

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

IN RE:
MANN REALTY ASSOCIATES, INC.,
Debtor

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CHAPTER 11
CASE NO. 1:17-bk-01334-RNO

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

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Mann Realty Associates, Inc., Debtor

Dated: December 4, 2017

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I. INTRODUCTION

1.1 Introduction.

The Debtor, Mann Realty Associates, Inc. (“Debtor”), provides this Amended 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: **Craig A. Diehl, Esquire, CPA, Law Offices of Craig A. Diehl, 3464 Trindle Road, Camp Hill, Pennsylvania 17011**, 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 9, General Unsecured Claims. The only Class junior to the Class Claims would be Class 10, Shareholders. In order for the Plan to be confirmed without a violation of what is known as the Absolute Priority Rule, the Debtor must secure sufficient votes from its Class 9 general unsecured creditors to cause such Class 9 to confirm the Plan. If insufficient votes occur, 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 its equity to bidding. In the event that the Debtor does not obtain sufficient votes from the Class 9 General Unsecured Creditors, and thus, Class 9 is deemed to reject the Plan, the Debtor may expose certain of its parcels of Real Property or other Assets, containing its equity, to bidding to see if other parties will pay sufficient amounts to

effectively purchase the equity in such property. These Assets may include some or all of the Debtor's Assets.

A requirement of such exposure to bidding, however, is that the bids be sufficient to remove the Debtor from any obligation which may be secured on any particular Asset which Debtor exposes to bids. There may also be a requirement of indemnification or otherwise removing the Debtor from such obligations. If the party purchases all of the Debtor's equity in its Assets, such party will also be required to provide the funds sufficient to implement the Debtor's Plan.

Further, the Class 10 Shareholders may on the occasion of insufficient votes from the Class 9, General Unsecured Creditors, take the opportunity to place additional funds into the estate. Such additional funds may be considered new value. Such funds may be obtained from new borrowings by the Debtor. 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 also will be utilizing its revenues and income, including but not limited to, the rents from its Real Property, to fund 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 be at least \$500,000.00, if not more. Also, in the event that the Debtor does not receive sufficient votes from the Class 9 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. The Debtor believes that the offer to the unsecured creditors made in the Plan is a realistic one based upon its liquidation values and based upon its cash flow.

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. Each secured creditor is, under the terms of the Plan, retaining its respective lien securing its Claim until paid the amount proposed to it under the Plan, and is receiving on account of such secured Claim, payments totaling at least the allowed amount of the secured Claim. These payments are of a value equal to the amount of the collateral held by each respective creditor. The secured creditors are contained in Classes 4 through 8. The issues which might affect confirmation as to these creditors might be a determination as to the value of each respective secured creditor's 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 not all secured classes of Claims accept the Plan so long as one (1) impaired class of Claims does accept the Plan as set forth above "excluding a class that constitutes insiders or the claims of insiders."

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 ATTORNEY 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 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, ALTHOUGH ALL EXTIMATES AND ASSUMPTIONS HAVE BEEN PRESENTED IN GOOD FAITH. 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 financial statements and tax returns prepared in the past, but has not had an audit prepared.

The financial information contained in this Disclosure Statement and in the Exhibits hereto have been prepared based upon information supplied by the Debtor. Debtor's principal, Robert M. Mumma, III, has in excess of fifteen (15) years of experience in buying, developing and selling commercial parcels of real property. Debtor has also had appraisals of its parcels of Real Property performed in the past when either required or when loans were provided to it utilizing a parcel as collateral. Based upon current market conditions, the Debtor believes that the value which it has placed upon the Real Property and Personal Property in the Liquidation Analysis which is attached hereto is reasonable. The values contained in the Liquidation Analysis attached hereto as Exhibit "F" are based upon the Debtor's knowledge of values of its Real Property and its location.

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") and amendments thereto (Exhibit "B"). While Claims have been filed which differ in amount from those on the Schedules, the Debtor believes that the Schedules are reasonably accurate. Exhibits "A" and "B" are 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 "C" is the Claims Register reflecting Claims as filed with the Court. A Bar Date

Order has been entered by the Court. The Bar Date to file Claims has now expired so Exhibit “C” reflects the Claims filed in this proceeding.

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, P.O. Box 908, Harrisburg, Pennsylvania 17108. 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 corporation owed by members of the Robert and Susan Mumma family. The owners are as follows: Robert M. Mumma, III (37.5% ownership), Susan R. Mumma (37.5% ownership), Marguerite M. Mumma (12.5% ownership), and Susan Coppola (12.5% ownership). The Debtor began in real estate development in 2000. At the same time, it also began to develop and rehabilitate residential and commercial properties and then lease or

sell such properties. The Debtor owns substantial real estate holdings consisting primarily of commercial properties and a quarry.

2.2 Pre-Petition Activities.

Debtor has been embroiled in long-standing litigation with Double M Development over an approximate 31 acre tract known as the “Option Real Estate” located within the Fiddlers Elbow property consisting of approximately 190 acres. While the automatic stay was lifted to allow the state court litigation to continue, this matter is currently on appeal to the United States District Court. Debtor has further filed an adversary proceeding in the Bankruptcy Court claiming Double M Development intentionally violated the stay by exceeding its authority and exposing the Option Real Estate to a Sheriff Sale. Currently, a Petition to Set Aside the Sheriff Sale is pending in the Dauphin County Court of Common Pleas.

Additionally, Debtor has previously leased the quarry property to Pennsy Supply, Inc. It is averred by Debtor that Penny Supply, Inc., as the Tenant, is currently a holdover tenant and in breach of the lease by allowing the quarry to be infiltrated and flooded with water. Due to this breach, the Department of Environmental Protection became involved. Currently, the quarry cannot be mined due to its flooding. This loss of income has directly caused the financial problems of Debtor combined with a slowdown of the overall real estate economy in recent years. With several vacancies in its commercial properties and the inability to generate significant revenue from the limestone quarry, Debtor was unable to maintain adequate cash flow to address its mortgage obligations and real estate taxes. To bring a halt to some scheduled foreclosures and tax sales, Debtor filed this Chapter 11 proceeding.

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 and amendment thereto of the Debtor, as set forth in Exhibits “A” and “B”, 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 believe it owed to these creditors as of the Petition Date. Exhibit “C” is a copy of the final claims register setting forth Claims as filed in this case.

A bar date for the filing of Claims has already expired. If Creditors file 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 date of October 26, 2017, may not be allowed. 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 various Claims of creditors is set forth hereinafter.

Set forth on Exhibit “D” is a list of all secured loans granted by the Debtor separated by lender and by collateral. Such Exhibit “D” is summarized hereinafter.

To summarize, the Debtor has approximately \$6,456,000.00 in secured debt, owed to approximately five (5) lenders.

3.1 Secured Creditors.

3.1.1. S&T Bank.

Debtor has five (5) separate credit facilities with S&T Bank. All of the credit facilities are secured on Real Property. As of the Petition Date, the Debtor believes that the total amount owed by it to S&T Bank is approximately \$5,200,000.00.

3.1.2. Santander Bank.

Debtor has one (1) secured credit facility with Santander Bank. The credit facility is secured on Real Property. As of the Petition Date, the Debtor believes that the total owed to Santander Bank is approximately \$750,000.00. However, Debtor disputes this amount.

3.1.3. McCormick 108, LLC.

Debtor has one (1) credit facility with McCormick 108, LLC. The credit facility is secured on Real Property. The amount owed as of the Petition Date on such loan is approximately \$790,000.00.

3.1.4. Double M Real Estate, LLC and Double M Development.

Debtor has one (1) secured credit facility with Double M Real Estate, LLC. The credit facility is secured on Real Property. As of the Petition Date, the Debtor believes that the total owed to Double M Real Estate, LLC is approximately \$1,100,000.00.

Double M Development has filed a secured claim alleging \$1,571,177.00 is owed by Debtor. Debtor disputes this claim in full and litigation is pending to determine if the claim is valid or not.

3.1.5. Susan R. Mumma.

Debtor has one (1) secured credit facility with Susan R. Mumma. The credit facility is secured by a lien on a boat maintained in Florida. Susan R. Mumma is owed approximately \$200,000.00.

3.2 Priority Tax Claims.

The Debtor scheduled various priority tax Claims which are mostly for real estate taxes owed to various county tax claim bureaus. The total amount of priority claims listed in the claims filed is \$306,035.00.

3.3 Unsecured Claims.

Debtor sets forth six (6) unsecured claims having a total amount owed thereon of approximately \$214,000.00. Debtor further anticipates deficiency amounts on certain secured loans.

IV. POST-PETITION ACTIVITIES

4.1 General.

Since the filing date of this Chapter 11 proceeding, motions to lift the automatic stay and motions to dismiss or convert the case have been filed. Debtor has resolved the motions to lift automatic stay with Santander Bank by Stipulation and McCormick 108, LLC as set forth in a Consent Order. Debtor has continued with the litigation against Double M Development regarding its ownership interest in the "Option Real Estate." While State Court sanctions have been entered against non-Debtor parties, it is disputed whether these sanctions have an impact upon Debtor's real property.

The global basis for the aforementioned Stipulation and Consent Order was that Debtor has agreed to list for sale certain of its real estate holdings. If unsuccessful in selling these properties within a stated period of time, the secured creditor has been granted ability to pursue its state law remedies or an auction of the real estate holdings shall occur.

Further, Debtor intends to commence litigation against Pennsy Supply, Inc. to compel it to pay the delinquent rental amounts and to remove the water from the quarry so it can be mined. Debtor has been negotiating with large national aggregate producers and a Fortune 500 Company for long-term leases of the 2090 North Union Street property, which if successful, would allow a 100% repayment plan to all creditors.

V. SUMMARY OF DEBTOR'S ASSETS

5.1 Real Property.

The Debtor twelve (12) parcels of Real Property. Set forth herein as Exhibit "J" is a list of the Debtor's Real Property. The other parcel owned but not listed on Exhibit "J" is 2090 North Union Street, Middletown, Pennsylvania. Exhibit "E" also sets forth the Debtor's Personal Property. Exhibit "F" also provides the liquidation value and scheduled market value of each such parcel of Real Property as well as various Personal Property. The lenders who are secured on each particular Asset are set forth on Exhibit "D."

The Debtor sets forth on its Schedules that its Real Property has a fair market value of approximately \$20,481,500.00. The liquidation value, however, is \$10,000,000.00. Debtor's principal, Robert M. Mumma, III, has provided the estimates of liquidation value based on forced sales of the real estate in a short period of time. The main reduction pertains to the quarry

property as certain permits are required to mine and operate the quarry and the quarry is currently filled with water which needs pumped out to commence operations.

5.2 Closely Held Entities.

Debtor owns interest in the following closely held entities:

5.2.1 Anchor Commercial Leasing.

The Debtor owns thirty-three and one third percent (33.33%) of Anchor Commercial Leasing. Debtor has valued its ownership interest at \$1,320,000.00.

5.2.2 Reily Street Associates.

The Debtor owns thirty-three and one third percent (33.33%) of Reily Street Associates. Debtor has valued its ownership interest at \$990,000.00.

5.2.3 1414 Cameron Street Associates.

The Debtor owns twenty-five percent (25%) of 1414 Cameron Street Associates. Debtor has valued its ownership interest at \$50,000.00.

5.3 Receivables.

The Debtor has receivables owed to it by multiple entities in which Robert M. Mumma, II owns. Collection of these receivables is doubtful because one (1) entity is in Chapter 11. Due to many guaranties entered into to provide further collateral in Debtor's Real Property. Robert M. Mumma, II has multiple confessed judgments entered against him in excess of \$5,000,000.00.

5.4 Miscellaneous Assets.

The Debtor scheduled various office furniture and equipment having a value of \$4,000.00. The Debtor also scheduled various construction tools and equipment having a value of \$350,000.00.

5.5 Bank Accounts and Cash.

The Debtor scheduled a checking account and tenant deposits totaling less than \$20,000.00.

5.6 Vehicles.

The Debtor scheduled three (3) vehicles totaling \$12,000.00.

5.7 Boat.

The Debtor scheduled an old boat which has no equity since the lien exceeds the value of the boat.

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 ten (10) classes. Classes of creditors' Claims consist of:

- (1) Expenses of administration for compensation of professionals;
- (2) Other Administrative Claims;
- (3) Priority Tax Claims;
- (4) The allowed secured Claims of S&T Bank;
- (5) The allowed secured Claim of Santander Bank;
- (6) The allowed secured Claim of McCormick 108, LLC;
- (7) The allowed secured Claims of Double M Real Estate, LLC and Double M Development;
- (8) The allowed Claim of Susan R. Mumma; and
- (9) The Claims of all other unsecured, non-priority Claim holders.

The tenth (10th) Class is shareholders of Debtor. Shareholders are Robert M. Mumma, II, Susan M. Coppola, Susan R. Mumma, and Marguerite M. Mumma.

The first three (3) 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 Law Offices of Craig A. Diehl.

All professional Administrative Claims will be paid in cash on or before the Confirmation 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, within sixty (60) days after the effective date of the Plan, as Real Property parcels are sold, 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.

Debtor has incurred various post-Petition administrative real estate tax claims. The Debtor intends to sell approximately eleven (11) parcels of Real Property as specifically set forth in the Application to Employ Gary Nalbandian, as Real Estate Broker. (See Exhibit "J" for an itemization of the parcels listed for sale.) As each parcel of Real Property is sold, the taxes owed on such parcel will be paid.

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 as exist 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 4% 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 interest and do not include any penalties. The Debtor scheduled approximately

\$306,000.00 of real estate taxes as being owed Pre-Petition. As parcels are liquidated, any delinquent and current real estate taxes must be paid at closing. Most of the parcels have tax obligations owed.

6.4 S&T Bank.

6.4.1 S&T Bank has five (5) credit facilities with the Debtor (“S&T Loans”). All of the loans are secured on Real Property.

6.4.2 As of the Effective Date, any interest which is past due and owing on any S&T Loan will be added to the amount of the principal balance then owed on any S&T Loan. Debtor intends to sell all five (5) parcels of Real Property on which S&T Bank has a lien. Debtor intends to expose the parcels of Real Property for sale through Gary Nalbandian. Debtor intends to market these properties for ninety (90) days from the date of approval of Gary Nalbandian. If a contract to sell is not received, Debtor will auction the property with the consent of S&T Bank. If S&T Bank does not consent to an auction, the stay will be lifted to allow S&T Bank to pursue its state law remedies. Upon the sale of any parcel of Real Property, the particular S&T Loan secured on such parcel will be paid up to the full amount of the allowed secured claim, after payment of costs of sale and applicable reserves for income taxes.

6.4.3 S&T Bank will retain its lien on such of the Debtor’s Assets as exists as of the Petition Date as to each particular S&T Loan.

6.5 Santander Bank.

6.5.1 Santander Bank has provided one (1) credit facility to the Debtor. The Santander Loan is secured by Real Property.

6.5.2 Santander Bank and Debtor have agreed upon certain terms and conditions set in a Stipulation approved by the Bankruptcy Court. See Exhibit “K” attached to the Amended Disclosure Statement for a true and correct copy of the Stipulation and Order.

6.5.3 Santander Bank will retain its lien on 614 North Front Street, Harrisburg, Pennsylvania as exists as of the Petition Date until such time as the loan is paid in full.

6.6 McCormick 108, LLC.

6.6.1 McCormick 108, LLC and Debtor have agreed upon certain terms and conditions as set forth in a Consent Order entered as docket #121 and filed on September 6, 2017. See Exhibit “I” attached to the Amended Disclosure Statement for a true and correct copy of the Consent Order.

6.6.2 While it is Debtor’s desire to immediately liquidate the Real Property, no offers have been received to date. The property is currently being marketed by Gary Nalbandian, Realtor, who has been approved by the Bankruptcy Court. After payment of municipal liens, real estate taxes, and commissions, Debtor does not believe that funds will be available to any other creditors other than the first-priority mortgage holder, McCormick 108, LLC.

6.7 Double M Real Estate, LLC and Double M Development.

6.7.1 Double M Real Estate, LLC has a first priority lien secured on Real Property.

6.7.2 Until such time as the Double M Real Estate, LLC loan is paid in full, Double M Real Estate, LLC will retain its lien on the Dauphin County property in the same priority as exists as of the Petition Date.

6.7.3 Double M Development has filed a Proof of Claim alleging a secured claim in the amount of \$1,571,177.00. Debtor disputes this claim in its entirety. Litigation is currently

pending regarding this claim. If Debtor is successful, Double M Development's claim will be void. If unsuccessful, Double M Development will have a lien upon the "Option Real Estate."

6.8 Susan R. Mumma.

6.8.1 Susan R. Mumma holds a lien on a boat owned by the Debtor that is maintained in Florida. Susan R. Mumma is considered an insider in this proceeding. The obligation was incurred well outside the preference period for "insiders."

6.8.2 The Debtor intends to pay this loan.

6.9 General Unsecured Creditors.

6.9.1 All unsecured Claims, as allowed, will be paid One Hundred Percent (100%) of its Allowed Claim from a fund to be created with equity in the Debtor's Real Property, which funds will result from sales of parcels of Real Property of the Debtor.

6.10 Shareholders.

The Shareholders of the Debtor will retain all equity in their shares subject to the sale provisions of the Plan and subject to the liens of the various creditors as set forth in the Plan.

6.11 Executory Contracts.

6.11.1 Real Estate Leases. As of the Petition Date, the Debtor had various real estate leases as set forth in Exhibit "G" attached hereto. Attached hereto as Exhibit "G" are all current leases which the Debtor holds including post-Petition leases. To the extent that any such leases exist as of the Confirmation Date, each such lease is assumed.

6.12 Means for Execution of the Plan.

The Debtor intends to continue to operate its real estate business and development business located throughout Pennsylvania.

Debtor intends to list for sale eleven (11) parcels of Real Property. If any of these properties are not sold within a ninety (90) day period of time, from the Court approved appointment of Gary Nalbandian, the Debtor will expose such properties to an auction. The Debtor may expose additional parcels to sale if such sales are deemed necessary. In order to effectuate sales, the Debtor has retained Gary Nalbandian to list and market the properties.

The sale proceeds will be utilized in part, to pay secured debt, administrative claims, including real estate taxes, and other payments required under the Plan.

Attached hereto as Exhibit "H" are financial projections. These projections set forth, in part, forced liquidation values, mortgages and judgments against those properties. Due to cross-collateralizations and judgments which impact any real property located in the County of the filed judgment, certain mortgage amounts and judgments are duplicative.

Until properties are sold, some of those properties will have expenses, including loan payments. Thus, while there is excess cash, not all of such cash will be immediately available. Nonetheless, the net cash is believed by the Debtor to be sufficient to fund the Plan and pay future expenses.

It is believed that all of the funds from cash flow and future revenues from sales will be sufficient to fund all payments under the Plan.

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 Income Tax Representations.

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, OR THEIR RESPECTIVE COUNSEL RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.

7.2 Income Tax Summary.

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.

Due to 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

not do 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 (1) 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 Continued Operations of the Debtor.

There is no guarantee the Debtor will be able to lease the quarry to generate income to fund the Plan. Further, there is no guarantee that the sales of the Real Property proposed by the Debtor will generate sufficient funds so as to make all payments under the Plan.

X. ALTERNATIVES TO THE PLAN

10.1 Liquidation Analysis.

An alternative to the Plan is a liquidation of the Debtor's Assets. There may not be a market for all of the Debtor's parcels of Real Property and it is believed that substantial discounts will have to be taken if a liquidation of Debtor's Assets occurs. The Debtor's liquidation analysis is attached hereto as Exhibit "F". This analysis has what the Debtor believes are realistic discounts. This belief is borne out by negotiations by the Debtor as to sales and as set forth below concerning the Debtor's knowledge and inquiries made by it. A forced auction sale of the Assets will generate considerably less than orderly sales and utilization of rents.

If one takes the amount set forth on the Liquidation Analysis, and subtracts various additional costs of the bankruptcy case and costs of the forced liquidation, it is believed unsecured creditors will most likely be paid in full. This analysis as to the amount available is as follows:

Liquidation Amount of Assets	\$12,278,000.00
Less Chapter 11 Administrative Costs including unpaid professional fees, utilities, auctioneer fees, real estate taxes ¹	(\$1,200,000.00)
Less Chapter 7 Trustee Commissions	(\$200,000.00)
Less Trustee Professional Fees	(\$40,000.00)
Less Secured Debt	<u>(\$6,456,000.00)</u>
Amount Available to Unsecured Creditors	\$4,382,000.00

The Liquidation Analysis sets forth market and liquidation values for each Asset. The Analysis also sets forth the secured debt and pre and post-Petition real estate taxes owed on each parcel. A review of this Analysis shows very few parcels with large amounts of equity, certainly not enough to pay the judgment creditors. Further, a *pro forma* distribution from each parcel is very difficult to perform, as payment of judgment liens and real estate taxes are dependent on the order of the sales.

Various creditors have judgment liens in the counties in which the Debtor owns Real Property. While the Debtor has certain equity in individual parcels of Real Property over and above the amount of mortgage liens and real estate taxes owed on each parcel of Real Property, it is believed that the judgment liens may encompass the equity on certain of the individual

¹Real estate taxes owed at liquidation will vary depending upon the timing of sales and as to when such taxes are assessed.

properties. Thus, because of the judgment liens, there is in fact, not actual equity, because the judgment liens effectively act as a cross collateralization.

Further, if liquidation were to occur at this point in time, post-Petition administrative taxes which are due will also be paid ahead of unsecured creditors. Depending upon the time of year in which a Chapter 7 would occur, the post-Petition taxes could be substantial and in excess of \$100,000.00. Because certain of the Real Property cannot be sold for a sufficient amount to pay post-Petition taxes on a particular parcel of Real Property, and the mortgage, this may cause S&T Bank, Santander Bank, McCormick 108, LLC, and Double M Real Estate, LLC to remain unpaid as to the loans which are secured on specific property and therefore, the judgment liens set forth above will take effect as to particular parcels of Real Property. It is very difficult to set forth an analysis as to the exact amount which would be available because the order of liquidation of Real Property is difficult to predict. The order of forced sales occur will impact which secured Claims are paid, especially judgment liens.

With respect to the Liquidation Analysis, it should be noted that in the event the case were converted to Chapter 7 or a liquidation would occur, that there may be substantial unpaid Chapter 11 administrative costs. This would include professional fees for attorneys, accountants and other professionals, as well as various utility costs, including sewer and water charges. Further, real estate taxes, while noted as being included in the sum of \$100,000.00 set forth above, could actually be substantially higher. Post-Petition real estate taxes accrue twice per year and, as such taxes become due, such do represent administrative claims having priority over unsecured creditors. Also, because of the time needed for the sales to occur, interest will accrue on the secured loans depleting the equity further.

In the event of a Chapter 7, the Trustee's commission may be as low as three percent (3%). However, given the substantial number of parcels of Real Property, the Trustee would most likely have to incur legal fees and accountants' fees, as well as commissions to real estate professionals which could be at least \$700,000.00.

As to Assets other than Real Property, the Debtor believes the liquidation values are reasonable. As set forth in Section 5.3 above of this Disclosure Statement, the receivables cannot be collected. \$84,584.00 of the receivables are owed by one party who is also in a Chapter 11 proceeding. The other \$87,512.00 is also uncollectible as the Debtor has attempted to collect such previously and is unable to do so.

Given the fact that a forced liquidation sale would bring substantially less than the Debtor's scheduled values and what the Debtor believes is fair market value, it makes sense to support the Plan given that the Plan proposes an orderly sale of eleven (11) parcels of Real Property. If the Debtor cannot sell the Real Property through negotiated brokered sales, and the Debtor is forced to auctions as required under the Plan, the values received may be substantially less than scheduled values and would undoubtedly approach the liquidation values for these parcels of Real Property.

Based upon the foregoing, a liquidation may result in less than a one hundred percent (100%) repayment plan to unsecured creditors.

An additional option would be the refinance of Debtor's debt and the obtaining of additional funds through utilization of the Debtor's Assets as collateral. Given today's market and given the amounts which the Debtor owes, it may not have sufficient equity so as to be able to do a refinance.

XI. OWNERSHIP OF DEBTOR'S ASSETS SUBSEQUENT TO REORGANIZATION

11.1 Vesting of Debtor's Assets.

Subsequent to the Confirmation of the Plan, the Debtor will be revested with all of its property then existing, subject to any mortgages or liens remaining unpaid.

11.2 Transfer of Assets.

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, 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.

XII. MISCELLANEOUS PROVISIONS

12.1 Release of Liability.

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.

12.2 Information within Disclosure Statement.

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.

MANN REALTY ASSOCIATES, INC.

By: /s/ Robert M. Mumma, II
Robert M. Mumma, II, President

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