

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

IN RE: : Case No. 1:15-bk-02742-MDF
NICKLAS, LLC :
: Chapter 11

**THIRD AMENDED DISCLOSURE STATEMENT IN SUPPORT
OF DEBTOR'S PLAN OF REORGANIZATION**

I. INTRODUCTION

1.1 Introduction.

The Debtor, Nicklas, LLC ("Nicklas" or "Debtor"), provides this Disclosure Statement (the "Disclosure Statement") for the Plan of Reorganization (the "Plan") filed by it contemporaneously with this Statement.

Any terms set forth herein, which are capitalized, and which are defined in the Plan, shall have the same meaning as in the Plan, unless inconsistent with the Plan or otherwise set forth in the Plan or in this Disclosure Statement.

THIS DISCLOSURE STATEMENT IS ONLY A PROPOSAL UNTIL SUCH TIME AS THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. CREDITORS AND PARTIES IN INTEREST (AS DESIGNATED BY THE COURT) WILL HAVE AN OPPORTUNITY TO OBJECT TO THE PROPOSED DISCLOSURE STATEMENT, AND SOLICITATION OF THE ACCEPTANCE OF THE PLAN OF REORGANIZATION CANNOT BE MADE UNTIL SUCH TIME AS THE PROPOSED DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT.

1.2 Purpose of Disclosure Statement.

As required by Section 1125 of the Bankruptcy Code, the Debtor has filed this Disclosure Statement for Court approval before circulation to holders of Claims and interests and before solicitations of acceptances of the Plan.

The purpose of this Disclosure Statement is to provide the holders of Claims in this case, and other parties in interest, with adequate information concerning the Debtor and the proposed Plan so that Claim holders can arrive at a reasonably informed decision so as to be able to exercise their right to vote on the Plan which has been filed with the Bankruptcy Court. A copy of the Plan will accompany this Disclosure Statement after the Disclosure Statement is approved by the Court and will be sent to those creditors and parties in interest as the Court directs. Those creditors whose Claims are not impaired (as defined in Section 1124 of the Bankruptcy Code) may not receive a copy of the Disclosure Statement and Plan.

ONLY THOSE CREDITORS WHO HAVE ALLOWED CLAIMS AND ARE ENTITLED TO VOTE ON THE PLAN UNDER THE BANKRUPTCY CODE WILL RECEIVE BALLOTS WHICH WILL ACCOMPANY THE APPROVED DISCLOSURE STATEMENT. LATE FILED Claim HOLDERS MAY NOT BE PERMITTED TO VOTE ON THE PLAN.

1.3 Plan Confirmation.

The Court will set a date for the hearing on the acceptance of the Plan and its confirmation. Prior to such hearing, those creditors eligible to vote on the Plan may so vote on the Plan by filling out and mailing the ballot which accompanies the approved Disclosure

Statement. Ballots should be forwarded to: Robert E. Chernicoff, Esquire, Cunningham, Chernicoff & Warshawsky P.C., P. O. Box 60457, Harrisburg, Pennsylvania 17106-0457, in accordance with the Order setting the time for the filing of ballots. Ballots must be received on or before the date fixed by the Court. Any ballots received after the deadline may not be counted unless the Court orders otherwise. Any ballot which sets forth an amount of a Claim which differs from the amount which is scheduled, or as filed in a Proof of Claim, as allowed, may, at the option of the Plan proponent (the “Debtor”), be corrected to the allowed amount (as defined in the Plan). Further, any ballot which sets forth the wrong classification may be corrected by the Plan proponent, unless the Court orders otherwise.

As a creditor, your vote is important. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than half in number of the Claims of each of the affected, impaired classes voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan. To be confirmed, the Plan must be accepted by at least one (1) impaired class determined without considering acceptances of insiders. If at least one (1) impaired class accepts the Plan, the Plan may be confirmed by the Court, if the Court finds, after notice, among other items, that the Plan accords fair and equitable treatment to any class rejecting the Plan, the Plan does not discriminate unfairly and the Plan meets the requirements of Section 1129(b) of the Code, including the requirement that creditors will receive as much as they would receive in a liquidation.

In the event a class of unsecured creditors fails to accept the Plan, a Plan may not be approved by the Court unless certain requirements are met as to classes of Claims or interests junior to the class which does not accept the Plan.

In this case, the last class of Claims is the Class 6, General Unsecured Claims. The only Class junior to the Class 6 Claims would be Class 7, Equity Holder. In order for the Plan to be confirmed without resorting to the cram down provisions of Section 1129 of the Code and to comply with what is known as the Absolute Priority Rule, the Debtor must secure sufficient votes from its Class 6 general unsecured creditors to cause such Class 6 to confirm the Plan. If insufficient votes occur from Class 6 Claim holders for such Class to confirm the Plan, the Debtor has certain additional provisions of the Code by which it can secure a confirmation of the Plan, including, but not limited to, the placing of new value into the estate or exposing the equity to bidding.

Essentially, the Debtor is paying an amount in to the Plan which is equal to the liquidation value of the Plan as set forth on the Liquidation Analysis set forth below. The Debtor believes that based upon the liquidation analysis and the value of the property, that the value of the equity in the Debtor is minimal. Thus, the Debtor could expose this equity to bidding so as to cause the Plan to be confirmed in the event that insufficient votes are realized from the appropriate classes to cause the Plan to be confirmed.

Also, in the event that insufficient funds are obtained from the Class 6, general unsecured creditors, and thus, Class 6 is deemed to reject the Plan, the Debtor may contribute funds as new value to be paid to creditors and to fund the Plan. The new value could be

obtained by loans from family members or other parties. In order to be considered new value, such funds would have to be of an appreciable amount and would have to be allowed by the Court to constitute new value so as to cause confirmation of the Plan.

The Debtor is unable to predict how much new value might be placed into the estate and into the Plan, however, it is believed that such new value would have to possibly be approximately \$50,000.00. Also, in the event that the Debtor does not receive sufficient votes from the Class 6 unsecured creditors, the Debtor may file an Amended Plan or provide a further analysis so as to cause unsecured creditors to vote in favor of the Plan.

With respect to the secured creditors in this case, the cram down provisions of Section 1129(b) of the Code could be utilized to cause confirmation of the Plan. The secured creditors are, under the terms of the Plan, retaining its liens securing its Claims until paid the amount proposed to them under the Plan, and receiving on account of such secured Claims, payments totaling at least the allowed amount of the secured Claims. These payments are of a value equal to the amount of the collateral held by each respective creditor. The secured creditors are the Class 4 creditor, FNB, and the Class 5 creditor, Lehman. The issues which might affect confirmation as to these creditors might be a determination as to the value of each respective secured creditors' secured Claim and the terms of repayment thereof, including interest rates and the time for payment.

The Debtor, nonetheless, believes that the Plan does meet the requirements of Section 1129(b) as to the secured creditors. Thus, the Plan can be confirmed even if the secured class

of Claims does not accept the Plan so long as one impaired class of Claims does accept the Plan as set forth above.

1.4 Disclaimers.

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS, VALUE OF PROPERTY, OR THE VALUE OF ANY PROMISES TO BE MADE UNDER THE PLAN OR ANY AGREEMENTS INCORPORATED IN THE PLAN, OTHER THAN AS SET FORTH IN THIS STATEMENT, ARE AUTHORIZED BY THE DEBTOR. THE ATTORNEYS FOR THE DEBTOR MAKE NO REPRESENTATION OTHER THAN THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BASED, IN PART, UPON INFORMATION SUPPLIED BY THE DEBTOR AND THE DEBTOR BELIEVES SUCH INFORMATION TO BE CORRECT AT THE TIME OF THE FILING OF THIS DISCLOSURE STATEMENT. NOTHING CONTAINED HEREIN SHALL CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT WAS COMPILED. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE THE VOTES OR ACCEPTANCES OF CREDITORS WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY CREDITORS IN ARRIVING AT A DECISION, AND ANY SUCH REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO THE COUNSEL FOR THE DEBTOR WHO, IN TURN, MAY DELIVER SUCH INFORMATION TO THE

BANKRUPTCY COURT FOR SUCH ACTION AS DEEMED APPROPRIATE. THIS DISCLOSURE STATEMENT, WHEN APPROVED BY THE COURT, IS THE ONLY APPROVED STATEMENT CONCERNING THE MATTERS AND FACTS DEALING WITH THE SOLICITATION OF ACCEPTANCES FOR THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSES 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 PROPONENT OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON THE DEBTOR, HOLDERS OF CLAIMS OR INTERESTS, OR THE REORGANIZED DEBTOR.

THIS DISCLOSURE STATEMENT AND THE ACCOMPANYING PLAN IS NOT AN OFFER TO SELL SECURITIES. ALL CREDITORS AND PARTIES IN INTEREST ARE DIRECTED TO CONSULT WITH THEIR TAX ADVISORS AND NO TAX ADVICE IS INTENDED TO BE GIVEN BY THE PLAN AND DISCLOSURE STATEMENT

THE STATEMENT AND REPRESENTATIONS CONTAINED HEREIN ARE MADE SOLELY BY OR AT THE INSTANCE OF THE PLAN PROPONENT AND NO OTHER PARTY IN INTEREST IS RESPONSIBLE FOR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. THE PLAN

PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY.

CERTAIN OF THE INFORMATION, BY ITS NATURE, IS FORWARD LOOKING, CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY PROVE TO BE FALSE OR INACCURATE AND CONTAINS ESTIMATES WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE EXPERIENCES. SUCH ESTIMATES AND ASSUMPTIONS ARE MADE FOR INFORMATIONAL PURPOSES ONLY AND NO REPRESENTATION OR WARRANTY IS MADE WITH RESPECT THERETO. ALL PROJECTIONS CONTAINED HEREIN WERE PREPARED BY OR AT THE REQUEST OF THE DEBTOR.

1.5 Sources of Information.

Financial information contained in this Disclosure Statement has not been subject to a certified audit. The Debtor has had tax returns prepared in the past, but has not had an audit prepared.

The financial information contained in this Disclosure Statement and in any Exhibits hereto have been prepared based upon information supplied by the Debtor. The Debtor has owned the Real Property for many years. The principal of the Debtor has many years of experience in property rentals and various other business activities. There have been valuations in the past and the Debtor's values listed in the Schedules are based upon prior appraisals. Thus, the Debtor believes that any valuations contained in this Disclosure Statement are reasonable and accurate. Every reasonable effort has been made to present accurate figures.

Attached hereto as referenced in this Disclosure Statement are various exhibits. These exhibits include a list and schedule of Pre-Petition debts as of the Petition Date (Exhibit “A”). While Claims have been filed which may differ in amount from those on the Schedules, the Debtor believes that the Schedules are reasonably accurate. Exhibit “A” is based upon information supplied by the Debtor. The Schedules of Pre-Petition Debt are intended to reflect amounts believed owed Pre-Petition by the Debtor. Attached hereto as Exhibit “B” is the Claims Register reflecting Claims as filed with the Court. A Bar Date Order has been entered by the Court. Thus, Claims filed after the date set by the Court for the filing of Claims may not be allowed.

The Debtor has prepared and filed with the Court a Statement of Financial Affairs, and Schedules of Liabilities and Assets, as required by the Bankruptcy Rules. The Debtor has filed monthly operating reports on a regular basis. The Statement of Financial Affairs, Schedules of Liabilities and Assets, and the monthly operating reports are on file with the Clerk in charge of Bankruptcy Operations, United States Bankruptcy Court for the Middle District of Pennsylvania, 228 Walnut Street, Harrisburg, Pennsylvania 17110, or its electronic filing website, <https://ecf.pamb.uscourts.gov>. Further, all pleadings and Orders filed in this case are on file with the Bankruptcy Clerk at such address or online in the Court’s ECF system. These documents are available for public inspection; all documents filed with the Court by the Debtor, and those attached to this Disclosure Statement, are believed to accurately reflect the Debtor's assets and liabilities at the date of filing, to the best of the Debtor's knowledge, information and belief, and the Debtor's cash receipts and

expenditures since the date of filing. As set forth above, however, none of these documents have been subject to a certified audit, although the Debtor believes the information to be reasonably accurate.

II. BACKGROUND

2.1 General.

The Debtor is a Pennsylvania limited liability company which began in January, 2006. The original purpose for the Debtor was to own property at 221 Sunset Blvd. W, Chambersburg, Franklin County, Pennsylvania. Thereafter, the Debtor acquired an additional property at 201 Sunset Blvd. W., Chambersburg, Franklin County, Pennsylvania.

The purpose of the ownership of the two parcels of Real Property at 221 and 201 Sunset Blvd. W., was to provide a place of business for a company known as Sunset Metal Works, Inc. (“SMW”). While the Debtor is owned by Rebecca D. Nicklas, her husband, James B. Nicklas, is the owner of SMW. SMW has now ceased doing business and all of its assets have been sold pursuant to an Order of Court. James B. Nicklas is the treasurer of the Debtor and assists with the operations of the Debtor. An affiliated company, Sunset Industrial Applications (“SIA”), is partially owned by James Nicklas.

Thereafter, in 2012, the Debtor acquired an additional parcel of Real Property located at 100 Sunset Blvd. W., Chambersburg, Franklin County, Pennsylvania. The 100 Sunset property contained offices for SMW and SIA, as well as other tenants. SMW and SIA no longer have their offices at 100 Sunset.

2.2 Pre-Petition Activities.

SMW began to experience financial problems. These problems were caused by a drain on the cash flow of SMW caused by the affiliated company SIA. SIA conducted large commercial metal painting for SMW. As SMW experienced cash flow difficulties, it began to stop paying its rent. SMW owes the Debtor an amount of rent in excess of \$151,743.59. There is no chance that such rent will be paid as SMW has ceased doing business.

In addition, SIA had a leased facility from the Franklin County Area Development Corporation. The FCADC had a guarantee by the Debtor of the lease between FCADC and SIA for this facility. Because of defaults in payment by SIA, FCADC entered judgment in the amount of \$520,550.14, against the Debtor. Also, because of the lack of payment of rent by SMW, the Debtor determined it was necessary to file Chapter 11.

2.3 Affiliated Entities Status

SMW and SIA have both ceased doing business. All assets of both such companies have been sold pursuant to Orders of Court. Both SMW and SIA filed Chapter 11. The SIA case has now been converted to one under Chapter 7.

Rebecca and James Nicklas (“Nicklas”) have filed a joint Chapter 13 Petition to Case No. 1:15-bk-002380. They are making payments under their confirmed Chapter 13 Plan.

The confirmation of this Plan should have no effect on the Nicklas Chapter 13 Plan as the payments which they make are separate from payments to creditors under this Plan. Further, confirmation of this Plan should have no effect on the cases of SMW or SIA as they are no longer operating.

III. PRE-PETITION OBLIGATIONS

Attached hereto as Exhibit “A” are Schedules D, E and F of the Bankruptcy Schedules as filed by the Debtor in this case. These Schedules set forth the secured and unsecured creditors of the Debtor, as the Debtor believes such existed as of the Chapter 11 Petition Date.

The Schedules of the Debtor, as set forth in Exhibit “A”, list those creditors of the Debtor which the Debtor believes exist as of the date of the Chapter 11 Petition, together with the amounts which the Debtor believes it owed to these creditors as of the Petition date. Exhibit “B” is a copy of the claims register setting forth claims as filed in this case.

The Court has set a bar date for the filing of Claims. The amounts set forth hereinafter assumes all Claims as scheduled will be allowed. If Creditors file any other Claims after the bar date, because the bar date is the final date by which all Claims against the Debtor had to be filed, any Claims filed after the bar date may not be allowed. A Claims Bar Date Order has been entered by the Court [Doc 72] setting a bar date of July 29, 2016. The Debtor will examine all Claims as filed and the Debtor reserves the right under the Plan and under the Bankruptcy Code to object to any Claims which may be in error, including, those Claims which are duplicative or contain improper amounts of interest. A summary of the various Claims of creditors is set forth hereinafter.

3.1 Secured Creditors.

3.1.1 First National Bank.

First National Bank is the successor in interest to Metro Bank. The Debtor was granted three (3) loans by Metro Bank. The first loan, the 100 FNB Loan, is secured solely on 100 Sunset on which approximately \$590,000.00 is believed to be owed as of the Petition Date.

The 201 FNB Loan is believed to be secured solely on 201 Sunset and secures a debt of approximately \$600,000.00.

The third loan, the 201 & 221 FNB Loan, is secured on both 201 Sunset and 221 Sunset, and is believed to be in the amount of approximately \$700,000.00 as of the Petition Date.

There is a collateral mortgage granted to Metro Bank to secure certain obligations owed by SMW to Metro Bank (the “Sunset FNB Loan”), which is filed as to 201 Sunset and 221 Sunset.

3.2 Lehman Family Foundation.

The Debtor purchased 100 Sunset from the Lehman Family Foundation. The Lehman Family Foundation provided purchase money financing having a second lien priority on 100 Sunset. It is believed that approximately \$570,000.00 is owed to Lehman Family Foundation as of the Petition Date. It should be noted, however, that Lehman Family Foundation has received some payments during the course of the case.

3.3 Priority Tax Claims.

The only priority tax claims of which the Debtor is aware are for real estate taxes owed to the Franklin County Tax Claim Bureau and to the local tax collector for municipal, county and school taxes. The Debtor scheduled the taxes in the amount of approximately \$80,500.00.

3.4 Unsecured Claims.

The Debtor scheduled two (2) unsecured Claims. The first is owed to the FCADC in the amount of approximately \$520,000.00. This debt represents the guaranteed debt owed by SIA for a lease between SIA and FCADC.

The other unsecured claim is owed to Debra Brechbill which represents an unpaid sum from when the Debtor purchase 221 Sunset. Ms. Brechbill is owed approximately \$18,000.00.

The Debtor will review all of the Claims and objections will be filed to those Claims which the Debtor believes are not proper to the extent that an objection is expedient and necessary.

IV. POST-PETITION ACTIVITIES

4.1 General.

The Debtor filed its Petition on June 26, 2015.

The Debtor negotiated with FNB with respect to its loans with FNB as well as being involved in the negotiations involving SMW and SIA. Because SMW and SIA have both sold all of their assets pursuant to Court Orders in their respective Chapter 11 cases, and SIA

was converted to a Chapter 7 case on June 28, 2016, the Debtor has not been receiving any rent from SMW. SMW has ceased all operations and has no cash flow. The Debtor has hired a real estate broker to attempt to find new tenants for its vacant space of one (1) unit at 100 Sunset as well as to find a replacement tenant for the SMW property. As a result of the sale of SMW of its assets, an affiliate of the purchaser of the assets of SMW has been occupying the premises. While the Sale Agreement provides that the purchaser is to lease the properties at 201 Sunset and 221 Sunset, such purchaser only entered into a month-to-month lease. The purchaser began to pay rent in October, 2016. The Debtor has continued to seek additional tenants for the space at 201 Sunset and 221 Sunset, as well as for a small portion of 100 Sunset consisting of approximately 4,500 square feet.

4.2 FNB Motion

FNB filed a motion to modify the automatic stay thereby permitting it to foreclose against the Debtor's Real Property. The FNB Motion was settled by a Stipulation filed with the Court on October 20, 2016, and approved by the Court on October 21, 2016. Such Stipulation provides for interim payments of \$13,000.00 per month to FNB as well as a lump sum payment of \$30,000.00. The Debtor has made the lump sum payment of \$30,000.00 and has made the first monthly payment.

V. SUMMARY OF DEBTOR'S ASSETS

The Debtor owns three (3) parcels of Real Property. These parcels are 100 Sunset, 201 Sunset and 221 Sunset.

5.1 100 Sunset.

100 Sunset is a parcel of Real Property previously utilized in part by SMW and SIA for office space. There are also four (4) other tenants in the property. The Debtor scheduled the value of this property at \$1,100,000.00.

5.1.2 The property at 100 Sunset is an office building which contains space for various tenants. The building contains 17,145 square feet and the parcel contains 3.14 acres. The parcel is zoned for light industrial.

5.2 201 Sunset.

201 Sunset is a parcel of Real Property formerly utilized by SMW. It is now being utilized by FYM, LLC, an affiliate of Patriot Metal Products. A lease is in process for these premises at the rate of \$3,000.00 per month. At the time of the signing of the lease, rent is to be paid for the last several months beginning April, 2016. The Debtor believes the value of 201 Sunset is approximately \$390,000.00, as scheduled by the Debtor. The property at 201 Sunset is an industrial facility containing 9,000 square feet and 1.0+ acres and is zoned for light industrial.

5.3 221 Sunset.

221 Sunset is a parcel of Real Property formerly utilized by SMW as a manufacturing facility. These premises are also being utilized by FYM, LLC. Under the terms of the Agreement of Sale between Patriot Metal Products and SMW, and as being set forth in a lease, beginning in October, 2016, rent in the amount of \$9,000.00 per month is to be paid to the Debtor. The Debtor believes that the value of 221 Sunset is approximately

\$1,300,000.00, as scheduled by the Debtor. The property at 221 Sunset is an industrial facility containing 25,000 square feet of industrial space and 2.9+ acres, and is zoned for light industrial.

5.4 Cash on Hand.

The Debtor scheduled approximately \$14,000.00 in its bank account as of the Petition Date.

5.5 Receivables.

The Debtor scheduled rents owed of \$118,000.00, on its Schedules. It also scheduled \$65,000.00 of such rent as bad debt. Because SMW has ceased doing business, it is believed that all such receivables are of no value.

VI. SUMMARY OF THE PLAN OF REORGANIZATION

6.1 Introduction.

INCLUDED WITH THIS DISCLOSURE STATEMENT, UPON APPROVAL OF THIS STATEMENT BY THE COURT, IS A COPY OF THE PLAN OF REORGANIZATION OF THE DEBTOR, WHICH HAS BEEN FILED WITH THE BANKRUPTCY COURT. FOLLOWING IS A BRIEF SUMMARY OF THE DEBTOR'S PLAN OF REORGANIZATION, AND CREDITORS ARE URGED TO READ THE FULL TEXT OF THE PLAN ITSELF. WHILE THE FOLLOWING IS A SUMMARY, CREDITORS SHOULD NOT RELY UPON THE SUMMARY AS CONTAINING ALL PARTS OF SUCH PLAN. FURTHER, OTHER PARTS OF THIS STATEMENT, INCLUDING PART IV RELATING TO POST-PETITION TRANSACTIONS, SET FORTH ADDITIONAL INFORMATION REGARDING THE

PLAN. IF CONFIRMED, THE PLAN WILL BE BINDING UPON THE DEBTOR, ITS CREDITORS, ALL PARTIES IN INTEREST, AS WELL AS ALL EQUITY INTEREST HOLDERS, ALL OF WHOM ARE URGED TO CAREFULLY READ THE PLAN.

The Plan divides Claims into six (6) classes that consist of (1) expenses of administration for compensation of professionals; (2) other Administrative Claims; (3) Priority Tax Claims; (4) the allowed secured Claim of First National Bank; (5) the allowed secured Claim of Lehman Family Foundation; and (6) the Claims of all other unsecured, non-priority Claim holders. Classes 1, 2 and 3 are unclassified and numbered and named as classes strictly for convenience purposes.

The seventh class is Class 7, the equity holder. The equity holder is Rebecca D. Nicklas.

The first three classes are technically unclassified Claims and will not have the opportunity to vote.

The treatment of classes of Claims and interests is as set forth hereinafter. It should be noted, however, that the terms and conditions of the Plan control notwithstanding any statement contained in this Disclosure Statement.

6.2 Professional Administrative Claims and Administrative Claims.

The general bankruptcy counsel to the Debtor during the Chapter 11 case and Post-Confirmation is Cunningham, Chernicoff & Warshawsky P.C. Ocker & Associates, P.C. are the accountants to the Debtor.

All professional Administrative Claims will be paid in cash on or before the Effective Date of the Plan, or as otherwise agreed in writing by the Claimant and the Debtor. If funds are owed to professionals and approval by the Court is necessary for payment, then a sum will be escrowed in an amount sufficient to fund such sums owed to professionals.

Administrative Claim holders will be paid in the ordinary course of business, on or before the Effective Date of the Plan, as soon as reasonably practical thereafter, or as otherwise agreed by the Claimant and the Debtor, whichever of these dates are later. Fees owed to the Office of the U.S. Trustee will be paid in the regular course by thirty (30) days after the close of each calendar quarter, and after confirmation, the Debtor must prepare and file quarterly reports in the format requested by the U.S. Trustee, and serve such reports on the U.S. Trustee. The payment of the U.S. Trustee fees and the filing of the quarterly reports will continue until the case is closed.

6.3 Priority Taxes.

Priority taxes are treated in Section 4.3 of the Plan. Priority Tax Claims, contain only that portion of a Claim which is granted priority pursuant to Section 507(a) of the Code, as such Claims may exist as of the Chapter 11 Petition Date. Such Priority Tax Claims are to be paid in full on or before five (5) years from the Petition Date, together with interest at the rate of 3% per annum. Interest will begin to accrue as of the Effective Date of the Plan on the unpaid tax balance. Payments are to be made on a regular monthly basis with each payment to begin during the first calendar month as to the Effective Date of the Plan. All Priority Tax Claims include only Pre-Petition taxes and interest and do not include any

penalties. The penalties which are excluded from priority tax claims do not include trust fund penalties under Section 6672 of the Internal Revenue Code.

The Debtor is believed to owe priority taxes consisting of past due real estate taxes owed to the Franklin County Tax Claim Bureau and to the local tax collector for municipal, county and school taxes. The amount of taxes owed for real estate taxes are believed to be approximately \$80,499.35.

6.4 First National Bank.

6.4.1 First National Bank has three (3) mortgages respectively securing the 100 FNB Loan, the 201 FNB Loan and the 201 & 221 FNB Loan. FNB is also the holder of the Sunset FNB Loan.

6.4.2 Under the Plan, the 100 FNB Loan will be paid separately from the 201 FNB Loan and the 221 FNB Loan. The 201 FNB Loan and 221 FNB Loan are to be consolidated as the New 201 FNB Loan and will include all principal, accrued interest, costs and allowed attorneys' fees. The New 201 FNB Loan is also split into a payment on account of 201 Sunset in the amount of \$2,500.00 per month (the "201 Sunset Payment") and a payment on account of 221 Sunset in the amount of \$5,500.00 per month (the "221 Sunset Payment").

6.4.3 The New 100 FNB Loan will be calculated as being all principal, accrued interest, costs and allowed attorneys' fees owed on the 100 FNB Loan as of the Effective Date is known as the New 100 FNB Loan. The New 100 FNB Loan, together with interest at the rate of four percent (4%) per annum, will be paid over a one hundred fifty-one (151) month term, with regular monthly payments beginning thirty (30) days after the Effective

Date. It is believed these payments will be approximately \$5,000.00 per month. The New 100 FNB Loan will balloon and there is to be a balloon payment thirty-six (36) months after the Effective Date of the Plan whereby the New 100 FNB Loan is then to be paid in full. The Debtor will seek new financing to pay the loan payment or sell some or all of its Real Property to fund such payment.

6.4.4 The New 201 FNB Loan will be calculated as of the Effective Date of the Plan. It is believed that the amount of such New 201 FNB Loan will be approximately \$1,305,000.00. The New 201 FNB Loan as calculated herein will be paid with interest at the rate of four percent (4%) per annum over a one hundred seventy-five (175) month term, with regular monthly payments beginning as of thirty (30) days after the Effective Date of the Plan. It is believed that these payments will be approximately \$8,000.00 per month. As set forth above, there will a 201 Sunset Payment in the amount of \$2,500.00 per month and a 221 Sunset Payment in the amount of \$5,500.00 per month. The New 201 FNB Loan will balloon and there will be a balloon payment thirty-six (36) months after the Effective Date of the Plan whereby the New 201 FNB Loan is to be paid in full. As set forth above, the Debtor will seek new financing to pay the balloon payment or sell some or all of its Real Property to fund such payment.

6.4.5 In the event that either the 201 Sunset Payment or the 221 Sunset Payment are in default and are not current six (6) months after the Effective Date, then, under the Plan, the Debtor will expose to a sale, either through a broker or through an auction, such of 201 Sunset or 221 Sunset for which the Debtor is not current as to payments. The Debtor now

has a lease for 201 Sunset and, thus, believes it will be able to pay that portion of the payment on the New 201 FNB Loan allocated to 201 Sunset.

6.4.6 Nothing further is to be paid on account of the 201 FNB Loan which is to include the Sunset FNB Loan.

6.4.7 FNB will retain the lien on 100 Sunset until such time as the New 100 Sunset Loan is paid in full. Until such time as the New 201 FNB Loan is paid in full, FNB shall retain its lien on 201 Sunset and 221 Sunset.

6.5. Lehman Family Foundation

6.5.1 The Lehman Family Foundation has been granted a second priority mortgage lien on 100 Sunset to collateralize the sum of approximately \$566,000.00.

6.5.2 As of the Effective Date, the amount owed to Lehman, including all principal, accrued interest, allowed costs and allowed attorneys' fees. This amount known as the New Lehman Loan will be then paid in full, together with interest at the rate of three percent (3%) per annum, over a twenty-five (25) year amortization. Regular monthly payments will begin as of the Effective Date. It is believed that these monthly payments will be approximately \$2,685.00 per month. The amount of the New Lehman Loan is believed to be approximately \$566,000.00.

6.5.3 Until such time as Lehman is paid in full as to the New Lehman Loan, Lehman shall retain its lien on 100 Sunset in the same priority as exists pre-Petition.

6.6. General Unsecured Creditors

6.6.1 The class 6 general unsecured creditors include all creditors not otherwise classified under this Plan. These creditors are believed to be FCADC and Debra Brechbill.

6.6.2 The class 6 unsecured creditors will be paid in full over eighty-four (84) months after the Effective Date, in regular monthly or quarterly payments, as the Debtor may determine is feasible. The first such monthly or quarterly payment shall begin on or before six (6) months after the Effective Date. The payments will continue monthly or quarterly, as the case may be. It should be noted that FCADC has released its Claim and will not be paid anything under the Plan.

6.7 Equity Holder.

The equity holder is Rebecca D. Nicklas, who holds 100% of the membership interest in the Debtor. Mrs. Nicklas may retain her membership interest in the Debtor, or, at her option, cause such equity be canceled and new equity be issued to her in such percentage as exists pre-Petition.

6.8 Executory Contracts.

6.8.1 The Debtor has four (4) tenants at 100 Sunset, being First Impressions, Inc., Clubhouse Kidz, Inc., Marianne Fisher dba Decorating Den, and Blue Ridge Publications, Inc., dba The Franklin Shopper. All such leases are assumed under the Plan.

6.8.2 The terms of these leases are:

Blue Ridge Publishing Co. t/d/b/a The Franklin Shopper - lease dated July 15, 2013 for a term of one year at the initial rate of \$1,200.00 per month. The lease automatically renews for one-year terms, with a 3.5% rent increase per year.

Maryann Fisher t/d/b/a Decorating Den Interiors - lease dated July 11, 2016, for a five year term at the rate of \$925.00 per month.

Club House Kidz, Inc. - lease dated January 1, 2015, for a one year term at the rate of \$2,287.00 per month. The lease automatically renews for one-year terms.

First Impressions, Inc. - lease dated January 1, 2015, for a one year term at the rate of \$3,135.00 per month. The lease automatically renews for one-year terms.

6.8.3 The Debtor has a month-to-month lease with FYM, LLC for 201 Sunset and 221 Sunset. The rent is at the rate of \$15,000.00 per month. This rent began to be paid in approximately October, 2016. The Debtor is seeking new tenants for the space at 201 Sunset and 221 Sunset.

Such lease is to the extent that same exists are assumed under the Plan.

6.8.4 The leases with Sunset Metal Works, Inc., or its affiliate Sunset Industrial Applications, Inc., to the extent that any exist, are rejected under the Plan.

6.9 Means for Execution of the Plan.

The Debtor intends to continue to lease 100 Sunset to the existing lessees. Further, the Debtor intends to find a new tenant for the remaining portion of 100 Sunset consisting of approximately 4,500 square feet.

The Debtor has a month-to-month lease with FYM, LLC for 201 Sunset and 221 Sunset. The Debtor is seeking new tenants for such space. In the meantime, while the rent is being paid by FYM, LLC, there is sufficient funds to fund the Plan.

Attached hereto as Exhibit "C" are projections through the Second Quarter, 2019, by which the Debtor believes it sets forth sufficient cash flow to pay its ongoing expenses as

well as fund the Plan. Nonetheless, new tenants for 201 Sunset and 221 Sunset must be obtained. While the Plan sets forth owner's draws, under the Plan, such owner's draws are subordinate to all Plan payments.

While the Plan permits the sale of Real Property by the Debtor, the Debtor has no present intentions at this time to do so. It may sell the Real Property in the future.

BECAUSE THE PAYMENT TO CREDITORS UNDER THE PLAN IS BASED, IN PART, UPON FUTURE EARNINGS OF THE DEBTOR AND SALES OF ASSETS, NOT ALL PAYMENTS TO CREDITORS UNDER THE PLAN ARE CERTAIN. ANY PAYMENTS TO BE PAID UNDER THE PLAN ARE THEREFORE CONTINGENT UPON THE FUTURE EARNINGS OF THE DEBTOR AND UPON SUFFICIENT VALUE BEING REALIZED BY THE DEBTOR FROM THE SALE OF ITS ASSETS.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

7.1

BECAUSE THE TAX CONSEQUENCES TO CREDITORS AND DEBTOR ARE VARIED AND COMPLEX AND DEPEND, IN PART, ON PARTICULAR CIRCUMSTANCES AND BECAUSE NO RULING HAS BEEN REQUESTED OR OBTAINED FROM THE INTERNAL REVENUE SERVICE AS TO ANY TAX ASPECTS OF THE PLAN, AND NO OPINION OF COUNSEL HAS BEEN OBTAINED WITH RESPECT THERETO, EACH Claim HOLDER AND INTEREST HOLDER IS STRONGLY URGED TO CONSULT WITH THEIR RESPECTIVE TAX ADVISOR OR ACCOUNTANT ABOUT THE POSSIBLE TAX CONSEQUENCES OF THE PLAN. ALL

Claim HOLDERS AND INTEREST HOLDERS SHOULD CONSIDER THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF THE PLAN. THE PLAN PROPONENTS ARE NOT MAKING ANY REPRESENTATION REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR, NOR ARE THE DEBTOR, THE COMMITTEE, OR THEIR RESPECTIVE COUNSEL RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.

7.2.

The following is a general summary of certain significant federal income tax consequences of the Plan for the Debtor's creditors. The following summary may assist the Debtor and its creditors in evaluating the effect U.S. federal income taxes may have if the Plan is consummated. This summary does not address the federal income tax consequences to creditors whose Claims are entitled to reinstatement or payment in full in cash, or are otherwise unimpaired under the Plan.

This summary does not discuss all aspects of federal income taxation that may be relevant to creditors, particularly to creditors subject to special treatment under the federal income tax laws, such as tax-exempt entities, governmental agencies or political subdivisions, broker-dealers, mutual funds, insurance companies, small business investment companies, regulated investment companies, foreign corporations or individuals who are not citizens or residents of the United States. Except as expressly stated below, this discussion does not address any state, local or foreign tax matters.

This discussion is based upon information received from various sources and has not been audited or verified. Any material inaccuracies in the information may affect the stated conclusions regarding the tax consequences of the Plan. This summary is based upon the Internal Revenue Code of 1986, as amended (the “Tax Code”), the Treasury regulations (including temporary regulations) promulgated thereunder, judicial authorities and current administrative rulings, all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision.

This discussion is only an overview of significant tax issues that may change their application and results (e.g., we are not discussing the tax consequences from the distribution or liquidation of certain non-core assets). Moreover, the tax consequences of certain aspects of the Plan are uncertain because of the lack of applicable legal precedent.

Because of the complexity of the transactions contemplated by the Plan, the differences in the nature of the Claims of the various creditors, their taxpayer status and methods of accounting and prior actions taken by creditors with respect to their Claims, the described tax consequences are subject to significant uncertainties and variations in their application. The Plan proponents have not received an opinion of counsel or a ruling from the IRS as to the consequences of the Plan and do not intend to seek a ruling from the IRS or opinion of counsel with respect thereto. There can be no assurance the treatment discussed below may be accepted by the IRS.

7.2.1 Federal Income Tax Consequences to Holders of Claims. The federal income tax consequences of the implementation of the Plan to a creditor may depend upon a number of factors, including whether the creditor is deemed to have participated in an exchange for federal income tax purposes, the type of consideration received by the creditor in exchange for its allowed Claim, and whether the creditor reports the income on the accrual basis.

In general, holders of Claims who receive cash should recognize gain or loss in an amount equal to the difference between (i) the cash received and (ii) its adjusted tax basis in the Claim.

Where gain or loss is recognized by a holder of a Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount or for the sale of inventory, and whether and to what extent the holder had previously Claimed a bad debt deduction.

To the extent that any amount received by a holder of a Claim under the Plan is attributable to accrued interest not previously included in the holder's gross income, such amount should be taxable to the holder as interest income. Conversely, a holder of a Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent that any accrued interest on such holder's Claim was previously included in the holder's gross income but was not paid in full by the Debtor. Such loss may be ordinary, but the tax law is unclear on this point. The extent to which the consideration

received by a holder of a Claim will be attributable to accrued interest on the obligations constituting such Claim is unclear.

VIII. DISPUTES

8.1 General.

Under the Plan, the Debtor reserves the right to dispute and object to any Claim as filed.

IX. RISK FACTORS

9.1

There is no guarantee that FYM, LLC will continue in business or continue to lease 201 Sunset and 221 Sunset on a month-to-month basis.

9.2

There is no guarantee that other tenants of the Debtor, including tenants at 100 Sunset, will continue in business or that such leases will continue beyond their current terms.

9.3

The Debtor may be unable to lease the currently vacant portion of 100 Sunset. The Debtor may be unable to lease 201 Sunset and 221 Sunset. If such occurs, there may be cash shortfalls.

9.4

While the Debtor has entered into a Stipulation with FNB as to its Motion to Modify the Automatic Stay, in the event the Debtor does not secure sufficient funds from new tenants, the Debtor may default under such Stipulation and the stay may be lifted. Thus, the

provisions in the Plan concerning the New 201 FNB Loan may not be effective and may later prove not to be feasible. The Debtor may therefore surrender 201 Sunset and 221 Sunset, or consider auctioning either or both such parcels of Real Property.

X. ALTERNATIVES TO THE PLAN

10.1

The only alternatives to the Plan are either a liquidation of the Debtor's Real Property or a foreclosure by FNB. FNB currently has a Motion pending regarding the automatic stay.

The Debtor's liquidation analysis shows that there will be essentially no funds available for unsecured creditors. The liquidation analysis is as follows:

Market Value	Amount
100 Sunset	\$1,100,000.00
201 Sunset	\$390,000.00
221 Sunset	<u>\$1,300,000.00</u>
Total Market Value	\$2,790,000.00
Less Liquidation Deduction 20%	<u>(\$558,000.00)</u>
Subtotal	\$2,232,000.00
Less Costs of Sale	(\$200,000.00)
Secured Claim of FNB Directly on the Real Property	(\$1,900,000.00)
Secured Claim of Lehman Family Foundation	<u>(\$570,000.00)</u>
Deficiency	(\$438,000.00)

It should be noted that the costs of sale include a real estate commission and transfer taxes, if any. In the event that the case is converted to Chapter 7, or a liquidation were to

occur, there will be Trustee's commissions of up to five percent (5%) and other expenses. There may also be unpaid Chapter 11 administrative expenses.

Given that it would appear that the secured creditors may not be paid in full from a liquidation, and because the Plan is paying the secured creditors in full, the Plan is a better alternative to a liquidation or a sale of the Real Property. Also, in the event of a foreclosure sale by FNB, obviously no other creditors will be paid.

XI. OWNERSHIP OF DEBTOR'S ASSETS SUBSEQUENT TO REORGANIZATION

11.1.

Subsequent to the Confirmation of the Plan, the Debtor will be revested with all of its property then existing, free and clear of all liens, Claims and encumbrances, except as set forth in Articles V and XIII of the Plan. The lien of FNB will remain in 100 Sunset, 201 Sunset and 221 Sunset, until such creditor is paid in full as set forth under the Plan. Please note that the lien on 100 Sunset is to be reduced proportionately from each payment to be made to FNB under the Plan. Also, Lehman Family Foundation shall retain its lien in 100 Sunset until payment in full, as set forth under the Plan, occurs.

Other than as set forth under the Plan, the assets of the Debtor will vest in the Debtor free and clear of all other liens and claims.

11.2.

Any transfer of any assets by the Debtor, including the sale of any real property of the Debtor, will constitute a transfer under the Plan, if it occurs after Confirmation of the Plan,

and shall not be subject to a transfer, stamp or similar tax under any law, including those laws of the Commonwealth of Pennsylvania.

11.3.

Rebecca D. Nicklas will continue as the member of the Debtor. Rebecca D. Nicklas will receive up to \$3,000.00 per month as payment to her as the equity holder. In the event there are insufficient funds for such draw, the payment of such draw is subordinate to all payments under this Chapter 11 Plan and to all other budgeted amounts necessary for the Debtor's operations. James B. Nicklas will continue in as Treasurer of the Debtor. James B. Nicklas is the spouse of Rebecca D. Nicklas. James B. Nicklas is now an employee of FYM, LLC, the proposed tenant of 201 Sunset and 221 Sunset. He is not an owner of FYM, LLC.

XII. MISCELLANEOUS PROVISIONS

12.1.

12.1.1 Under the Plan, the Debtor, its employees, or agents (including the professionals and any other professionals retained by such persons) are released from liability to any holder of a Claim for any act or omission in connection with, or arising out of the bankruptcy case of the Debtor, the formulation of the Plan, the pursuit of approval of the Disclosure Statement for the Plan, or the solicitation of votes for or confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and in all respects, each shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

12.1.2 The Plan contains a discharge provision as to debts and as to an injunction post-Effective Date of the Plan. Essentially, all debts are discharged. Also, there is an injunction as to creditors attempting to collect any debts of the Debtor which are otherwise discharged. Articles 11 and 12 of the Plan provide a full explanation of the discharge and injunction provisions. It should be noted that activity by a creditor to collect on a claim which is treated under the Plan cannot occur unless and until certain actions are taken by such creditors as to notice of default to be provided to the Debtor and its counsel, without a cure.

12.2.

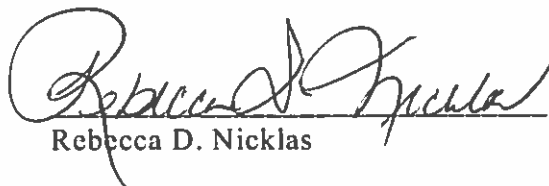
This Disclosure Statement will be provided to creditors after it has been approved, after notice and a hearing, by an Order of the United States Bankruptcy Court. The Court will find, upon approving the Disclosure Statement, that the statement contains adequate information in accordance with the provisions of the Bankruptcy Code. It should be understood that the Court's approval of the Disclosure Statement in no way constitutes an endorsement of the Plan by the Court or a guaranty of the accuracy or completeness of the information.

The Disclosure Statement, Plan and Order approving the Disclosure Statement together with the ballot will be provided to all creditors who are entitled to vote. All creditors and parties in interest, including those who are not entitled to vote under the Plan, may object to confirmation. The Order of the Court will provide a date by which objections may be made.

The information contained in this Disclosure Statement, and in the Plan, is based upon information developed by the Debtor. It has not been subject to a certified audit or independent review. Accordingly, neither the Debtor nor its counsel are able to warrant or represent that the information contained herein is complete, or is without any inaccuracy, although they have reasonably endeavored to obtain and supply all material information.

It is hoped that all creditors will join in to confirm the contents of the Plan so that creditors, as well as the Debtor, will receive the maximum results from the Plan.

Debtor:



Rebecca D. Nicklas

Date: 02/13/2017

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