

UNITED STATES BANKRUPTCY COURT FOR THE
EASTERN DISTRICT OF PENNSYLVANIA

IN RE:	:
	: CHAPTER 11
E. Allen Reeves, Inc.,	:
	: BANKRUPTCY NO. 17-11354
Debtor.	:
	:

DISCLOSURE STATEMENT PURSUANT TO SECTION 1125
OF THE BANKRUPTCY CODE DESCRIBING THE PLAN OF LIQUIDATION
PROPOSED BY E. ALLEN REEVES, INC.,
THE DEBTOR AND DEBTOR -IN-POSSESSION

PLEASE READ THIS DISCLOSURE STATEMENT CAREFULLY. THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THIS PLAN OF LIQUIDATION. THE DEBTOR BELIEVES THAT THIS PLAN OF LIQUIDATION IS IN THE BEST INTEREST OF THE CREDITORS AND THAT THE PLAN IS FAIR AND EQUITABLE. THE DEBTOR URGES THAT THE VOTERS ACCEPT THIS PLAN.

Dated: 6/23/17

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I. INTRODUCTION

E. Allen Reeves, Inc. (the “Debtor”), provides this disclosure statement (the “Disclosure Statement”) to all of its known Creditors and Interest Holders entitled to same pursuant to section 1125 of the United States Code, as amended (the “Bankruptcy Code”) in connection with the plan of liquidation (the “Plan”) filed by the Debtor. A copy of the Plan accompanies the Disclosure Statement. The purpose of the Disclosure Statement is to provide creditors of the Debtor with such information as may be deemed material, important and necessary in order to make a reasonably informed decision in exercising the right to vote on the Plan. The capitalized items used in this Disclosure Statement, if not defined herein, shall have the same meaning as indicated in the Plan.

NO REPRESENTATION CONCERNING THE DEBTOR-IN-POSSESSION (INCLUDING THOSE RELATING TO FUTURE OPERATIONS, THE VALUE OF ASSETS, ANY PROPERTY, OR CREDITORS AND OTHER CLAIMS) INCONSISTENT WITH ANYTHING CONTAINED HEREIN HAVE BEEN AUTHORIZED.

On February 27, 2017 the Debtor and Debtor-in-Possession (the “Debtor”) commenced a bankruptcy case by filing a voluntary petition under chapter 11 of title 11 of the United States Code, as amended (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Eastern District of Pennsylvania under Case No. 17-11354(AMC). Since the Filing Date, the Debtor has continued in the operation of its business as Debtor-in-possession pursuant to §§1107(a) and 1108 of the Bankruptcy Code.

A. Purpose of this Document.

This Disclosure Statement summarizes what is in the Plan and tells you certain information relating to the Plan by describing the process that the Court follows in determining whether or not to

confirm the Plan.

**READ THIS DISCLOSURE STATEMENT CAREFULLY IF YOU WANT TO
KNOW ABOUT:**

- (1) WHO CAN VOTE OR OBJECT,**
- (2) THE PROPOSED TREATMENT OF YOUR CLAIM (i.e., what your claim will receive if the Plan is confirmed), AND HOW THIS TREATMENT COMPARES TO WHAT YOU WOULD RECEIVE IN LIQUIDATION,**
- (3) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS DURING THE BANKRUPTCY;**
- (4) WHAT THE COURT WILL CONSIDER WHEN DECIDING WHETHER TO CONFIRM THE PLAN,**
- (5) THE EFFECT OF CONFIRMATION, AND**
- (6) THE FEASIBILITY OF THE PLAN.**

This Disclosure Statement cannot tell you everything about your rights. You should consider consulting your own attorney to obtain more specific advice on how this Plan will affect you and what is the best course of action for you.

Be sure to read the Plan as well as the Disclosure Statement. Capitalized terms not otherwise defined in this Disclosure Statement shall have the meaning ascribed to them in the Plan. The Plan is the legally operative document regarding the treatment of Claims and Interests and the terms and conditions of the Debtor's liquidation. Accordingly, to the extent that there are any inconsistencies between the Plan and Disclosure Statement, the Plan provisions govern.

Bankruptcy Code Section 1125 requires a disclosure statement to contain "adequate

information” concerning the Plan. The term “adequate information” is defined in Bankruptcy Code section 1125(a) as “information of a kind, and in sufficient detail, about a debtor and its operations that would enable a hypothetical reasonable investor typical of holders of claims or interests” of the debtor to make an informed judgment about accepting or rejecting the plan. The Bankruptcy Court has determined that the information contained in this Disclosure Statement is adequate, and it has approved this document in accordance with Bankruptcy Code section 1124.

This Disclosure Statement is provided to each Creditor whose Claim has been scheduled by the Debtor or who has filed a proof of claim against the Debtor and to each interest holder of record as of the date of approval of this Disclosure Statement. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to or concurrently with such solicitation.

B. Brief Explanation of Chapter 11

Chapter 11 is the principal business reorganization section of the Bankruptcy Code. Pursuant to Chapter 11, a Debtor is permitted to reorganize its business affairs for its own benefit and that of its creditors and other interest holders. In this instance, the Debtor seeks an orderly liquidation of its accounts and assets in order to provide a distribution to creditors.

C. Disclaimers

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED IN IT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE PLAN OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON DEBTOR, HOLDERS OF

CLAIMS OR INTERESTS, OR THE REORGANIZED DEBTOR. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF AND THE STATEMENTS AND REPRESENTATIONS CONTAINED HEREIN ARE MADE SOLELY BY OR AT THE INSTANCE OF PLAN PROPONENT.

NO REPRESENTATIONS CONCERNING THE PLAN ARE AUTHORIZED BY THE PLAN PROPONENT OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. THE PLAN PROPONENT DOES NOT WARRANT OR PRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY.

CERTAIN OF THE INFORMATION PROVIDED, BY ITS NATURE, IS FORWARD LOOKING, CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY PROVE TO BE FALSE OR INACCURATE AND CONTAINS PROJECTIONS WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE EXPERIENCES. SUCH ESTIMATES AND ASSUMPTIONS ARE MADE FOR INFORMATIONAL PURPOSES ONLY. PLEASE NOTE THAT THE APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A RULING ON THE MERITS, FEASIBILITY OR DESIRABILITY OF THE PLAN.

II. VOTING PROCEDURE

The Bankruptcy Court reviewed this Disclosure Statement and entered an Order determining that these documents contained “adequate information” such that creditors can meaningfully evaluate the Plan. A copy of the Order approving the Disclosure Statement is attached. Only after creditors have had an opportunity to vote on the Plan will the Court consider the Plan and determine whether it should be approved or confirmed.

All creditors entitled to vote on the Plan may cast its vote for or against the Plan by completing, dating, signing and causing the Ballot Form accompanying this Disclosure Statement to be returned to the following address in the enclosed envelope:

ALBERT A. CIARDI, III, ESQUIRE
JENNIFER C. McENTEE, ESQUIRE
Ciardi Ciardi & Astin
One Commerce Square
2005 Market Street, Suite 3500
Philadelphia, PA 19103

BALLOTS MUST BE RECEIVED ON OR BEFORE 5:00 P.M. ON _____, 2017
TO BE COUNTED IN THE VOTING. BALLOTS RECEIVED AFTER THIS TIME WILL NOT
BE COUNTED IN THE VOTING UNLESS THE COURT SO ORDERS. THE DEBTOR
RECOMMENDS A VOTE "FOR ACCEPTANCE" OF THE PLAN.

A. Persons Entitled to Vote on Plan

Only the votes of classes of Claimants and Interest holders which are impaired by the Plan are counted in connection with confirmation of the Plan. Generally, and subject to the specific provisions of Section 1124 of the Bankruptcy Code, this includes creditors who, under the Plan, will receive less than payment in full of its Claims.

In determining the acceptance of the Plan, a vote will only be counted if submitted by a creditor whose claim is duly scheduled by either of the Debtor as undisputed, non-contingent and unliquidated, or who has timely filed with the Court a proof of claim which has not been objected to or disallowed prior to computation of the votes on the Plan. The Ballot Form does not constitute a proof of claim. If you are in any way uncertain if your Claim has been correctly scheduled, you may check the Debtor' Schedules which are on file in the Bankruptcy Court, but it is suggested that you

file a proof of claim. The Clerk of the Bankruptcy Court will not provide this information by telephone.

B. Hearing on Confirmation

The Bankruptcy Court will set a hearing to determine whether the Plan has been accepted by the requisite number of creditors and whether the other requirements for confirmation of the Plan have been satisfied. Each creditor will receive, either with this Disclosure Statement or separately, the Bankruptcy Court's Notice of Hearing on Confirmation of the Plan.

C. Acceptances Necessary to Confirm Plan

At the scheduled confirmation hearing, the Bankruptcy Court must determine, among other things, whether the Plan has been accepted by each impaired class. Under Section 1126 of the Bankruptcy Code, an impaired class is deemed to have accepted the Plan if at least 2/3 in amount and more than 1/2 in number of the Allowed Claims of class members who have voted to accept or reject the Plan have voted for acceptance of the Plan. Further, unless there is acceptance of the Plan by all members of an impaired class, the Bankruptcy Court must also determine that under the Plan class members will receive property of a value, as of the Effective Date of the Plan, that is not less than the amount that such class members would receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code on the Effective Date of the Plan.

D. Confirmation of the Plan without the Necessary Acceptances

The Plan may be confirmed even if it is not accepted by all of the impaired classes if the Bankruptcy Court finds that the Plan, (1) does not discriminate unfairly against such class or classes, (2) such class or classes will receive or retain under the Plan not less than the amount the Claimant would receive if the Debtor were liquidated under Chapter 7; and (3) is fair and equitable as to such class or classes as set forth in section 1129(b) of the Bankruptcy Code. Section 1129(b) of the

Bankruptcy Code requires that, among other things, the Claimants must either receive the full value of its Claims or, if they receive less, no class with junior priority may receive anything. If the class of Unsecured Claims does not accept the Plan and the Plan does not propose to pay the class its Allowed Claims in full, no junior class may retain its equity interest, unless the shareholders contribute new money related to its participation in equity. In short, this provision provides that creditors are entitled to priority over stock holders against the property of an insolvent corporation, to the extent of its debts. The stockholder's interest in the property is subordinate to the rights of the creditors; first of secured and then of unsecured creditors.

The Debtor-in-Possession may, at its option, choose to rely upon this provision to seek confirmation of the Plan if it is not accepted by an impaired class or classes of Creditors.

III. BACKGROUND OF THE DEBTOR

A. Company History and Cause of Bankruptcy

The Debtor was founded by its namesake, a motivated young carpenter, in 1918 in Abington, Pennsylvania. Mr. Reeves spent years honing his building skills in the service of a local builder, working primarily on nearby residential projects, and continued working in this market after establishing his own firm. The company also undertook larger projects, for instance the construction of Huntingdon Valley Country Club in the mid-1920's, and had achieved a reputation of excellence that allowed them to continue working through the Great Depression. The post-war mid-century building boom spurred the firm's continued expansion and allowed growth into new markets and territory. The Debtor is currently managed by Robert N. Reeves, Jr.

In 2015, the Debtor experienced a firestorm of issues related to inaccurate estimating as well as a significant and unexpected electrical design problem on a substantial project.

Combined, these hurdles negatively affected the Debtor's cash flow to the point it could not

support itself or its projects. In 2016, in a last ditch effort to save the company, Robert N.

Reeves, Jr. loaned approximately \$1,400,000 to the Debtor to fund operations. Even this influx of cash was not enough to positively impact the Debtor's trajectory. On February 27, 2017, the Debtor filed for Chapter 11 bankruptcy protection to stop the bleeding, preserve its assets for the benefit of its creditors, and attempt, in good faith, to right its ship.

B. Liquidation

The Debtor submits that, on a straight liquidation basis, outside of a bankruptcy, its assets would not generate the funds necessary to pay creditors a fraction of what they stand to receive under the Plan as administrative costs are minimized.

C. Management of the Debtor

The Debtor will continue to be managed by Robert N. Reeves, Jr. as Disbursing Agent. Post- Confirmation, Mr. Reeves shall no longer receive a salary. The Debtor may retain attorneys, accountants or other consultants to collect assets, prepare tax returns or other reports, prepare final W-2's and pursue collection activities. Financial management, tax preparation and accounting will be managed by Kevin Foley.

D. Significant Events during the Bankruptcy

a. Bankruptcy Proceedings

- i. Chapter 11 Voluntary Petition filed on February 27, 2017.
- ii. Schedules A through H and Statement of Financial Affairs filed on March 31, 2017.
- iii. Order Granting Debtor's Application to Employ Ciardi Ciardi & Astin as Counsel is signed on March 27, 2017.

- iv. Bonded Projects are transferred to Arch Insurance Company on April 1, 2017.
- v. Section 341 Meeting of Creditors is held and concluded on Thursday, March 30, 2017.
- vi. The Debtor filed a Motion to Approve the Arch Settlement Agreement on May 18, 2017. The Arch Settlement Agreement is attached to the Plan as Exhibit A.

b. Actual and Projected Recovery of Preferential or Fraudulent Transfers.

No preferential transfer actions will be filed.

E. Post Bankruptcy Operations

Since the Filing Date, the Debtor has filed all operating reports and has paid all required fees to the United States Trustee. The Debtor will continue to file all reports and pay all fees as they become due.

IV. SUMMARY OF LIQUIDATING PLAN

A. What Creditors and Interest Holders Will Receive Under the Proposed Plan.

The Plan classifies Claims and Interests in various classes. The Plan states whether each class of Claims or Interests is impaired or unimpaired. The Plan provides the treatment each class will receive. The following is a brief summary of the Plan and is qualified in its entirety by the full text of the Plan itself. The Plan, if confirmed, will be binding upon the Debtor, its creditors and shareholders. All creditors are urged to carefully read the Plan.

B. Unclassified Claims.

Certain types of Claims are not placed into voting classes. They are not considered Impaired and they do not vote on the Plan because they are automatically entitled to specific treatment

provided for them in the Bankruptcy Code. As such, the Proponent has not placed the following Claims in a class:

1. Administrative Expenses and Fees. Administrative expenses are Claims for fees, costs or expenses of administering the Debtor chapter 11 cases which are allowed under the Bankruptcy Code section 507(a)(1), including all professional compensation requests pursuant to section 330 and 331 of the Bankruptcy Code.

i. Time for Filing Administrative Claims

The holder of an Administrative Claim, other than (i) a Fee Claim or (ii) a liability incurred and paid in the ordinary course of business by the Debtor, must file with the Bankruptcy Court and serve on the Debtor and its counsel, notice of such Administrative Claim within (30) days after the Confirmation Date. Such notice must include at minimum (i) the name of the holder of the Claim, (ii) the amount of the Claim and (iii) the basis of the Claim. Failure to file this notice timely and properly shall result in the Administrative Claim being forever barred and discharged.

ii. Time for Filing Fee Claims

Each professional person who holds or asserts an Administrative Claim that is a Fee Claim incurred before the Effective Date shall be required to file with the Bankruptcy Court a fee application within sixty (60) days after the Effective Date. Failure to file the fee application timely shall result in the Fee Claim being forever barred and discharged.

iii. Allowance of Administrative Claims

An Administrative Claim with respect to which notice has been properly filed pursuant to Section 4.1 (a) the Plan shall become an Allowed Administrative Claim if no objection is filed after thirty (30) days lapses from the filing and service of notice of such Administrative Claim. If an

objection is filed within such (30) day period, the Administrative Claim shall become an Allowed Administrative Claim only to the Extent allowed by Final Order.

iv. Payment of Allowed Administrative Claim

Each holder of an Allowed Administrative Claim shall receive (i) the amount of such holder's Allowed Claim upon the Effective Date, (ii) such other treatment as may be agreed upon in writing by the Debtor and such holder as long as no payment is made thereon prior to the Effective Date so long as such modification of treatment made by the Debtor and any holder of an allowed administrative claim does not impair any other class, or (iii) as may be otherwise ordered by the Court, provided that an Administrative Claim representing a liability incurred in the ordinary course of business by the Debtor may be paid in the ordinary course of business.

v. Professionals Fees Incurred After the Effective Date

Any professional fees incurred by the Debtor after the Effective Date must be approved by the Debtor and, thereafter, paid. Neither Bankruptcy Court approval, nor consent of creditors whose claims may be impaired by the payment of post-confirmation Professional Fees, is required. Any dispute which may arise with regard to professional fees after the Effective Date shall be submitted to the Bankruptcy Court, which shall retain jurisdiction to settle these types of disputes.

2. Priority Tax Claims Priority Tax Claims are certain unsecured income, employment and other taxes described by Bankruptcy Code section 507(a)(8). The Bankruptcy Code requires that each holder of such a section 507(a)(8) Priority Tax Claim receive the present value of such Claim in one lump sum if the claim is ultimately allowed after any objection by the Debtor is litigated to conclusion or settled.

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C. Treatment of Classes of Claim

The Plan divides Claims and Interests into various separate classes. Under the Plan, there are two (2) separate classes of creditors (classes 1 and 2) and one class of Interest Holders (Class 3), who hold the membership interests of the Debtor.

Class 1. Secured Claim of the Arch Insurance Company. Class 1 is impaired. The Class 1 creditor has a lien on the Bonded Accounts Receivable in the amount of \$5,523,408.00. Class 1 shall be treated as follows: The Class 1 creditor took control of the Bonded Projects, as that term is defined in Docket Item 77, on April 1, 2017. Arch entered into a settlement and release agreement with the Debtor (the “Arch Settlement Agreement”) detailing the terms by which its claim will be treated going forward. The Arch Settlement Agreement is attached to the Plan as **Exhibit A**. A motion to approve the Arch Settlement Agreement was filed on May 19, 2017 (the “9019 Motion”) and was scheduled for a hearing on June 14, 2017 and approved by Order of the Court identified as docket item 219. Under the terms of the Arch Settlement Agreement, and as more fully described therein, within three (3) business days after the Bankruptcy Court’s order approving the Arch Settlement Agreement becomes final and non-appealable, the Debtor will pay \$450,000.00 (the “Arch Settlement Payment”) to Arch in full and complete satisfaction of the Arch Claims.

Class 2. Unsecured Claims. Class 2 is Impaired. The class 2 claim holders will share, on a *pro rata* basis, the balance of the Debtor’s accounts combined with the proceeds from the sales of the Debtor’s assets after payment of administrative claims, and priority taxes. The treatment and consideration to be received by holders of Class 2 Allowed Claims shall be in full settlement, satisfaction, release and discharge of their respective Claims and Liens.

Class 3. Interest Holders. Class 3 is impaired. All existing membership interests in the Debtor shall be extinguished upon Confirmation.

D. Estimation of Distribution to Unsecured Creditors

The Debtor's Schedule F lists \$1,181,684.48 in unsecured debt excluding the potential deficiency claims of the Lenders. The estimated distribution to unsecured creditors is unknown as of the time of the filing of the Plan.

E. Implementation of the Plan

1. **Possession of Assets.** The Debtor shall liquidate all of its property and assets through the Plan.
2. **General Management.** The day-to-day operational, business and financial affairs of the Liquidating Debtor shall be managed and controlled by the Disbursing Agent who at all times shall act to implement the Plan with the sole goal of maximizing the Distributions to Claimants under the Plan. The Disbursing Agent shall be the named Plaintiff for all causes of action brought by or on behalf of the Debtor. The Disbursing Agent shall have all of the powers, rights and duties of the Debtor to settle or prosecute all such causes of action.
3. **Resolution of Arch Insurance Company's Claim.** Arch entered into a settlement and release agreement with the Debtor (the "Arch Settlement Agreement") detailing the terms by which its claim will be treated going forward. The Arch Settlement Agreement is attached to the Plan as **Exhibit A**. A motion to approve the Arch Settlement Agreement was filed on May 19, 2017 (the "9019 Motion") and is scheduled for a hearing on June 14, 2017. Under the terms of the Arch Settlement Agreement, and as more fully described therein, within three (3) business days after

the Bankruptcy Court's order approving the Arch Settlement Agreement becomes final and non-appealable, the Debtor will pay \$450,000.00 (the "Arch Settlement Payment") to Arch in full and complete satisfaction of the Arch Claims.

4. Sale of the Debtor's Assets. On May 18, 2017, the Bankruptcy Court approved the Debtor's Application to Employ Quaker City Auctioneers, Inc. ("Quaker City") as the Debtor's Auctioneer. See Docket Item 146. Quaker City will remove the Debtor's unsold, miscellaneous assets from the Debtor's current location, safely store said assets, and conduct an auction for the benefit of the Debtor's estate and pursuant to the Quaker City engagement letter attached to the Debtor's application and approved by the Bankruptcy Court. With regard to certain of the Debtor's assets for which the Debtor received offers, the Debtor filed a Motion to Approve the Sale of certain of its Miscellaneous Assets Free and Clear of Liens, Claims and Encumbrances (the "Sale Motion") on May 18, 2017. See Docket Item 147.

5. Avoidable Transfer Litigation. The Debtor has analyzed avoidable transfers under Chapter 5 of Title 11. Payments within 90 days preceding the bankruptcy to contractors, suppliers, and overhead payments were made within business terms. Any payments to contractors and suppliers were covered by the Arch Bond or mechanics lien rights. The Debtor has investigated all non-insider claims and has determined that, based upon (i) ordinary course payment history, (ii) potential lien rights, and (iii) bond rights, no avoidable transfers have any value and no such actions will be filed. The Debtor has also reviewed transactions with insiders. The Debtor avers that the payments of salary to the Reeves family members were also made in the ordinary course of business and not subject to an avoidance action. In addition, Robert Reeves, Jr. infused \$1,400,000 into the Debtor within one year of the Petition Date which would provide new value and thus a complete

defense to any potential claim. The Debtor has identified one potential cause of action: Kevin Foley, the Debtor's CFO at the time of the Petition Date, was paid \$15,000 on February 14, 2017. Mr. Foley has agreed to return these funds to the Debtor upon confirmation of the Plan. Mr. Foley does not admit such payment was preferential and such agreement will not be binding in the event the Plan is not confirmed.

V. PROVISIONS GOVERNING DISTRIBUTIONS, DISCHARGE AND GENERAL PROVISIONS

A. Distributions

The Disbursing Agent shall have the sole and exclusive right to make the distributions required by the Plan.

1. Delivery of Distributions

Distributions and deliveries to holders of Allowed Claims will be made at the addresses set forth on the proofs of claim filed by the holders (or at the last known address). If any holder's distribution is returned as undeliverable, no further distributions to the holder will be made unless and until the Reorganized Debtor is notified of the holder's then current address, at which time all missed distribution will be made to the holder without interest. After one year from the payment date all unclaimed property will become property of the Reorganized Debtor, and the Claim of any holder with respect to such property will be discharged and forever barred.

2. Means of Cash Payment

Cash payments made pursuant to the Plan will be in United States funds, by check drawn on a domestic bank or by wire transfer from a domestic bank. All cash distributions will be made by Debtor.

3. Time Bar to Cash Payments

Checks issued by the Debtor in payment of Allowed Claims will be null and void if not cashed within ninety (90) days of the date of its issuance. Requests for re-issuance of any check shall be made to the Disbursing Agent by the holder of the Allowed Claim to which the check originally was issued. Any Claim relating to a voided check must be made on or before the later of (i) the first anniversary of issuance, or (ii) ninety (90) days after the date the check was voided. After that date, all Claims relating to a voided check will be discharged and forever barred and shall be revested in the Reorganized Debtor.

4. Setoffs

The Debtor may, but will not be required to, set off against any Claim and the payments to be made pursuant to the Plan in respect of the Claim, any Claims of any nature whatsoever the Debtor may have against the Claimant, but neither the failure to do so nor the allowance of any Claim hereunder will constitute a waiver of release by the Debtor of any such claim the Debtor may have against such Claimant.

5. De Minimis Distributions

No cash payment of less than twenty-five dollars (\$25.00) will be made by the Disbursing Agent to any creditor unless a request is made in writing to the Reorganized Debtor to make such a payment by the Effective Date of the Plan.

6. Saturday, Sunday or Legal Holiday

If any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed

on the next succeeding Business Day, but will be deemed to have been completed as of the required date.

B. Confirmation/Miscellaneous

1. Except as may be otherwise provided herein, upon the Confirmation Date, all Claims against the Debtor and Debtor-in-Possession shall be satisfied, discharged and released in full; and all holders of Claims and Creditors shall be precluded from asserting against the Debtor, its assets, properties or interest held by it, any other future Claim based upon any transaction or occurrence of any nature that occurred prior to the Confirmation Date.

2. Upon confirmation, title to all assets and properties whatsoever of the Debtor and the Debtor-in-Possession shall be retained by and revested in the Disbursing Agent free and clear of Claims, Liens, encumbrances, security and equitable interests, except as may be otherwise provided by this Plan. The order confirming the Plan shall be a judicial determination of the discharge of the liabilities of a Claim against the Debtor and Debtor-in-Possession, except only as may be otherwise provided for in this Plan. Confirmation of the Plan shall satisfy all Claims arising out of any Claim settled and satisfied under the terms of the Plan.

3. After the Effective Date, the Disbursing Agent shall be entitled to wind down the operations of the Debtor without any restrictions of the Bankruptcy Code and without any supervision of the Bankruptcy Court.

4. Any check, including interest earned, that is unclaimed for ninety (90) days after distribution will be deemed null and void. Requests for re-issuance of any check shall be made to the Disbursing Agent by the holder of the Allowed Claim to which the check originally was issued. Any Claim relating to a voided check must be made on or before the later of (i) the first

anniversary of the Effective Date, or (ii) ninety (90) days after the date the check was voided. After that date, all Claims relating to a voided check will be discharged and forever barred and shall be revested in the Liquidating Debtor.

5. No default shall be declared under this Plan unless any payment due under this Plan shall not have been made within thirty (30) days after written notice to the Debtor and counsel for the Debtor of failure to make payment when due under the Plan.

VI. EFFECTS OF CONFIRMATION

A. Discharge of Claims; Injunction

Except as otherwise expressly provided in the Plan, the entry of the Confirmation Order shall act to, among other things, permanently enjoin all Persons who have held, hold or may hold Claims of or Interests in the Debtor as of the Confirmation Date (a) from commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim or Interest against the Debtor, (b) from the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree, or order against the Debtor or the Property of the Debtor with respect to any such Claim or Interest, (c) from creating, perfecting or enforcing any encumbrance of any kind against the Debtor thereof, or against the property of the Debtor with respect to any such Claim or Interest, (d) from creating, perfecting or enforcing any encumbrance of any kind against the Debtor thereof, or against the property of the Debtor with respect to any such Claim or Interest, and (e) from asserting any setoff, right of subrogation, or recoupment of any kind against any obligation due from the Debtor thereof, or against the property of the Debtor, with respect to any such Claim or Interest. To the extent, however, that the Debtor defaults under the terms of the Plan and such default is not cured within ten (10) days

after the Debtor and its counsel receive notice of the default as provided under Section 8.3 of the Plan, the injunction shall be void solely to allow plan enforcement.

B. Term of Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in Chapter 11 cases pursuant to section 362(a) of the Bankruptcy Code or otherwise, shall remain in full force and effect until the Effective Date at which time the injunction under section VIII(a) shall be in force.

C. Injunction against Interference With Plan

No entity may commence or continue any action or proceeding, or perform any act to interfere with the implementation and consummation of the Plan and the payments to be made hereunder.

VII. CRAMDOW PROVISIONS AND CONFIRMATION REQUEST

In the event that sufficient votes to confirm said Plan are not received, the Debtor requests confirmation of the Plan pursuant to the provisions to the provisions of section 1129(b) of the Bankruptcy Code.

VIII. MODIFICATION OF THE PLAN

A. Pre-Confirmation Modification

At any time before the Confirmation Date, the Plan may be modified by the Proponent, provided that the Plan, as modified, does not fail to meet the requirements of sections 1122 and 1123 of the Bankruptcy Code. In the event that there is a modification of the Plan, then the Plan as modified shall become the Plan.

B. Pre-consummation Modification

At any time after the Confirmation Date of the Plan, but before substantial consummation of the Plan, the Plan may be modified by the Proponent, provided that the Plan, as modified, does not fail to meet the requirements of sections 1122 and 1123 of the Bankruptcy Code. The Plan, as modified under this section, becomes a Plan only if the Court, after notice and hearing, confirms such Plan, as modified, under section 1129 of the Bankruptcy Code.

C. Non-Material Modifications

At any time, the Proponent may, without the approval of the Court, so long as it does not materially or adversely effect the interest of Creditors, remedy any defect or omission, or reconcile any such inconsistencies in the Plan or in the Confirmation Order, as such matters may be necessary to carry out the purposes, intent and effect of this Plan.

IX. RETENTION OF JURISDICTION

The Court shall retain jurisdiction of the case after the Confirmation Date for the following purposes:

- (a) to determine any and all objections in the allowance of claims and amendments to schedules;
- (b) to classify the Claim of any Creditor and to re-examine Claims which have been allowed for purposes of voting, to determine such objections as may be filed to Claims;
- (c) to determine any and all disputes arising under or in connection with the Plan, the Sale, collection or recovery of any assets;
- (d) to determine any and all applications for allowance of compensation and reimbursement of expenses herein;

(e) to determine any and all pending applications for rejections of executory contracts and unexpired leases and the allowance of any claims resulting from the rejection thereof or from the rejection of executory contracts or unexpired leases pursuant to the Plan;

(f) to determine any and all applications, adversary proceedings and contested and litigated matters pending in the case as of , or after, the Confirmation Date;

(g) to determine any and all proceedings for recovery of payments pursuant to any Cause of Action;

(h) to modify any provision of the Plan to the full extent permitted by the Bankruptcy Code;

(i) to correct any defect, cure any omission or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to carry out the purposes intent and effect of the Plan;

(j) to determine such other matters which may be provided for in the Confirmation Order as may be authorized under the provisions of the Bankruptcy Code;

(k) to enforce all provisions under the Plan; and

(l) to enter any order, including injunctions, necessary to enforce the terms of the Plan, the powers of the Debtor under the Bankruptcy Code, this Plan and as the Court may deem necessary.

X. CAUSES OF ACTION

A. Suits, Etc.

The Debtor reserves the right to initiate or continue any litigation or adversary proceeding permitted under the Bankruptcy Code and applicable Federal Rules of Bankruptcy Procedure with respect to any Cause of Action, except if provided to the contrary herein.

B. Powers

The Debtor shall have the right to settle, compromise, sell, assign, terminate, release, discontinue or abandon any cause of action from time to time in its discretion.

XI. OBJECTIONS TO CLAIMS

A. Objection to Claims

Notwithstanding the occurrence of the Confirmation Date or the Effective Date, the Debtor may object to the allowance of any claim not previously allowed by final order whether or not a Proof of Claim has been filed and whether or not the Claim has been filed and whether or not the Claim has been scheduled as non-disputed, non-contingent and liquidated. All such objections shall be filed within sixty (60) days of the Effective Date.

B. Contested Claims

Notwithstanding any other provision of this Plan, a Contested Claim will be paid only after allowance by the Court or upon stipulation of the Debtor and the Claimant involved, as approved by the Court. If allowed, the Contested Claim will become an Allowed Claim and shall be paid on the same terms as if there had been no dispute. The need for resolution of Contested Claims will not delay other payments under the Plan. No distribution shall be made to a Contested Claim until it is Allowed.

XII. CHOICE OF LAW

Except to the extent superseded by the Bankruptcy Code or other federal law, the rights, duties and obligations arising under the Plan shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania, without regard to the choice of law rules thereof.

XIII. EXCULPATION

Following the Effective Date, neither the Debtor nor any Co-Debtors, nor any of the Debtor's officers, directors, members, employees or agents, nor any professional persons employed by any of the foregoing parties, shall have or incur any liability or obligation to any entity for any action taken at any time or omitted to be taken at any time in connection with or related to the formation, preparation, dissemination, implementation, confirmation or consummation of the Plan, the Disclosure Statement or any agreement or document created or entered into, or any action taken or omitted to be taken in connection with the Plan or this Chapter 11 case, except for those obligations outlined in the treatment of the Class 1 creditor; provided, however, that the provisions of this article shall have no effect on the liability of any entity that would otherwise result from action or omission to the extent that such action or omission is determined in a Final Order to have constituted gross negligence or willful misconduct.

XIV. MISCELLANEOUS

A. Payment of Statutory Fees

All fees payable pursuant to section 1930 of Title 28 of the United States Code, as determined by the Court at the hearing pursuant to section 1128 of the Bankruptcy Code, will be paid on or before the Effective Date. Moreover, all post-confirmation quarterly fees shall be paid by the Reorganized Debtor as and when they become due until the Bankruptcy Case is closed.

B. Discharge of Debtor

The rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction, discharge, and release of Claims and Equity Interests of any nature whatsoever, including any interest accrued on such Claims from and after the Petition Date, against the Debtor, any of its assets or properties and the Debtor's Estate.

Except as otherwise provided in this Plan (i) on the Effective Date, all Claims against and Interests in the Debtor will be satisfied, discharged and released in full and (ii) all Persons shall be precluded from asserting against Debtor, its successors, or its assets or properties any other or further Claims or Interests based upon any act or omission, transaction, or other activity of any kind or nature that occurred before the Confirmation Date.

Notwithstanding the foregoing, the discharge granted by 11 U.S.C. §1141(d) is modified as to the secured or priority tax debt provided for in this Plan, and the discharge of any secured or priority tax debt under this Plan shall not be effective until all secured or priority taxes provided for in the Plan have been paid in full.

C. Effect of Confirmation Order

Except as provided for in this Plan, the Confirmation Order will be a judicial determination of discharge of the Debtor from all debts that arose before the Confirmation Order and any liability on a Claim that is determined under section 502 of the Bankruptcy Code as if such Claim had arisen before the Confirmation Date, whether or not a proof of claim based on any such debt or liability is filed under section 501 of the Bankruptcy Code and whether or not a Claim based on such debt or liability is allowed under section 502 of the Bankruptcy Code.

D. Severability

Should any provision in this Plan be determined to be unenforceable, that determination will in no way limit or affect the enforceability and operative effect of any provision of the Plan.

E. Successors and Assigns

The rights and obligations of any person named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of that Person.

F. Binding Effect

The Plan will be binding upon and inure to the benefit of the Debtor, its Creditors, the holders of Equity Interests, and its respective successors and assigns.

G. Governing Provisions

Where a provision of this Plan contains a summary or description of one or more provision of any of the documents attached to the Plan as an Exhibit that conflicts or appears to conflict with any such provision of an Exhibit, the provision of the Exhibit will govern.

H. Filing of Additional Documents

On or before substantial consummation of this Plan, the Debtor will file with the Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

I. Withholding and Reporting Requirements

In connection with the Plan and all instruments issued and distributions made pursuant to the Plan, the Debtor will comply with all withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority and all distributions made pursuant to the Plan will be subject to any such withholding and reporting requirements.

Dated:

E. ALLEN REEVES, INC.

/s/ Robert N. Reeves, Inc.

CIARDI CIARDI & ASTIN

/s/ Albert A. Ciardi, III

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