("UCC") Article 9 sale of the Debtor's inventory and equipment secured by Fulton's Security Agreement. Fulton was granted the stay relief as to the inventory and equipment conditioned upon the sale of such inventory and equipment to Reading and Northern Railroad and the receipt of no less than \$680,000.00. Reading and Northern Railroad closed on the Article 9 sale, and also acquired Debtor's Commercial Properties from Fulton Bank. Following the aforementioned Article 9 sale of inventory and equipment, the alleged balance due to Fulton remained at \$893,169.00. Per negotiations, in order for Fulton Bank to release its liens on all Debtor's assets and YREP's and Bill Yoder's properties, Fulton Bank required an additional payment of \$350,000.00. The related Debtors obtained financing from Commonwealth Capital for \$1,100,000.00 primarily secured by the YREP's Stone Harbor Property. The loan's terms, in general, are as follows:

i. **Loan** – A Bridge Loan in the amount of \$1,100,000.00 to Yoder Real Estate Partnership as Borrower. The loan requires monthly interest only payments in the amount of \$12,833.33 for two years, beginning on the date of closing and automatically renewable for three additional one year periods subject to additional fees. Such payments shall be made by W.E. Yoder and/or Guarantors. The interest rate is 14% for the initial one year period, then floating at the then Prime Rate (WSJ) plus 10.5% with a floor of 14% for all subsequent years.

ii. **Fees** – The Borrower and/or Guarantors paid an Origination Fee in the amount of \$44,000.00 (4% of the loan amount). Annual renewal fees will be in an amount equal to 1% of the amount committed for the renewal year. Borrower will be responsible for all of Lender's Fees associated with closing, including but not limited to insurances, professional fees and certification fees.

iii. **Collateral** – First position mortgage on Property located at 115 121st Street, Stone Harbor, NJ; recorded UCC-1 financing statements on all assets of W.E. Yoder and YREP; Assignment of Rents and Leases.

iv. **Guarantors** – Full and unlimited sureties of Bill Yoder, Joanne M. Yoder, the Trust under Will of Jean F. Yoder dated April 12, 1998 and W.E. Yoder, Inc.

In conjunction with the Debtor's motion to approve the above-referenced financing, a beneficiary of the Trust under Will of Jean F. Yoder ("Trust"), Sally Wilson, filed an objection to the requested approval. On or about August 29, 2016, Sally Wilson's objection was resolved by way of a Family Settlement Agreement for the Trust wherein she consented to the indemnity pledge of the Stone Harbor property as collateral to secure the contemplated financing. Closing occurred on December 19, 2016. Following the payment of closing costs, \$350,000.00 to Fulton Bank, and \$535,252.83 to Discovery Federal Credit Union (Claim #5, Case No. 15-11569-REF), the net proceeds from the financing was \$145,265.89. The \$350,000.00 payment to Fulton satisfied liens it had in any of the Debtor's, YREP's and Bill Yoder's assets, leaving Fulton Bank with a general unsecured claim in the approximate amount of \$550,000.00. The remaining loan proceeds were or will be used by all Debtors for the payment of unpaid administrative fees, including but not limited to court approved attorneys' fees.

E. Litigation with Vossloh Track Materials, Inc.

Vossloh Track Materials, Inc. (“Vossloh”) is one of the Debtor’s largest creditors with an asserted claim of \$1,077,899.41 (“Vossloh Claim”). Vossloh’s claim is business related – it was one of the Debtor’s largest track suppliers. Vossloh asserted claims against the Debtor, YREP, and Bill Yoder. On June 11, 2015, Vossloh filed a Complaint to Determine Dischargeability (“Discharge Complaint”) in Bill Yoder’s bankruptcy case. In the Discharge Complaint, Vossloh asserted that the debt owed by Bill Yoder was non-dischargeable under Bankruptcy Code sections 523(a)(2)(A); 523(a)(2)(B); 523(a)(4); and 523(a)(6). The parties then engaged in discovery in this adversary proceeding. The Bankruptcy Court scheduled a trial for the Discharge Complaint in July 2016.

Prior to the trial, Vossloh and Bill Yoder engaged in settlement discussions to resolve the Discharge Complaint. Those discussions broadened to include the other related debtors – YREP and the Debtor – to address and potentially resolve Vossloh’s asserted claim in those cases and its potential treatment by the various debtors under chapter 11 plans. Ultimately, Vossloh and Bill Yoder entered into a settlement agreement, which resolved among other things, the Discharge Complaint and Vossloh’s claim treatment. That settlement agreement was incorporated into a Bankruptcy Rule 9019 approval motion [Case No. 15-11568, Docket No. 159], which was approved by the Bankruptcy Court on August 19, 2016 [Case No. 15-11568, Docket No. 161].

The material terms of settlement agreement with Vossloh provided that the Vossloh Claim against Bill Yoder, in the amount of \$1,077,899.41 was deemed allowed in the full amount, but non-dischargeable to the extent of \$400,000. The Debtor, YREP and Bill Yoder shall each file a plan of reorganization in their respective bankruptcy cases that complies and is consistent with the terms of the settlement agreement, which in pertinent part required the Debtor to make quarterly payments to Vossloh of net income in accordance with its plan with the following plan payment milestones:

- i. W.E. Yoder, Inc. is to pay to Vossloh amounts that aggregate at least \$15,000.00 by year one of the W.E. Yoder, Inc. Plan, consistent with the terms of W.E. Yoder, Inc.’s Plan;
- ii. W.E. Yoder, Inc. is to pay to Vossloh amounts that aggregate at least \$30,000.00 by the end of year two of the W.E. Yoder, Inc. Plan, consistent with the terms such Plan;
- iii. W.E. Yoder, Inc. is to pay to Vossloh amounts that aggregate at least \$45,000.00 by the end of year three of the Plan, consistent with the terms such Plan;
- iv. W.E. Yoder, Inc. is to pay to Vossloh amounts that aggregate at least \$60,000.00, by the end of year 4 of the W.E. Yoder, Inc. Plan, consistent with the terms such Plan;

- v. W.E. Yoder, Inc. is to pay to Vossloh its full *pro rata* share of all Net Income generated by W.E. Yoder, Inc. such that amounts received by Vossloh aggregate at least an amount not less than 25% of Vossloh's Claim by the end of year 5 of the W.E. Yoder Inc. Plan, but up to the entire amount of Vossloh's Claim.

Any payment received by Vossloh pursuant to the Plan shall be applied by Vossloh in accordance with the course of dealing between Vossloh and the Debtor to the oldest outstanding invoice first. Upon payment of 25% of Vossloh's Claim, any consent judgment between the parties shall be marked void and any remaining sums due and owing Vossloh by the Bill Yoder shall be deemed discharged.

VI. THE CHAPTER 11 PLAN

A. SUMMARY OF THE PLAN

The Plan provides for varied and customized treatment to the various Classes of Claims against the Debtor. The Debtor believes the Plan provides consideration to all Classes of creditors that reflects an appropriate resolution of their claims against the Debtor. The Debtor also believes the Plan will provide each Class of creditors with consideration of equal or greater value than that which the Class members would receive upon liquidation of the Debtor's assets. The Bankruptcy Court must find, however, that a number of statutory tests are met before it may confirm the Plan. Many of these tests are designed to protect the interests of holders of Claims that do not vote to accept the Plan, but who will be bound by the provisions of the Plan if it is confirmed by the Bankruptcy Court.

The provisions below summarize the Plan. Reference should be made to the Plan for a full statement of its terms. The following summary is qualified in its entirety by reference to the Plan.

PLEASE NOTE THAT THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN BY EACH HOLDER OF A CLAIM ENTITLED TO VOTE THEREON; IT IS INTENDED ONLY TO AID AND SUPPLEMENT SUCH REVIEW. HOLDERS OF CLAIMS ARE URGED TO REVIEW THE DETAILED DESCRIPTION OF THE PLAN SET FORTH HEREIN AND THE PLAN ITSELF FOR A FULL UNDERSTANDING OF THE PLAN. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.

In the Debtor's opinion, the Plan as proposed provides maximum value to its Creditors. The Debtor believes that the Plan will enable Claimants to receive a greater recovery than would be possible under other alternatives and will provide the only realistic available means for funding a distribution to unsecured creditors.

The Plan divides Claimants into 6 Classes. The nature of the Claims within each class and their treatment under the Plan are summarized below. It should be noted, however, that the

following summary of the Plan does not propose to be a full analysis of its provisions and should not be relied on as such. All Claimants are encouraged to review the Plan in its entirety in conjunction with the review of the Disclosure Statement and to consult with counsel, as necessary.

Claimants should note that the amount to be paid on account of Claims under the various provisions of the Plan will be calculated on the basis of the allowed amount of the Claims, determined in accordance with the Code. Claimants that were not listed in the Debtor's schedules as liquidated, undisputed and not contingent and who have not filed Proofs of Claim within the times set by the Court will receive no distribution. Those Claimants who are listed on the Debtor's schedules as liquidated, undisputed and not contingent will be paid based on the amount set forth in the schedules, unless the Claimant has filed a Proof of Claim for an amount different from that amount listed on the schedules. Those Claimants who have filed Proofs of Claims will be paid based on the amounts set forth in a properly filed Proof of Claim, unless the Debtor objects to the Proof of Claim. Claimants who have filed Proofs of Claim to which the Debtor objects will receive payment based on such amount as the Court determines to be allowed, and distribution on account of such Claims will be effected in the majority of instances, thirty (30) days after the entry of the Final Order allowing such disputed claim, or on the date for payment set forth in the Plan, whichever is later.

It should also be noted that the actual distribution to a particular Claimant may be less than that proposed under the Plan, if the Claimant agrees to accept such different treatment.

B. CLASSIFICATION AND TREATMENT OF CLAIMS

1. Administrative Expenses.

Administrative Claims consist of the actual and necessary expenses incurred during the Debtor's chapter 11 case (i.e., post-bankruptcy obligations), including the actual, reasonable fees and expenses of professionals retained in the Case. The Plan provides that Administrative Claims of the kinds specified in Section 507(a)(2) of the Code will be paid in full, except to the extent that any Claimant agrees to different treatment, (i) in Cash on the Effective Date, or (ii) in accordance with the credit terms extended by the creditor of such obligations, or (iii) as required by law.

The Plan also provides that fees and expenses of professionals will be paid in full upon approval by the Bankruptcy Court or as otherwise permitted under the Plan or under the Bankruptcy Rules in an amount and in increments no less than as referenced in the Debtor's 5 Year Projections attached hereto. In this Case, the professional fees and expenses consist of the Debtor's counsel.

2. Priority Tax Claims.

The Code enables the Debtor to pay Allowed Priority Tax Claims over a five-year period from the Petition Date (i.e., five years from December 18, 2014). Accordingly, the Plan provides for the continuation of payments of Priority Tax Claims in monthly installments starting on the first Business Date of the month following the Effective Date and continuing through December of 2019, or as otherwise agreed by the Tax Authority, in accordance with its specific pre-Confirmation agreements with each Taxing Authority pursuant to Section 1129(a)(9)(C).

Per the Debtor's pre-Confirmation negotiations (i) with the IRS for continued use of cash collateral, the Debtor agreed to, and has paid the IRS a sum of \$5,000/month on account of outstanding tax liability, including the IRS's priority tax claims, secured claims and administrative claims; (ii) with the PA Department of Revenue, the Debtor has agreed to pay a minimum of \$250/month and up to \$1,250/month on account of outstanding tax liability including the PA DOR's priority tax claims, secured claims and administrative claims; and (iii) with the PA-UCTS Department of Labor and Industry for undetermined monthly payments going forward, on account of including the PA-UCTS's priority tax claims, secured claims and administrative claims. The Plan continues the terms of the pre-Confirmation agreements and pays these claims in monthly installments, from the first month after the Plan becomes effective (presently, the Debtor believes that would likely be June, 2017) until paid in full as follows: (i) IRS a sum of \$5,000/month, (ii) PA DOR a sum of \$833/month and (iii) PA UCTS a sum of \$1,778/month as set forth in the Debtor's 5 Year Projections.

Total Monthly Installment Payments of \$377,510 shall be made to the holders of Allowed Priority Tax Claims in accordance with the terms of the Debtor's pre-Confirmation agreements with each Taxing Authority.

3. Secured Claim of Commonwealth Capital (Class 1).

Class 1 consists of the Secured Claim of Commonwealth Capital ("Commonwealth"). Commonwealth has a Secured Claim by virtue of its first mortgage lien on YREP's Stone Harbor Property located at 115 121st Street, Stone Harbor, NJ, as well as UCC-1 liens on all assets of the Debtor and YREP. From and after the Effective Date, the Debtor will continue to pay its monthly mortgage payments of \$12,883 per month to Commonwealth in the ordinary course pursuant to the existing mortgage loan documents. Commonwealth shall retain its liens on the aforementioned collateral to the same extent, priority and validity as it held as of the Confirmation Date.

The Class 1 Claim is unimpaired and consequently the holder of the Class 1 Claim is not entitled to vote on the Plan.

4. Secured Claim of the Internal Revenue Service (Class 2).

Class 2 consists of the Secured Claim of the Internal Revenue Service (“IRS”) (\$81,877.93 per it Notice of Intent to Seize/Levy dated August 1, 2016). The IRS has a Secured Claim by virtue of its Tax Lien. For purposes of treatment, the full amount of the IRS Secured Claim shall be added to its Allowed Priority Tax Claim and Administrative Claim and paid pursuant to Section 2.2 of the Plan in the amount of \$5,000/month, provided that all such payments to the IRS shall first be applied to its Allowed Secured Claim until such claim is paid in full, then to its Allowed Priority Tax Claim. The IRS shall retain its lien on the Debtor’s assets to the same extent, priority and validity as it held as of the Petition Date until said Allowed Secured Claim is paid in full, at which time the IRS shall mark the Tax Lien satisfied.

The Class 2 Claim is impaired and consequently the holder of the Class 2 Claim is entitled to vote on the Plan.

5. Secured Claim of PA Department of Revenue (Class 3).

Class 3 consists of the Secured Claim of the PA Department of Revenue (\$17,766 per Notice of Tax Lien dated September 13, 2016). The PA Department of Revenue has a Secured Claim by virtue of its Tax Lien. For purposes of treatment, the full amount of the Pennsylvania Department of Revenue Secured Claim shall be added to its Allowed Priority Tax Claim and Administrative Claims and paid pursuant to Section 2.2 of the Plan in the amount of \$833/month, provided that all such payments to the Pennsylvania Department of Revenue shall first be applied to its Allowed Secured Claim until such claim is paid in full, then to its Allowed Priority Tax Claim. The Pennsylvania Department of Revenue shall retain its lien on the Debtor’s assets to the same extent, priority and validity as it held as of the Petition Date until said Allowed Secured Claim is paid in full, at which time the Pennsylvania Department of Revenue shall mark the Tax Lien satisfied.

The Class 3 Claim is impaired and consequently the holder of the Class 3 Claim is entitled to vote on the Plan.

6. General Unsecured Claims (Class 4).

Class 4 consists of General Unsecured Claims, including any Deficiency Claims. The Debtor shall make 20 quarterly payments Pro Rata on account of Allowed Unsecured Claims commencing at the end of the quarter immediately following the Effective Date, which at this juncture is projected to be June 30, 2017. Quarterly Plan payments shall be in an amount equal to the “Net Income” (defined as the Debtor’s gross revenues less all applicable federal, state and local taxes thereon less payment of all Administrative Claims, Priority Tax Claims, quarterly payments to the Office of the United States Trustee and all payments to Creditors in Class 1 through 3 in the Plan less all normal and customary operating expenses of the Debtor as more fully set forth in the 5 Year Projections approved by the Bankruptcy Court at the Confirmation Hearing) accumulated by the Debtor over the prior quarter. The treatment and consideration

to be received by holders of Class 4 Claims shall be in full settlement, satisfaction, release and discharge of their respective Claims. Based upon the General Unsecured Claims scheduled by the Debtor, filed by Creditors and the anticipated deficiency claims, including Fulton Bank and Aegis Security Insurance Company, the Debtor estimates a return over a five (5) year period to such holders of General Unsecured Claims of *approximately 25%*. See the Debtor's 5 Year Projections attached hereto and made a part hereof as **Exhibit "A."**

The Debtor's estimated distribution was derived by dividing the aggregate estimated Net Income payments to Class 4 Creditors by the estimated Class 4 Claims (\$640,373/\$2,363,741=27.1%). **This is only an estimate.** The actual distribution to Class 4 Creditors can vary depending on many factors and/or risks (as further discussed below in Section VIII).

Class 4 Claims are impaired and consequently each holder of a Class 4 Claims is entitled to vote on the Plan.

7. Inter-Debtor/Insider Claims (Class 5).

Class 5 consists of Inter-Debtor/Insider Claims, which includes unsecured claims owed by the Debtor to Bill Yoder, the Estate of William E. Yoder and/or YREP. By the terms of the Plan, the Inter-Debtor/Insider Claims are subordinated to Class 4 General Unsecured Claims. Accordingly, there will be no distribution to Class 5 Claims unless and until Claims in Classes 1 through 4 are paid in full with interest. As such, it is estimated that the Inter-Debtor/Insider Claims will receive nothing on account of their Claims.

Class 5 Claims are impaired and consequently each holder of a Class 5 Claims is entitled to vote on the Plan.

8. Interest Holders (Class 6).

Class 6 consists of all Interests in the Debtor. As of the Plan filing, the Debtor is aware of only one Interest Holder with 100% of the Debtor's voting shares: Bill Yoder.

On the Effective Date, all Interests in the Debtor shall transfer and become Interests in the Reorganized Debtor for the purpose of fulfilling the obligations of the Reorganized Debtor under the Plan; however, the holder of Interests shall not receive any distributions on account of such Interests, unless and until all Creditors are paid in full in accordance with the Plan.

Class 6 is impaired and consequently the holder of the Class 6 Interest is entitled to vote on the Plan.

VII. MEANS FOR EXECUTING PLAN

A. PLAN FUNDING

1. Generally. The funds necessary for the implementation of the Plan shall be from (1) any remaining proceeds of the Stone Harbor refinancing and (2) from the Debtor's Net Income over a 5-year period, on a quarterly basis. **Exhibit "A"** to this Disclosure Statement consists of the Debtor's 5 Year Projections – an estimate of its Net Income for the first five years after the entry of the Confirmation Order through 2022. The proceeds from any and all funding sources shall be deposited by the Debtor into the Disbursement Account set forth in 5.3 of the Plan.

2. Post-Effective Date Fees and Expenses. From and after the Effective Date, the Reorganized Debtor shall, in the ordinary course of business and without the necessity of any approval by the Bankruptcy Court, pay the reasonable fees and expenses of professional persons thereafter incurred, including, without limitation, those fees and expenses incurred in connection with the implementation and consummation of the Plan.

B. DEBTOR'S ASSETS. Unless otherwise stated, on and after the Effective Date, all assets of the Debtor's estate shall vest in the Reorganized Debtor free and clear of any and all liens, mortgages, pledges, security interests, restrictions, prior assignments, liabilities, obligations, encumbrances, charges and claims of every kind whatsoever, subject only to the Liens existing as of the Petition Date.

VIII. ALTERNATIVES TO THE PLAN AND LIQUIDATION ANALYSIS; RISKS

The Plan is proposed by the Debtor in the good faith belief that more will be realized by the Claimants through the implementation of the Plan than would be the case if the Debtor's Assets were liquidated under Chapter 7 of the Code. The Plan contemplates that Allowed Creditors will get paid in full and/or pursuant to a negotiated and consensual distribution/treatment with the exception of Class 4 Creditors. The Debtor estimates that Class 4 General Unsecured Creditors will receive approximately 25% on account of their claims over a five year period. The Plan allows the Debtor to operate its business in a way that will maximize the return to Secured Creditors and provide a reasonable return to unsecured creditors while maintaining jobs for its loyal workforce. The Debtor asserts that in a chapter 7 liquidation, Class 4 would receive nothing from the bankruptcy estate and that any distribution to Class 4 Creditors under the Plan is more than they would receive in a chapter 7 liquidation. Thus, the best interests of the Debtor and his creditors would be served by acceptance of the Plan. [

Nevertheless, the Debtor's Plan poses risks. The main funding mechanism is the Debtor's Net Income, which poses the obvious risk that the Debtor's expenses increase or income decreases. It is always difficult and complicated to forecast future earnings, particularly earnings five years in the future. Nevertheless, the Debtor based its forecast and projections based upon historical income and expense data and is comfortable with the proposition that it will have Net Income that can result in meaningful distributions under the Plan.

IX. TAX CONSEQUENCES

The Debtor believes that if the Plan is confirmed by the Bankruptcy Court, there may be tax consequences that could affect individual creditors. You are urged to consult with your tax advisors regarding such implications and how they may affect you.

X. SUMMARY OF MISCELLANEOUS PROVISIONS

A. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Pursuant to Section 365 of the Code, the Debtor has the right to reject executory contracts or leases in the Debtor's reasonable business judgment. As more specifically set forth in the Plan, all executory contracts are rejected pursuant to Sections 365 and 1123(b)(2) of the Code upon the Confirmation Date, unless specifically assumed pursuant to the Plan or by separate motion. Any Claim for damages arising by reason of the rejection of any executory contract or unexpired lease will constitute a Class 4 Claim.

B. MODIFICATION OF THE PLAN

At any time before the Confirmation Date, the Debtor may modify this Plan, but may not modify the Plan so that the Plan, as modified, fails to meet the requirements of Sections 1122 and 1123 of the Code. The Plan as modified under this Section becomes the Plan only if the Court, after notice and a hearing, confirms such Amended Plan, as modified, under Section 1129 of the Code. After the Confirmation Date, the Debtor may, with the approval of the Court, and as long as it does not materially or adversely effect the interest of Claimants, remedy any defect or omission, or reconcile any such inconsistencies in the Plan or in the Confirmation Order, in such manner as may be necessary to carry of the purposes, intent and effect of the Plan.

C. BANKRUPTCY COURT JURISDICTION

As more specifically set forth in Article XII of the Plan, the Bankruptcy Court shall retain jurisdiction after the Plan has been confirmed.

D. OBJECTIONS TO CLAIMS

The Plan provides that within sixty (60) days after the Effective Date, objections to Claims may be filed with the Court by the Debtor. Any such objection shall be served upon the United States Trustee and the Claimant holding the Claim to which objection is made. Any objection not timely filed shall be deemed waived.

E. DISCHARGE

Pursuant to 11 U.S.C. Section 1141(d)(1), the Debtor shall be discharged and released of all Claims arising prior to the Effective Date, other than those Claims arising pursuant to and in accordance with the terms of the Plan.

F. FINAL DECREE

The Plan also provides that Debtor shall move for the entry of a final decree closing the within Chapter 11 case following the Effective Date.

Respectfully Submitted,

W.E. YODER, Inc.

Dated: March 24, 2017

By: /s/ William W. Yoder
William W. Yoder, President

Counsel to Debtor-In-Possession
SMITH KANE HOLMAN, LLC
Robert M. Greenbaum, Esquire
112 Moores Road, Suite 300
Malvern, PA 19355