

IN UNITED STATES BANKRUPTCY COURT  
MIDDLE DISTRICT OF PENNSYLVANIA

In re:

TRI STATE TRUCKING COMPANY,  
  
Debtor.

Case No. 4:15-04444-JJT

Chapter 11

---

**AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE  
BANKRUPTCY CODE WITH RESPECT TO JOINT PLAN OF LIQUIDATION**

---

|Dated: ~~August 14, 2017~~ October 16, 2017

Cunningham, Chernicoff & Warshawsky P.C.  
Robert E. Chernicoff, Esquire  
2320 North Second Street  
P. O. Box 60457  
Harrisburg PA 17106-0457  
Telephone(717) 238-6570  
rec@cclawpc.com

*Counsel for Debtor and Debtor-in-Possession*

COLE SCHOTZ P.C.  
Gary H. Leibowitz, Esquire  
300 East Lombard Street, Suite 1450  
Baltimore, MD 21202  
Telephone: (410) 230-0660  
gleibowitz@coleschotz.com

*Counsel for the Official Committee of  
Unsecured Creditors*

**The Debtor and the Committee believe that approval of the Plan presents the best opportunity for holders of Claims to maximize their recoveries.  
The Debtor and Committee encourage holders of Impaired Claims to vote to accept the Plan.**

### **IMPORTANT NOTICE**

This Disclosure Statement<sup>1</sup> and its related documents are the only documents authorized by the Bankruptcy Court to be used in connection with the solicitation of votes to accept the Plan. No representations have been authorized by the Bankruptcy Court concerning the Debtor, its business operations, or the value of its assets, except as explicitly set forth in this Disclosure Statement.

Please refer to the Plan (or, where indicated, certain motions filed with the Bankruptcy Court) for definitions of the capitalized terms used in this Disclosure Statement.

The Plan Proponents reserves the right to file an amended Plan and Disclosure Statement from time to time. The Plan Proponents urge you to read this Disclosure Statement carefully for a discussion of voting instructions, recovery information, classification of claims, the history of the Debtor and the Case and a summary and analysis of the Plan.

The Plan and this Disclosure Statement are not required to be prepared in accordance with federal or state securities laws. This Disclosure Statement has been approved by the Bankruptcy Court as containing “adequate information”; however, such approval does not constitute endorsement of the Plan or Disclosure Statement by the Bankruptcy Court and none of the United States Securities and Exchange Commission, any state securities commission or similar public, governmental or regulatory authority has approved this Disclosure Statement, or the Plan, or has passed on the accuracy or adequacy of the statements in this Disclosure Statement. Persons trading in or otherwise purchasing, selling or transferring securities, if any, of the Debtor should evaluate the Plan in light of the purposes for which it was prepared.

This Disclosure Statement contains only a summary of the Plan. This Disclosure Statement is not intended to replace a careful and detailed review of the Plan, but instead, is an aid and may supplement such review. This Disclosure Statement is qualified in its entirety by reference to the Plan, and the exhibits attached thereto and the agreements and documents described therein. If there is a conflict between the Plan and this Disclosure Statement, the provisions of the Plan will govern. You are encouraged to review the full text of the Plan and also read carefully the entire Disclosure Statement, including all exhibits, before deciding how to vote with respect to the Plan.

---

<sup>1</sup> Unless otherwise defined herein, capitalized terms shall have the meanings ascribed to them in the Plan of Liquidation under Chapter 11 of the Bankruptcy Code Dated August 14, 2017.

Except as expressly otherwise indicated, the statements in this Disclosure Statement are made as of August 14, 2017, and the delivery of this Disclosure Statement will not, under any circumstances, imply that the information contained in this Disclosure Statement is correct at any time after August 14, 2017. Any estimates of claims or interests in this Disclosure Statement may vary from the final amounts of claims or interests allowed by the Bankruptcy Court. In addition, the treatment of creditors under the Plan described herein is subject to change as such treatment continues to be negotiated.

YOU SHOULD NOT CONSTRUE THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. YOU SHOULD, THEREFORE, CONSULT WITH YOUR OWN LEGAL, BUSINESS, FINANCIAL AND TAX ADVISORS AS TO ANY SUCH MATTERS IN CONNECTION WITH THE PLAN, THE SOLICITATION OF VOTES ON THE PLAN AND THE TRANSACTIONS CONTEMPLATED BY THE PLAN.

As to contested matters, adversary proceedings and other actions or threatened actions, this Disclosure Statement (with Exhibits) is not, and is in no event to be construed as, an admission or stipulation as to any fact or allegation.

**EXHIBITS**

Exhibit A	Bankruptcy Schedules (D, E, F)
Exhibit B	Claims Register
Exhibit C	Order of the Bankruptcy Court Approving the Disclosure Statement
Exhibit D	Liquidation Analysis

## I. INTRODUCTION

### 1.1 Overview of Disclosure Statement.

The Debtor, Tri State Trucking Company (“Tri State” or “Debtor”) together with the Official Committee of Unsecured Creditors (the “Committee”) (together, the “Plan Proponents”), prepared this Disclosure Statement (the “Disclosure Statement”) pursuant to Section 1125 of Title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*, as amended, to accompany, and in connection with, their solicitation of acceptances of the Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code dated August 14, 2017 (“Plan”), filed in the Debtor’s proceedings, pending in the above-captioned Bankruptcy Court.

This Disclosure Statement summarizes the Plan’s contents and provides information relating to the Plan and the process the Bankruptcy Court will follow in determining whether to confirm the Plan. This Disclosure Statement also discusses the events leading to the Debtor’s filing of the Chapter 11 case, and lists the main events that have occurred in the Debtor’s Chapter 11 case. This Disclosure Statement also describes the Chapter 11 voting procedures and the confirmation process, and also outlines risk factors associated with the Plan.

After notice and hearing, and upon order of the Bankruptcy Court entered on \_\_\_\_\_  
\_\_\_\_\_ 2017, the Bankruptcy Court approved this Disclosure Statement as containing information of a kind and in sufficient detail that would enable a hypothetical reasonable investor, typical of holders of claims and interests of the classes being solicited, to make an informed judgment whether to vote to accept or reject the Plan.

The Plan is incorporated by reference into this Disclosure Statement. A copy of the order of the Bankruptcy Court approving this Disclosure Statement is attached to this Disclosure Statement as **Exhibit C**. A copy of the Liquidation Analysis is attached hereto as **Exhibit D**.

You should read this Disclosure Statement and the Plan in their entirety before voting on the Plan. No statements or information concerning the Debtor or any other entity described in this Disclosure Statement or the Plan, particularly, but not limited to, the Debtor's financial results, assets or liabilities, are authorized by the Debtor other than as set forth in this Disclosure Statement or Exhibits hereto.

The financial information set forth in this Disclosure Statement has not been audited by independent certified public accountants, nor has it necessarily been prepared in accordance with generally accepted accounting principles, except as specifically set forth herein. For that reason, and as a result of the complexity of the financial affairs of the Debtor, the Debtor does not represent or warrant that the information set forth in this Disclosure Statement is without any inaccuracy. To the extent possible, however, the information has been prepared from the Debtor's financial books and records, and every reasonable effort has been made by the Debtor to ensure that all information in this Disclosure Statement has been fairly presented.

**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 LIQUIDATION CANNOT BE MADE UNTIL SUCH TIME AS THE PROPOSED DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT.**

**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.**

**1.4 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 OR THE COMMITTEE. THE ATTORNEYS FOR THE DEBTOR OR  
THE COMMITTEE 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 STATEMENTS AND REPRESENTATIONS CONTAINED HEREIN ARE MADE SOLELY BY OR AT THE INSTANCE OF THE PLAN PROPONENTS AND NO OTHER PARTY IN INTEREST IS RESPONSIBLE FOR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. THE PLAN PROPONENTS DO 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, IF ANY, WERE PREPARED BY OR AT THE REQUEST OF THE DEBTOR.

**Plan Confirmation Process.** The requirements for confirmation of a plan are set forth in detail in Section 1129 of the Bankruptcy Code. The following summarizes some of the pertinent requirements: **Acceptance by Impaired Classes.** Without invoking the “cramdown” provision of the Bankruptcy Code, described immediately below, each impaired class must accept the Plan. Under all circumstances where there is an impaired class, at least one impaired class must vote in favor of a plan, determined without including the acceptance of the Plan by any insider. ~~plan.~~ **2. Cramdown” Provisions.** If an impaired class of Claims or Equity Interests either is deemed to have rejected the Plan, or votes to reject the Plan, the Plan may still be confirmed under the Bankruptcy Code’s “cramdown” provision so long as the Plan is fair and equitable, and does not discriminate unfairly against the non-accepting classes. In order to involve the Cramdown provisions, one Class of impaired Claims must accept the Plan, determined without including the acceptance of the Plan by any insider. Further, in the event insufficient votes occur from the Class 2 Claim holders to confirm the Plan, the Plan Proponents believe the Plan can nonetheless be confirmed. The Plan is a Liquidation Plan. Under the Plan, the equity holders in Class 3 do not retain their equity interest in the Debtor once all assets of the Debtor are liquidated. Thus, even if the Class 2 unsecured creditors do not vote in sufficient numbers to confirm the Plan as set forth in Section 1129 of the Code, this Plan can be confirmed without violation of what is known as the Absolute Priority Rule as the equity holders are receiving nothing. If Class 2 does not vote in favor of the Plan, for the Plan to be confirmed, Class 1B would still need to vote in favor of the Plan. The Class 1B claim holders are not insiders.

With respect to the Cramdown Provisions, in this case, the last class of Claims is the Class 2, General Unsecured Claims. The only Class junior to the Class 2 Claims would be Class 3, 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 2 general unsecured creditors to cause such Class 2 to confirm the Plan. If insufficient votes occur

**Formatted:** Indent: First line: 0", Space After: 10 pt, Line spacing: Multiple 1.15 li

**Formatted:** Font: Bold, Font color: Red, Hidden

**Formatted:** Indent: Left: 0", First line: 0.5", Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0.5" + Indent at: 0.75", Tab stops: 1", List tab

**Formatted:** Font: Bold, Underline, Hidden

from Class 2 Claim holders for such Class to confirm the Plan, the Plan Proponents have certain additional provisions of the Code by which they can secure a confirmation of the Plan, possibly including, but not limited to, the equity placing new value into the estate or exposing the equity to bidding. In this case, however, because this is a Plan of Liquidation, neither of such options are likely to occur.

**3. Feasibility.** A court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor, unless otherwise contemplated by the Plan.~~Plan.~~

**4. "Best Interests of Creditors" Test** The Plan must be in the "best interests" of each Debtor's creditors. To satisfy this requirement, each holder of a Claim or Equity Interest must accept the Plan or receive or retain property that has a value not less than the amount such holder would receive if the Debtor's property were liquidated under Chapter 7 of the Bankruptcy

Code.**5. Confirmation Hearing.** To confirm the Plan, the Bankruptcy Court must hold a hearing to determine whether the Plan meets the requirements of the Bankruptcy Code (the "Confirmation Hearing"). The Bankruptcy Court has scheduled the Confirmation Hearing for \_\_\_\_\_, 2017 at \_\_\_\_\_ (prevailing time).

Formatted: Indent: First line: 0.5"

Formatted: Underline, Hidden

Place: United States Bankruptcy Court for the Middle District of Pennsylvania, 240 West Third Street, Williamsport, PA 17701.

Judge: The Honorable John J. Thomas, United States Bankruptcy Judge, Middle District of Pennsylvania.

The Confirmation Hearing may be adjourned from time to time on announcement in the Bankruptcy Court on the scheduled date for the hearing. No further notice will be required to adjourn the hearing.

**6. Objections to Confirmation.** Any party-in-interest may object to confirmation of the Plan and appear at the Confirmation Hearing to pursue such objection. The Bankruptcy Court has set \_\_\_\_\_, 2017 at \_\_\_\_\_ (Prevailing Eastern Time) as the deadline for filing and serving objections. Objections to confirmation must be filed with the Bankruptcy Court at the following address:

U.S. Bankruptcy Court for the  
Middle District of Pennsylvania  
240 West Third Street  
Williamsport, Pennsylvania 17701

with a copy served upon counsel for the Debtor:

Cunningham, Chernicoff & Warshawsky P.C.  
Robert E. Chernicoff, Esquire  
2320 North Second Street  
P. O. Box 60457  
Harrisburg, PA 17106-0457

with a copy served upon counsel for the Committee:

COLE SCHOTZ P.C.  
Gary H. Leibowitz, Esquire  
300 East Lombard Street, Suite 1450  
Baltimore, MD 21202

as well as

Office of the United States Trustee  
J. Caleb Boggs Federal Building  
844 King Street, Suite 2207  
Lockbox 35  
Wilmington, DE 19801  
Attn: Benjamin Hackman for Middle District of Pennsylvania  
228 Walnut Street, Room 1190  
Harrisburg, Pennsylvania 17101  
Attn: Gregory B. Schiller

**7. Voting.**

Any holder of a Claim or Equity Interest whose legal, contractual or equitable rights are altered, modified or changed by the proposed treatment under the Plan is considered "Impaired."

Each holder of an Allowed Claim or Equity Interest of a Class that is "Impaired" under the Plan, but is not deemed to have rejected the Plan, is being provided with (1) this Disclosure Statement; (2) the Plan; (3) notice of the Confirmation Hearing and objection deadline; (4) an appropriate Ballot to be used in voting to accept or reject the Plan; and (5) a pre-addressed return envelope. Any entity or person who receives this Disclosure Statement but does not receive a Ballot, and who believes that he is entitled to vote to accept or reject the Plan, or who believes he received an incorrect Ballot, should contact the Debtor's counsel at the address or telephone number set forth in this Disclosure Statement. The holder of a Claim that has been temporarily Allowed for voting purposes only under Bankruptcy Rule 3018(a) shall receive a Ballot as well.

The following Classes of Claims are entitled to vote on the Plan as follows:

- Claims in **Classes 1B and 2** are Impaired and entitled to vote on the Plan (each a

“Voting Class” and together the “Voting Classes”).

- Claims in **Class 1A** are Unimpaired under the Plan, are deemed to have accepted the Plan, and will not be entitled to vote on the Plan.
- Equity Interests in **Class 3** are deemed to have rejected the Plan.

For purposes of calculating the number of Allowed Claims in a Class that has voted to accept or reject the Plan under Section 1126(c) of the Bankruptcy Code, all Allowed Claims in such Class held by one entity or its “affiliate” (as defined in the Securities Act of 1933 and the rules and regulations promulgated with respect to such Act) shall be aggregated and treated as one Allowed Claim in such Class; provided, however, that Claims acquired by an entity from unrelated entities shall not be aggregated for purposes of voting.

Under the Bankruptcy Code, the Plan shall be deemed accepted by an Impaired Class of Claims if the Debtor receives Ballots accepting the Plan representing at least:

- **two-thirds of the total dollar amount** of the allowed Claims in the Class that cast a Ballot; and
- more than **one-half of the total number** of allowed Claims in the Class that cast a Ballot.

All properly completed Ballots received by Debtor’s counsel by no later than *[DATE & TIME to be inserted] (EST)* (the “Voting Deadline”), will be counted in determining whether each Impaired Class entitled to vote on the Plan has accepted the Plan. All Ballots must be mailed, postage prepaid, to, and received by, Debtor’s counsel by the Voting Deadline. Any Ballots received after the Voting Deadline will not be counted. All Ballots must contain an original signature to be counted. No Ballots received by facsimile will be accepted.

**You may contact Debtor’s counsel at the address or phone number listed below.**

Cunningham, Chernicoff & Warshawsky P.C.  
Robert E. Chernicoff, Esquire  
2320 North Second Street  
P. O. Box 60457  
Harrisburg PA 17106-0457  
Telephone(717) 238-6570

The Ballots have been specifically designed for the purpose of soliciting votes on the Plan from each Class entitled to vote. For this reason, in voting on the Plan, please use only the Ballot sent to you with this Disclosure Statement. If you hold Claims in more than one Class, you must use a separate Ballot for voting with respect to each Class of Claims that you hold. If you believe you have received the incorrect form of Ballot, you need another Ballot, or you have any questions concerning the form of Ballot, please contact the Debtor’s attorney.

Additional copies of the Ballots, this Disclosure Statement and the Plan are available upon request made to the Debtor. Please contact the Debtor's attorney with any questions relating to voting on the Plan. All correspondence in connection with voting on the Plan should be directed to the Debtor's counsel.

The Debtor will prepare and file with the Bankruptcy Court a certification of the results of the voting on the Plan on a Class-by-Class basis.

If you are eligible to vote with respect to a Claim and do not deliver a properly completed Ballot relating to that Claim by the Voting Deadline, you will be deemed to have abstained from voting with respect to that Claim and your eligibility to vote with respect to that Claim will *not* be considered in determining the number and dollar amount of Ballots needed to make up the specified majority of that Claim's Class for the purpose of approving the Plan.

All pleadings and other documents referred to in this Disclosure Statement as being on file with the Bankruptcy Court are available for inspection and review during normal business hours at the Office of the Clerk of the United States Bankruptcy Court for the Middle District of Pennsylvania, 240 West Third Street, Williamsport, Pennsylvania 17701, telephone (800) 531-9485.

## II. BACKGROUND

### 2.1 General.

The Debtor was a full-service over the road logistic company hauling freight for customers in various industries, based in Mansfield, Pennsylvania. It is a Pennsylvania corporation, formed in 2010. The Debtor's headquarters, in Mansfield, Pennsylvania, includes a 2-story office and a yard for truck storage (the "Headquarters Property"). The site is in the middle of an area that contains many shale gas wells. Accordingly, the Debtor also ~~provided services to~~~~performed activities for~~ the oil and gas industries, ~~but was not in such actual industry~~. For example, the Debtor provided trucking services to transport equipment to and from the various well sites, performed related activities, and also placed the equipment at the well sites.

### 2.2 Pre-Petition Activities.

Following the gas boom, and because of the influx of large energy sources, the oil and gas business in Pennsylvania experienced a slowdown. As a result, the Debtor also began to

experience a slowdown and related financial problems. Therefore, it became necessary for the Debtor to file Chapter 11.

### 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, 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.

A General Bar Date Order was entered by the Court [Dkt. No. 77] setting a bar date of September 9, 2016. The amounts set forth hereinafter assume all Claims as scheduled will be allowed, unless set forth as disputed or contingent. 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. The Plan Administrator (as defined in the Plan) will examine all Claims as filed and reserves the right under the Plan and under the Bankruptcy Code to object to any Claims which may be in error, including, but not limited to, those Claims which are duplicative or contain improper amounts. ~~A summary of the various Claims of creditors is set forth hereinafter.~~ The chart set forth below provides what is believed to be the Claims as such currently exist:

<u>CLASS</u>	<u>DESCRIPTION</u>	<u>TREATMENT</u>	<u>ENTITLED TO VOTE</u>	<u>ESTIMATED AMOUNTS</u>	<u>ESTIMATED RECOVERY</u>
<u>1A</u>	<u>Secured Claims as set forth on Schedule 3.2A to the Plan, attached hereto and made a part hereof</u>	<u>Unimpaired.</u>	<u>No</u>	<u>\$0.00</u>	<u>100%</u>

<u>1B</u>	<u>Secured Claim of Christopher and Jennifer Lance, the Seller under an Installment Sales Agreement for the Property at 2917 S. Main Street, Mansfield, Tioga County, Pennsylvania</u>	<u>Impaired</u>	<u>Yes</u>	<u>500,000.00</u>	<u>100%</u>
<u>2</u>	<u>Unsecured Claims</u>	<u>Impaired.</u>	<u>Yes</u>	<u>\$3,120,000.00</u>	<u>9% to 33%</u>
<u>3</u>	<u>Equity Holders Interests</u>	<u>Impaired.</u>	<u>No</u>	<u>N/A</u>	<u>0%</u>

Formatted: Indent: First line: 0"

A summary of the various Claims of creditors is set forth hereinafter.

### **3.1 Secured Creditors.**

#### **3.1.1 (Class 1A) Citizens & Northern Bank.**

Citizens & Northern Bank provided three (3) loan facilities to the Debtor. The loan facilities were secured on various vehicles and rolling stock of the Debtor, the Personal Property of the Debtor, and a mortgage on property owned by the Debtor located on Korb Road. As a result of the transaction under the Sale Order, Citizens & Northern Bank has been paid \$149,269.84, the full amount agreed upon as to its Claim.

#### **3.1.2 (Class 1A) Deere and Company**

Deere and Company provided five (5) purchase money security credit facilities on various pieces of equipment, including, compact utility tractors, compact tract loaders, sweepers and utility tractors. All such equipment has been sold or returned to John Deere. John Deere received a distribution under the transaction set forth in the Sale Order and has been paid in full.

#### **3.1.3 (Class 1A) Peoples United Equipment Finance Corp.**

Peoples United Equipment Finance Corp. had liens on some vehicles consisting of a Kenworth Chassis and Bodies. Such equipment was sold as a result of the transaction under the Sale Order and Peoples United Equipment Finance Corp. has been paid in full.

**3.1.4 (Class 1A) Mansfield Crane Service Corp.**

Mansfield Crane Service Corp. filed a Writ of Execution prior to the Petition upon the Debtor's bank account at Citizens & Northern Bank. As a result of compromise and a settlement reached in an adversary proceeding brought by the Debtor against Mansfield Crane Service Corp., Mansfield Crane Service Corp. was paid fifty percent (50%) of the funds in the bank account at Citizens & Northern Bank, and fifty percent (50%) was provided to the Debtor. The sum in the account at the time was \$105,625.94. It has been paid in full per the agreed upon settlement.

**3.1.5 (Class 1A) Fulton Bank.**

A secured Claim has been filed by Fulton Bank in the amount of \$146,068.86 and a second Claim in the amount of \$564,018.92. Such Claims were paid in an agreed upon amount in full from the distribution at closing under the transaction approved by the Sale Order and nothing further is to be paid to Fulton Bank under the Plan.

**3.1.6 (Class 1B) Christopher and Jennifer Lance ("Lance").**

Lance is the contract seller for an Agreement of Sale for the Headquarters Property. It is believed that Lance is owed less than \$500,000.00. It should be noted that the Agreement of Sale under which the Debtor was purchasing the Headquarters Property is unrecorded. The Headquarters Property consists of a garage and a two-story office building.

**3.2 Priority Tax Claims.**

**3.2.1 Pennsylvania Department of Revenue**



As of the Petition Date, the Pennsylvania Department of Revenue filed a lien in the amount of \$29,246.33. Pennsylvania Department of Revenue's Claim was paid in full as part of the transaction approved by the Sale Order.

### **3.2.2 Internal Revenue Service**

The Debtor has an obligation owed to the Internal Revenue Service as scheduled in the amount of \$303,497.00. The Claim filed by the Internal Revenue Service, as amended, in the amount of \$115,231.07, of which \$86,438.57 is listed as a priority Claim. The Internal Revenue Service has also filed an additional Claim in the amount of \$4,100.00.

### **3.3 Unsecured Claims.**

The Debtor scheduled various unsecured Claims as owed to various vendors. The total amount of scheduled unsecured Claims is in excess of \$2,445,324.53.

There is a dispute with a party known as Spartan Mat. Spartan Mat received payment based upon a sum owed to Spartan Mat for mats which are used at well sites which the Debtor was to then resell. The claim for the mats themselves has been resolved, however, Spartan Mat has now filed an unsecured Claim for \$1,600,000.00 which is alleged to be owed for lease storage costs or consequential damages. The Debtor has disputed this Claim. Spartan Mat filed a motion alleging that its Claim is to be determined in an arbitration proceeding. The Debtor has disputed that the Spartan Mat Claim should be arbitrated, believing that, if at all, the matter should proceed through the Claim process. The Committee or the Plan Administrator may determine to contest such Claim. Because of the amount of the Spartan Mat Claim, if such Claim is allowed, the percentage amount to be paid to unsecured creditors will be considerably less.

A Claim has been filed by Ironent, LLC in the amount of \$921,385.36. Such Claim has been resolved by a Stipulation entered into by the Debtor with Ironent. A Claim has also been

filed by Caterpillar Financial Service to which the Debtor and Committee filed Objections. A settlement was reached between the parties and Caterpillar Financial Services received its allocation in accordance with the settlement. An Amended Claim was thereafter filed in the amount of \$143,426.26. This is believed to be a deficiency Claim following payment to Caterpillar from the sale proceeds.

There are additional Claims which have been filed by leasing companies who are believed to have been paid as a result of the sale transaction approved by the Sale Order or for which equipment has been returned. Therefore, the Debtor believes that no sums may be owed to such creditors. These Claims include those of Allied Financial, PACCAR Financial Corp. and First Citizens Bank.

In addition, Bradco Supply Company filed a Claim in the amount of \$31,200.00. The Debtor has commenced an adversary proceeding against Bradco Supply Company for a violation of the automatic stay. Thus, this Claim may ultimately be disallowed.

The Plan Administrator will review all Claims. The Plan Administrator will consider filing objections to those Claims which the Debtor and/or Plan Administrator believe are not proper to the extent an objection is expedient and necessary. The Plan Administrator will also examine all Claims to determine whether they included any post-Petition interest or any other charges which are not proper.

#### **IV. POST-PETITION ACTIVITIES**

##### **4.1 General.**

The Debtor filed its Petition on October 13, 2015. Following the filing of the Petition, the normal first day motions were filed with respect to pre-Petition payroll, the use of cash collateral.

Thereafter, the following issues arose:

- motion for relief from automatic stay was filed concerning various truck leases of the Debtor;
- motion for relief filed by Spartan Mat regarding mats which were in the possession of the Debtor, and allegedly owned by Spartan Mat;
- motion was filed by PACCAR Financial Corp. regarding the assumption or rejection of an unexpired lease;
- Various other stay motions were filed, including motions filed by Citizens & Northern Bank, a secured creditor of the Debtor;
- All of the various motions set forth above have been resolved except for an issue concerning the Spartan Mat claim.

The Debtor determined that a sale of its business or assets would be in the best interest of the Debtor, creditors and estate. Accordingly, an application was filed to employ Griffin Financial Group, LLC (“Griffin”), as a broker to attempt to find such buyer. As a result of the efforts of Griffin, a buyer was found with respect to substantially all of the Debtor’s assets. The Debtor thereupon filed a motion for the sale of such assets. Following hearings and approval by the Court, the Debtor entered into a Stalking Horse Agreement to sell substantially all of its assets. As part of the sale approval process, and to resolve the Committee’s objection to the sale, the Debtor and Committee negotiated a carve-out with certain secured creditors to pay administrative claims and thereafter for payment of unsecured creditors.

The Debtor is taking steps to liquidate its remaining assets consisting of real property and a vehicle.

The matters which remain outstanding are the matters involving the Spartan Mat Claim as set forth above. The Debtor has filed an Adversary Proceeding against an entity known as Bradco

for an alleged violation of the automatic stay. If this Adversary Proceeding cannot be resolved, the Debtor may proceed to mediation and, if mediation fails, a trial may be held on the Adversary Proceeding.

## **V. SUMMARY OF DEBTOR'S ASSETS**

### **5.1 Real Property.**

**5.1.1 Korb Road.** The Debtor owns real estate at 1072 Korb Road, Mansfield, Tioga County, Pennsylvania. This property has a two-story farmhouse erected on it. The Debtor scheduled the value of this property as \$125,000.00. At the time of the Petition, this property acted as collateral for a secured Claim of Citizens & Northern Bank. It is believed that such property is now free and clear of Citizens & Northern Bank's claim and lien-. The Debtor entered into an Agreement of Sale for this property in the amount of \$95,000.00. The Debtor believes this is a fair value and has filed a Motion with the Court to approve this sale. The Debtor does not have an appraisal of this property.

**5.1.2 Putnam Yard.** The Debtor owns real estate at 2443 Williamson Road, Mansfield, Tioga County, Pennsylvania, known as the Putnam Yard. The property has an office building on it. The property was purchased by the Debtor for \$300,000.00 approximately 4 years ago. The Debtor placed approximately \$150,000.00 in improvements into such parcel. This property is unencumbered.

**5.1.3. Headquarters Building.** The Debtor is the purchaser and equitable owner under an Agreement of Sale for the purchase of real estate located in Mansfield, Tioga County, Pennsylvania, known as 2917 South Main Street, Mansfield, Pennsylvania. This property contains a two-story office building utilized by the Debtor as its headquarters and garage. This property has been listed for sale at various prices, most recently at \$1,~~2~~800,000.00. The Debtor

has entered into an Agreement of Sale for this property in the amount of \$925,000.00. The Debtor believes this is a fair value and has filed a Motion with the Court to approve this sale. The Debtor does not have an appraisal for this property. ~~listing price is being lowered.~~ Approximately \$500,000.00 is owed to the contract seller, Lance.

## **5.2 Personal Property.**

**5.2.1** As of the Petition Date, the Debtor had various trucks, vehicles and equipment. Certain vehicles were subject to liens in favor of Caterpillar Financial Services Corporation, or Citizens & Northern Bank. The Debtor had various other miscellaneous equipment consisting of certain John Deere utility tractors, truck loaders and rotary sweeper/brooms. The total Scheduled value of all of such Personal Property is approximately \$5,366,000.00.

**5.2.2** All of the Personal Property has been sold pursuant to the Sale Order, except for a 2012 Dodge Ram 2500. The proceeds under the Sale Order is \$3,263,750.00. This truck is defined as the Vehicle in the Plan and has now been sold.

## **5.3 Receivables.**

**5.3.1** The Debtor scheduled slightly in excess of \$2,000,000.00 in Receivables. It is believed that most of the receivables have been collected.

## **5.4 Miscellaneous.**

The Debtor had approximately \$150,000.00 in its various bank accounts, of which \$105,000.00 was subject to a Writ of Execution. The Writ of Execution as filed by Mansfield Crane Services Corp. was settled and the funds in the bank account were split, with 50% going to Mansfield Crane Services Corp. and the balance going to Citizens & Northern Bank, the holder of such account. The Debtor also scheduled certain prepaid lease expenses, a small employee loan receivable in the amount of \$2,400.00 and a security deposit of approximately \$6,400.00. The

only remaining scheduled assets are miscellaneous office equipment, desks and furniture of approximately \$5,000.00. The rest of the office equipment has been sold.

## **VI. SUMMARY OF THE PLAN OF LIQUIDATION**

### **6.1 Introduction.**

**INCLUDED WITH THIS DISCLOSURE STATEMENT, UPON APPROVAL OF THIS STATEMENT BY THE COURT, IS A COPY OF THE PLAN OF LIQUIDATION OF THE DEBTOR, WHICH HAS BEEN FILED WITH THE BANKRUPTCY COURT. FOLLOWING IS A BRIEF SUMMARY OF THE DEBTOR'S PLAN OF LIQUIDATION, 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 three (3) groups consisting of (i) Administrative Claims as set forth in Section 2.1, (ii) expenses of administration of the estate including for compensation of professionals as set forth in Section 2.2, and (iii) priority tax Claims as set forth in Section 2.3. It should be noted that the administrative professional Claims, other Administrative Claims and Priority Tax Claims are unclassified. All administrative professional Claims, Administrative

Claims and Priority Tax Claims will not, under the Plan, have the opportunity to vote. The Plan further provides for the classification of Claims as follows:

- **Class 1A Secured Claims** as set forth in the Plan. Such Claims are the pre-Petition secured Claims that have been paid in full as a result of closing the transaction approved in the Sale Order, the surrender of collateral, or have otherwise received other treatment during the course of the case resulting in satisfaction of the Claim.
- **Class 1B Secured Claim of Lance** under an Installment Sales Agreement for the Headquarters Property.
- **Class 2 General Unsecured Claims.**
- **Class 3 Equity Holder.** The Equity Holder is William Robinson.

The treatment 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 Fees Under 28 U.S.C. § 1930.** All fees payable in the Case under 28 U.S.C. § 1930, as agreed by the Debtor or as determined by the Bankruptcy Court, will, if not previously paid in full, be paid in Cash on the Effective Date, and will continue to be paid by the estate as required under 28 U.S.C. § 1930 until such time as an order is entered by the Bankruptcy Court closing the Case.

Under the Plan, Fees payable under 28 U.S.C. § 1930 will be paid in full.

**6.3 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. General bankruptcy counsel to the Debtor previously was Mette Evans and Woodside. Guthrie & Co., P.C. is the accountant to the Debtor. The counsel to the Official Committee of Unsecured Creditors is Cole Schotz P.C.

All final Applications for Allowance of Professional Fee Claims for services rendered and costs incurred through the Effective Date of the Plan are to be filed with the Bankruptcy Court **no later than thirty (30) days after the Effective Date**. If any such Application is not filed, then such Claim may be barred and not enforceable against the Debtor, its estate, successors or assigns. All Allowed Professional Fee Claims are to be paid upon the later of the Effective Date or thirty (30) days after such Professional Fee Claim becomes an Allowed Claim, unless other less favorable treatment as to which the Debtor or Plan Administrator and such holder shall have agreed upon in writing.

All Administrative Claims which are not Professional Fee Claims are to be paid as soon as is practical, upon the later of (i) the Effective Date, or (ii) thirty (30) days after such Administrative Claims becomes an allowed claim, unless other less favorable treatment as to which the Debtor or Plan Administrator and such holder shall have agreed upon in writing. As of the date of this Disclosure Statement, the Debtor is unaware of any administrative claims which are unpaid and are allowed. ~~There is a possibility that administrative Claims of Chief Oil & Gas~~ has an approved Administrative Claim of \$61,168.05. ~~and Conway Beam~~ has an approved Administrative Claim of \$104,000.00 ~~are owed totaling approximately \$165,000.~~ Court Orders have been entered allowing each such Administrative Claim. The Plan contemplates payment of each such Claim as soon as can reasonably occur after the Effective Date. Such payment may be dependent upon the availability of funds and the amount of Administrative Claims filed which have been filed in accordance with the Administrative Claim Request Deadline.

#### **6.4 Priority Taxes.**

Priority Tax Claims are treated in Section 2.3 of the Plan. Priority Tax Claims contain only that portion of a claim that is granted priority pursuant to Section 507(a) of the Code, as such



claims may exist as of the Chapter 11 Petition Date. Priority tax claims are believed to consist of past due and current real estate taxes. There is also a Claim filed in favor of the Pennsylvania Department of Revenue (“PA Revenue”) in the amount of \$29,246.33. PA Revenue was paid as part of the sale transaction. Real estate taxes are to be paid as sales of Real Property close and as is necessary to effectuate closings of the sale of any Real Property. The Internal Revenue Service has filed a priority Claim in the amount of \$86,438.57. To the extent not paid from any Real Property sales, all Priority Tax Claims will be paid as reasonably as practical after the later of (i) the Effective Date, or (ii) thirty (30) days after such Priority Tax Claim becomes an allowed Claim, together with interest thereon at the applicable statutory rate required for such claim with respect to Real Property taxes. All other taxes will accrue interest at the rate of three percent (3%) per annum for all other tax claims. All Priority Tax Claims shall include only pre-Petition taxes, and interest thereon, 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.

#### **6.5 Class 1A Secured Claims**

As of the Petition Date, the Debtor had various Secured Claims. As set forth in the Sale Motion and the Sale Order, all secured creditors who had a lien upon the Debtor’s Personal Property known as the Sale Secured Creditors were paid from the proceeds of the sale. The Plan provides that all such Sale Secured Creditors are to receive nothing more under the Plan. Sale Secured Creditors are permitted to file an unsecured deficiency claim in the case, subject, however, to the General Bar Date, which had been established for the filing of such Claims. The only unsecured deficiency Claim to which the Debtor is aware is that filed by Caterpillar Financial Services in the amount of \$143,426.26.

#### **6.5. Class 1B Secured Claim of Lance**

Lance is the installment seller to the Debtor the real property located at 2917 South Main Street, Mansfield, Tioga County, Pennsylvania. This property has been utilized by the Debtor as its Headquarters Property and is so defined under the Plan. Lance will be paid their allowed, secured Claim in full upon the sale of the Headquarters Property, unless otherwise agreed to in writing by Lance.

#### **6.6. Class 2 General Unsecured Creditors**

**6.6.1** The Class 2 creditors consist of all allowed unsecured general unsecured Claims. This class includes deficiency claims, if any, which may exist after distribution of the proceeds under the Sale Order. These claims include all creditors not otherwise classified under the Plan, notwithstanding the categorization of any Claim by a creditor. The Debtor believes that the allowed amount of Class 2 unsecured ~~C~~elaims will aggregate approximately ~~\$3,100,000.00~~~~3,116,609.24~~. If the Spartan Mat Claim is allowed, the unsecured Claims will exceed \$4,700,000.00.

#### **6.7 Means for Execution of the Plan**

**6.7.2** The Plan is a liquidation Plan. Accordingly, after payment of all professional administrative costs, Administrative Claims and Priority Tax Claims, holders of allowed Class 2 Claims will receive a *pro rata* distribution of the funds available to be paid from the Plan. Sums to be paid to Class 2 Claim holders will be realized from: (i) the proceeds from the sale of the Debtor's Real Property, after payment of any real estate taxes owed on such parcel of Real Property and after payment to Lance upon the sale of the Headquarters Property; (ii) the Secured Creditor Carve-Out of \$133,950.00; (iii) the funds remaining from the sale proceeds of approximately \$300,000.00; (iv) funds realized from the sale of the Vehicle (one Dodge Truck);

and (v) proceeds from any Causes of Action pursued by the Plan Administrator or settled prior to the Effective Date.

As set forth in the Liquidation Analysis attached hereto as **Exhibit D**, the Plan Proponents project in excess of \$700,000.00 available for distributions to creditors. This sum is after payment of the unpaid Administrative Claims and Priority Tax Claims. Class 2 Claim holders are projected to receive a distribution of approximately 21%, unless the Spartan Mat Claim is allowed, which would reduce distributions to approximately 15%. There may be additional administrative claims which would take priority.

Distributions to Class 2 Claim holders ~~may~~are to be made on a periodic basis by the Plan Administrator at the discretion of the Plan Administrator and to the extent cash is available. A final distribution will occur **within sixty (60) days after** all of the Plan assets, including Causes of Action, have been completely liquidated and all activities of the Plan Administrator have ended.

**6.7.3** The Plan provides for the appointment of a Plan Administrator. The Plan Administrator is to be chosen by the Committee in consultation with the Debtor prior to the Confirmation of the Plan.

## **6.8 Executory Contracts.**

**6.8.1** Under the Plan, all pre-Petition executory contracts~~s~~, except for the Sales Agreement between the Debtor and Lance, and any unexpired leases of the Debtor that have not been previously rejected by an applicable Order of the Court, or by operation of the Bankruptcy Code, are considered to be rejected as of the Confirmation Date.

**6.8.2 Rejection Claims.** All Claims, if any, which arise solely from the rejection of any executory contract or lease, must be filed within **thirty (30) days after the Effective Date** of the Plan or the Claim is barred.

**6.8.3** Notwithstanding anything otherwise contained in the Plan, all contracts of insurance are assumed and are to continue in force as is necessary.

**6.8.4** The agreement between the Debtor and Lance with respect to the purchase of the Headquarters Property is treated separately under the Plan. It is believed that such Agreement constitutes an interest in Real Property.

**6.9 Miscellaneous Plan Provisions**

Because this is a Liquidation Plan, the Debtor has not prepared projections. The Debtor is not currently operating and projections would serve little purpose.

BECAUSE THE PAYMENT TO CREDITORS UNDER THE PLAN IS BASED, IN PART, UPON 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 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, if such 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 Plan Administrator reserves the right to dispute and object to any Claim as filed.

### **8.2**

The Debtor currently has an adversary proceeding pending in this Court against Bradco for an alleged violation of the automatic stay.

As stated above, the Debtor is currently disputing a Claim filed by Spartan Mat for \$1,600,000.00 for storage charges for items which the Debtor was allegedly acting to sell pre-Petition. The resolution of this Claim may be necessary because of the potential impact this may have on the amount to be distributed to unsecured creditors.

## **IX. RISK FACTORS**

### **9.1**

There is no guarantee that the Debtor will be able to sell its Real Property for a sum sufficient to realize any appreciable amount to be utilized to assist in funding the Plan.

### **9.2**

There is no guarantee as to the total amount which might be available for distribution to unsecured creditors. However, it is believed that the Plan provides the best possible result thereon.

## **X. ALTERNATIVES TO THE PLAN**

### **10.1**

Because the Plan is essentially a liquidation of all of the Debtor's Assets with any equity, there is no alternative to the Plan per se which would provide any greater benefit to the Debtor. The only alternative would be a conversion to a Chapter 7 case.

Because this is a Liquidation Plan, a liquidation analysis serves little purpose. Nonetheless, attached hereto is a liquidation analysis which is set forth as **Exhibit D**.

It should be noted that liquidation under Chapter 7 will have additional expenses, including Trustee's commissions, legal fees, and other such expenses.

Further, in the event of a Chapter 7 case, there may be unpaid Chapter 11 administrative costs which would be paid before any payment to unsecured creditors. Under this Plan, unpaid Chapter 11 administrative costs are to be paid before any payment to unsecured creditors.

Given the fact that the Debtor is doing an orderly liquidation as opposed to a forced liquidation, it is believed that the Plan is better option than a Chapter 7 liquidation. Generally, a



forced liquidation might include auction or forced sales, and thus, results in lower sales proceeds than an orderly liquidation.

## **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 the Plan. Essentially, the lien of Lance will remain in effect as to the Headquarters Property and until such creditor is paid as set forth under the Plan. But because the Debtor is liquidating all of its Assets for the benefit of creditors, ultimately, there will be no Assets owned by the Debtor.

### **11.2.**

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

The Debtor's shareholder will remain as a shareholder until the Effective Date. At that point in time, the stock interest in the Debtor will be canceled.

## **XII. MISCELLANEOUS PROVISIONS**

### **12.1.**

**Under the Plan, the Debtor, its employees, or agents (including the professionals and any other professionals retained in this case by the Debtor and Committee and approved by the Court) 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.

As the Plan is a Liquidation Plan, pursuant to Section 1141(d)(3) of the Code, no discharge is being granted under the Plan.

Creditors are referred to Section 12.1 of the Plan, which provides for an injunction as to attempts by creditors to collect Claims from the Debtor as well as provides for certain default provisions. Such provision as provides as follows:

All creditors of the Debtor are limited, pursuant to Section 1141 of the Code, to the treatment provided by this Plan and the Code for all Claim holders and equity holders, including contingent and disputed Claims which are not otherwise Allowed Claims. Further, as of the Effective Date, this Plan shall act as an injunction against and shall enjoin all holders of a debt held by a Claim holder, whether or not (i) a proof of Claim based on such debt is filed or deemed filed under Section 501 of the Code; (ii) such Claim is allowed under Section 502 of the Code; or (iii) the holder of such Claim has accepted the Plan; from seeking payment of such Claim from the Debtor, other than as set forth in this Plan. The remedy for the breach of a provision of this Plan shall be an action in this Bankruptcy Court. The stay shall remain in effect as to any action against the Debtor through the Effective Date, when it is replaced by the injunction in this Section and Sections 524(a) and 1141 of the Code; and Claim holders are limited to the remedies set forth herein, under the Code and under applicable law. In the event that any Claim holder believes that a debt has not been paid as required under the Plan, such Claim holder is limited to remedies as provided under the Bankruptcy Code and applicable law.

Further, in the event of non-payment under this Plan, no default may occur until after the expiration of twenty (20) days after receipt of notice of such non-payment has been received

**by the Debtor and its counsel, Cunningham, Chernicoff & Warshawsky, P.C., Debtor's counsel, and the Plan Administrator, without cure of the non-payment. Such notice is to be forwarded to Debtor's counsel at the address set forth at the end of this Plan, and to the Plan Administrator at its address.**

**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 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: TRI STATE TRUCKING COMPANY

By: s/ William Robinson  
William Robinson, President

Date: August 14, 2017

**Debtor's Counsel:**

Robert E. Chernicoff, Esquire  
Cunningham, Chernicoff & Warshawsky P.C.  
2320 North Second Street  
P. O. Box 60457  
Harrisburg, PA 17106-0457  
(717) 238-6570

**Counsel for the Official Committee of Unsecured Creditors**

COLE SCHOTZ P.C.  
Gary H. Leibowitz, Esquire  
300 East Lombard Street, Suite 1450  
Baltimore, MD 21202  
(410) 230-0660