

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

IN RE: : Case No. 1:18-bk-00212-RNO
ARCON PROPERTIES, LLC :
: Chapter 11

IN RE: : Case No. 1:18-bk-00213-RNO
ARCON HOMES, LLC :
: Chapter 11

**JOINT DISCLOSURE STATEMENT IN SUPPORT
OF DEBTORS' PLAN OF REORGANIZATION**

I. INTRODUCTION

1.1 Introduction.

The Debtors, Arcon Properties, LLC ("Properties") and Arcon Homes, LLC ("Homes") (individually a "Debtor" and jointly the "Debtors"), provide this Disclosure Statement (the "Disclosure Statement") for the Plan of Reorganization (the "Plan") filed by it contemporaneously with this Statement.

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

THIS DISCLOSURE STATEMENT IS ONLY A PROPOSAL UNTIL SUCH TIME AS THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. CREDITORS AND PARTIES IN INTEREST (AS DESIGNATED BY THE COURT) WILL HAVE AN OPPORTUNITY TO OBJECT TO THE PROPOSED DISCLOSURE STATEMENT, AND SOLICITATION OF THE ACCEPTANCE OF THE PLAN OF

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

1.2 Purpose of Disclosure Statement.

As required by Section 1125 of the Bankruptcy Code, the Debtors have 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 Debtors and the proposed Plan so that Claim holders can arrive at a reasonably informed decision so as to be able to exercise their right to vote on the Plan which has been filed with the Bankruptcy Court. A copy of the Plan will accompany this Disclosure Statement after the Disclosure Statement is approved by the Court and will be sent to those creditors and parties in interest as the Court directs. Those creditors whose Claims are not impaired (as defined in Section 1124 of the Bankruptcy Code) may not receive a copy of the Disclosure Statement and Plan.

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

1.3 Plan Confirmation.

The Court will set a date for the hearing on the acceptance of the Plan and its confirmation. Prior to such hearing, those creditors eligible to vote on the Plan may so vote on the Plan by filling out and mailing the ballot which accompanies the approved Disclosure Statement. Ballots should be forwarded to: Robert E. Chernicoff, Esquire, Cunningham, Chernicoff & Warshawsky P.C., P. O. Box 60457, Harrisburg, Pennsylvania 17106-0457, in accordance with the Order setting the time for the filing of ballots. Ballots must be received on or before the date fixed by the Court. Any ballots received after the deadline may not be counted unless the Court orders otherwise. Any ballot which sets forth an amount of a Claim which differs from the amount which is scheduled, or as filed in a Proof of Claim, as allowed, may, at the option of the Plan proponent (the "Debtor"), be corrected to the allowed amount (as defined in the Plan). Further, any ballot which sets forth the wrong classification may be corrected by the Plan proponent, unless the Court orders otherwise.

As a creditor, your vote is important. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than half in number of the Claims of each of the affected, impaired classes voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan. To be confirmed, the Plan must be accepted by at least one (1) impaired class determined without considering acceptances of insiders. If at least one (1) impaired class accepts the Plan, the Plan may be confirmed by the Court, if the Court finds, after notice, among

other items, that the Plan accords fair and equitable treatment to any class rejecting the Plan, the Plan does not discriminate unfairly and the Plan meets the requirements of Section 1129(b) of the Code, including the requirement that creditors will receive as much as they would receive in a liquidation.

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

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

In the event insufficient votes occur from the Class 6 Claim holders to confirm the Plan, the Debtors believe the Plan can nonetheless be confirmed. The Plan provides for a fair and equitable result as required by the Bankruptcy Code. The Plan provides for payment to creditors in an amount equal to or greater than that which creditors would receive from a liquidation. Thus, if the Equity Holder of the Debtors places new value

into the Estate thereby buying the equity, and exposing the equity to the bids of other creditors, it may be possible for the Plan to be confirmed as an exception to the Absolute Priority Rule.

With respect to the secured creditors in this Case, even if a Class of secured creditors does not vote to confirm the Plan, the cram down provisions of Section 1129(b) of the Code could be utilized to cause confirmation of the Plan. The Plan proposes to pay the first secured creditor, CBC, in an amount equal to the value of its secured Claim. The same holds true for the second secured creditor, Colonial Funding Network. Such payment would occur upon an infusion being obtained, a refinance or a sale, as set forth in the Plan. It is believed that this meets the requirements of Section 1129(b) as to the Debtors' secured creditors. The Plan can be confirmed even if the secured creditors do not accept the Plan, so long as one impaired Class of Claims does accept the Plan, without consideration of insider votes, or based upon the cancelation of the existing equity in the Debtors as set forth above.

1.4 Disclaimers.

NO REPRESENTATIONS CONCERNING THE DEBTORS, 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 DEBTORS. THE ATTORNEYS FOR THE DEBTORS MAKE NO

REPRESENTATION OTHER THAN THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BASED, IN PART, UPON INFORMATION SUPPLIED BY THE DEBTORS AND THE DEBTORS 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 DEBTORS 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 DEBTORS, HOLDERS OF CLAIMS OR INTERESTS, OR THE REORGANIZED DEBTORS.

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

THE STATEMENT AND REPRESENTATIONS CONTAINED HEREIN ARE MADE SOLELY BY OR AT THE INSTANCE OF THE PLAN PROPONENT AND NO OTHER PARTY IN INTEREST IS RESPONSIBLE FOR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. THE PLAN PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY.

CERTAIN OF THE INFORMATION, BY ITS NATURE, IS FORWARD LOOKING, CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY

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

1.5 Sources of Information.

Financial information contained in this Disclosure Statement has not been subject to a certified audit. The Debtors has had tax returns and financial statements prepared in the past, but has not had a recent audit prepared.

The financial information contained in this Disclosure Statement and in any Exhibits hereto have been prepared based upon information supplied by the Debtors. There have been valuations in the past and the Debtors' values listed in the Schedules are based, in part, upon recent appraisals. Thus, the Debtors believe 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, as amended by the Debtors (Exhibit "A"). While Claims have been filed which may differ in amount from those on the Schedules, the Debtors believes that the Schedules are

reasonably accurate. Exhibit “A” is based upon information supplied by the Debtors. The Schedules of Pre-Petition Debt are intended to reflect amounts believed owed Pre-Petition by the Debtors. Attached hereto as Exhibit “B” is the Claims Register reflecting Claims as filed with the Court. A Bar Date Order has been entered by the Court. Thus, Claims filed after the date set by the Court for the filing of Claims may not be allowed.

The Debtors 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 Debtors has filed monthly operating reports on a regular basis. The Statement of Financial Affairs, Schedules of Liabilities and Assets, and the monthly operating reports are on file with the Clerk in charge of Bankruptcy Operations, United States Bankruptcy Court for the Middle District of Pennsylvania, 228 Walnut Street, Harrisburg, Pennsylvania 17110, or its electronic filing website, <https://ecf.pamb.uscourts.gov>. Further, all pleadings and Orders filed in this case are on file with the Bankruptcy Clerk at such address or online in the Court’s ECF system. These documents are available for public inspection; all documents filed with the Court by the Debtors, and those attached to this Disclosure Statement, are believed to accurately reflect the Debtors’ assets and liabilities at the date of filing, to the best of the Debtors’ knowledge, information and belief, and the Debtors’ cash receipts and expenditures since the date of filing. None of these documents, however, have been subject to a certified audit, although the Debtors believe the information to be reasonably accurate.

II. BACKGROUND

2.1 General.

2.1.1 Properties

Properties is a Pennsylvania limited liability company which commenced business in April, 2013. Properties was formed for the purposes of owning the Debtor's Real Property located at 195 Airport Road, Selinsgrove, Snyder County, Pennsylvania. The real estate was initially to be utilized as a manufactured building plant and associated offices.

2.1.2 Homes

Homes is a Pennsylvania limited liability company which commenced business in 2007. Homes was formed for purposes of owning equipment and various vehicles and carriers to be utilized in the manufactured building business.

2.2 Pre-Petition Activities.

The manufactured building business was previously prevalent throughout Central Pennsylvania. During the downturn in the housing economy beginning in 2008, such business began to greatly suffer. Multiple manufactured building business in Central Pennsylvania have closed or restructured. Along with other companies involved in such industry, the company which was utilizing the Properties' Real Property and the Homes' Personal Property ("Arcon Group, LLC") experienced a considerable downturn. There has been a large downsizing of such company and it has essentially ceased doing business. Also, some large customers of Arcon Group suffered their own financial

difficulties and payment to Arcon Group did not occur. As a result, the Debtors' cash flow greatly suffered causing defaults as to payments in various debts.

III. PRE-PETITION OBLIGATIONS

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

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

The Court has set a bar date for the filing of Claims. The amounts set forth hereinafter assumes all Claims as scheduled will be allowed, 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 Debtors had to be filed, any Claims filed after the bar date may not be allowed. A Claims Bar Date Order has been entered by the Court setting a bar date of July 6, 2018. The Debtors will examine all Claims as filed and the Debtors reserves the right under the Plan and under the Bankruptcy Code to object to any Claims which may be in error, including, those Claims which are duplicative or

contain improper amounts of interest. A summary of the various Claims of creditors is set forth hereinafter.

3.1 Secured Creditors.

3.1.1 CBC Partners I, LLC

As of the Petition Date, CBC is the holder of a secured Claim on Properties Real Property and Homes' Personal Property, except for certain titled vehicles. The Debtors scheduled CBC has having a Claim approximately in the amount of \$3,021,000.00. The Debtors dispute the Claim based upon certain charges asserted by CBC, which may be the subject of negotiations.

3.1.2 Colonial Funding Network, Inc.

Colonial Funding Network filed suit against the Debtors, as well as other affiliates of the Debtors, and the Debtors' Equity Holder, Merrill D. Miller, Jr., in the State of New York. After obtaining judgment in New York on a default basis, the judgment has been transferred to Snyder County, Pennsylvania. Depending upon the value of Properties' Real Property, Colonial Funding may be secured upon Properties' Real Property. The Debtors scheduled the debt owed to Colonial Funding in the approximate amount of \$336,800.00 based upon the judgment amount entered by Colonial Funding. Such Claim is disputed based upon certain charges set forth in the judgment. Colonial may also have a security interest in Homes' Personal Property.

3.2 Priority Tax Claims.

3.2.1 The Debtors each scheduled a priority tax Claim as owed to the Internal Revenue Service in the amount of \$595,000.00. The Internal Revenue Service, however, has filed a Claim in Properties' case in the amount of \$1,294.73. The IRS Claim will be examined as to the nature of the large discrepancy. The Debtors believe that the IRS may have filed a lien against Properties' Real Property and, thus, the Claim is listed as secured, based upon the value of Properties' Real Property.

3.2.2 A priority tax Claim has been scheduled by Properties with respect to real estate taxes being owed in the amount of approximately \$27,000.00.

3.3 Unsecured Claims.

Properties scheduled various unsecured Claims totaling approximately \$16,000.00. There are also various unliquidated Claims scheduled in favor of Iron Hill Construction Management Company and Linda and William Hunt. Iron Hill Construction Management Company has asserted a Claim against Properties, however, the amount is unliquidated. The Claim of Linda and William Hunt is for a slip and fall case and is unliquidated. Further, there may be a Claim against Properties in favor of the Hummels Wharf Municipal Authority for municipal services. If such exists, this may be treated as a priority or secured Claim.

After the Bar Date, the Debtors will review all Claims. The Debtors will consider filing objections to those Claims which the Debtors believe are not proper to the extent an objection is expedient and necessary. The Debtors will also examine all Claims to

determine whether they include any post-Petition interest or any other charges which are not proper.

IV. POST-PETITION ACTIVITIES

4.1 General.

The Debtors filed their Petitions on January 22, 2018.

Pre-Petition and continuing post-Petition, the Debtors have sought funding from various sources, including equity infusions and new financing. The Debtors have also been seeking parties to buy the Real Property or the Personal Property or both.

As of the date of the Plan, the Debtors believe they have located a party to provide the Cash Infusion or new financing.

The Debtors have determined that in the event it is unable to refinance its various debts or find cash infusions, it will list the Real Property and/or the Personal Property for sale.

When the Case was first filed, First Day Motions were filed which include a Cash Collateral Motion filed by Properties. Properties was only aware of the CBC Partners I, LLC Claim at that time. Thus, Properties, as part of its Cash Collateral Motion, provided for certain relief for CBC. Thereafter, Properties negotiated a more extensive Cash Collateral Stipulation with CBC. As a result, the Court entered an Order approving such CBC Cash Collateral Stipulation by virtue of the entry of the CBC Cash Collateral Order.

Thereafter, the Debtors learned of the Claim of Colonial Funding Network, Inc. by virtue of Colonial having filed an exemplified judgment in Snyder County, Pennsylvania.

Properties then negotiated with Colonial Funding and, as a result, the Colonial Cash Collateral Stipulation was entered into and filed with the Bankruptcy Court on March 7, 2018. Such Stipulation has been approved by the Court.

V. SUMMARY OF DEBTORS' ASSETS

5.1 Real Property.

5.1.1 Properties owns the Real Property located at 195 Airport Road, Selinsgrove, Snyder County, Pennsylvania. Properties scheduled the Real Property has having a value of \$4,500,000.00. Appraisals of the Real Property have varied over the years and Properties believes this is a realistic value.

5.2 Vehicles and Carriers

Homes scheduled various vehicles and carriers on its Schedules. The assets which have appreciable value are the carriers which are utilized to transport manufactured building units. Homes scheduled the carriers as having a value of \$1,000,000.00. Various other vehicles (the "Vehicles") are scheduled. Because of the age and nature of certain of the vehicles, values for all vehicles are not scheduled. The scheduled value of the Vehicles is approximately \$20,000.00.

5.3 Machinery and Equipment

Homes scheduled various manufacturing materials and equipment utilized in the manufactured housing business as having a value of \$500,000.00.

5.4 Office Furniture and Equipment

Homes scheduled various office furniture and office equipment having a value of \$10,000.00.

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 DEBTORS, WHICH HAS BEEN FILED WITH THE BANKRUPTCY COURT. FOLLOWING IS A BRIEF SUMMARY OF THE DEBTORS' 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 DEBTORS, 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 seven (7) classes that consist of (1) expenses of administration for compensation of professionals; (2) other Administrative Claims; (3)

Priority Tax Claims; (4) the allowed secured Claim of CBC Partners I, LLC; (5) the allowed secured Claim of Colonial Funding Network, Inc.; and (6) the Claims of all other unsecured, non-priority Claim holders. Classes 1, 2 and 3 are unclassified and numbered and named as classes strictly for convenience purposes.

The seventh class is Class 7, the equity holder. The equity holder of the Debtors is Merrill D. Miller, Jr.

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

The Plan is based upon one of a few alternatives occurring. The Debtors are seeking either a Cash Infusion or new financing. Such funds are intended to be in a sufficient amount to pay creditors under the Plan. In the event that the Debtors do not secure the Cash Infusion or new financing, the Assets of the Debtors will be listed for sale. A sale will then be utilized to fund the Plan up to the maximum amount of funds available from the net proceeds of any sale.

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 Debtors during the Chapter 11 case and Post-Confirmation is Cunningham, Chernicoff & Warshawsky P.C.

All professional Administrative Claims will be paid in cash on or before the Effective Date of the Plan, or as otherwise agreed in writing by the Claimant and the Debtors. 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.

Class 2, Administrative Claim holders will be paid in the ordinary course of business, on or before the Effective Date of the Plan, on or before the Effective Date of the Plan, and as soon as reasonably practical thereafter, or as otherwise agreed by the Claimant and the Debtors, 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. After confirmation, the Debtors must prepare and file quarterly reports in the format requested by the U.S. Trustee, and serve such reports on the U.S. Trustee. The payment of the U.S. Trustee fees and the filing of the quarterly reports will continue until the case is closed, dismissed or converted, whichever occurs first.

6.3 Priority Taxes.

Priority taxes are treated in Section 4.3 of the Properties Plan and Section 4.3 of the Homes Plan. Priority Tax Claims contain only that portion of a Claim which is granted priority pursuant to Section 507(a) of the Code, as such Claims may exist as of the Chapter 11 Petition Date. The Priority Tax Claims are believed to consist, in part, of past due real estate taxes and an IRS Claim.

The Debtors believe that there is an IRS Claim which may be secured. The IRS has not filed a Claim as a secured Claim. In the event that such Claim is secured on the Real Property, then certain of the penalties set forth in the IRS Claim may have to be paid. This Claim will be reviewed.

Under the Plan, any Priority Tax Claims will be paid in full either from a sale of the Real Property or from the refinancing by Properties utilizing the Real Property as collateral, or the Cash Infusion.

The Plan also provides that all Priority Tax Claims which are allowed will be paid in full on or before five (5) years after the Petition Date, together with interest at the rate of three percent (3%) per annum. Interest will begin to accrue as of the Effective Date of the Plan on any unpaid tax balance. All Priority Tax Claims include only Pre-Petition taxes and interest and do not include any penalties, subject to the provision as to a possible secured Claim of the Internal Revenue Service as set forth above. The penalties which are excluded from Priority Tax Claims do not include trust fund penalties under Section 6672 of the Internal Revenue Code which are not believed to be applicable herein.

6.4 Class 4, CBC Partners I, LLC

CBC will be paid the loan secured by its first mortgage lien on the Real Property and its security interest on any Personal Property, including particularly the Personal Property of Homes. Such security interest is not believed to attach to the Vehicles. Such payment will occur upon a refinancing of the Debtors' debts, the Debtors securing an

equity infusion in cash, or upon a sale of each Debtor's Assets. In the event of a sale, if there are insufficient proceeds to pay CBC in full, CBC will be paid the net proceeds of the sale subsequent to costs and other such charges involved with the sale. CBC shall retain its lien until such time as it is paid in full.

6.5 Class 5, Colonial Funding Network, Inc.

Colonial Funding will be paid as to its allowed secured Claim upon a sale, refinancing or the Cash Infusion, to the extent that value exists in Properties' Real Property and in Homes' Personal Property, excluding any Vehicles. Until such time as payment occurs, Colonial Funding shall retain its lien as such may exist pre-Petition and in the order of priority as exists pre-Petition.

6.6. General Unsecured Creditors

6.6.1 The class 6 general unsecured creditors include all creditors not otherwise classified under the Plan. These Claims include all such creditors notwithstanding the nature of the categorization of any claim by a creditor.

6.6.2 Upon the Debtors securing the refinancing or Cash Infusion, to the extent that funds are available, the unsecured creditors will receive payment as set forth in the Plan. The Plan provides for payment of ten percent (10%) of all unsecured Claims to be paid within two (2) years. Nonetheless, in the event of a sale of the Assets of Properties and Homes, the unsecured creditors will only be paid after payment in full of the allowed secured Claim of CBC, Colonial, all Priority Tax Claims and all Administrative Claims, as may be allowed.

6.7 Equity Holder.

The equity holder is Merrill D. Miller, Jr. Mr. Miller shall, at his option, retain his equity in the Debtors. He may cause such equity to be canceled and new equity may be issued to the new Equity Holder in the same amount and percentage as exists pre-Petition. In the event of a liquidation of all Assets of Properties and of Homes, the equity is to be canceled.

6.8 Executory Contracts.

6.8.1 Lease with Walter Harpster and Peter Stockett of 195 Airport Road, Selinsgrove, Pennsylvania. Properties has a lease of Suite 1A of the Real Property. This Suite consists of approximately 1,000 square feet. The lease is to Mr. Harpster and Mr. Stockett who do business as 18th Street Finance. This lease is assumed under the Plan.

6.8.2 Lease to Arcon Hybrid, Inc. of 195 Airport Road, Selinsgrove, Pennsylvania. Properties has a lease of a portion of the office consisting of 6,000 square feet to an affiliate, Arcon Hybrid, Inc. Properties also leases a portion of the manufacturing facilities at the Real Property to Arcon Hybrid, Inc. This lease is assumed under the Plan.

6.8.3 Insurance Contracts. Any insurance contracts which exist as of the confirmation of the Plan shall be deemed assumed until the policy terminates on its own accord under the terms of such policy.

6.8.5 Miscellaneous. All agreements for licenses, webhosting, energy demand, a provision of utilities or cellular telephones shall be assumed as of the Effective Date of the Plan, to the extent that any such exist. The Plan provides for any arrearage Claims to be filed within twenty (20) days after the Effective Date of the Plan

6.9 Means for Execution of the Plan.

6.9.1 The Debtors are seeking a Cash Infusion. The Debtors hope that an amount can be obtained which will allow for full funding of the Plan.

6.9.2 In the event that the Debtors do not obtain a Cash Infusion, the Debtors are also seeking a refinance of all of its debts. It is intended that such refinance would be in an amount sufficient to fund the Plan.

6.9.3 In the event that the Debtors do not obtain the Cash Infusion or new financing, within thirty (30) days after confirmation of the Plan, Properties will list the Real Property for sale and Homes will list its Assets for sale. Upon a sale being obtained, the sale proceeds will be utilized to fund the Plan.

6.9.4 In the interim, the Debtor intends to collect rents from the Real Property. Properties is also seeking additional tenants for the Real Property and has entered into a listing agreement for the lease of the remaining part of the Real Property which is not yet leased. Such consists of approximately 11,000 square feet in the Real Property.

6.9.5 Although the Plans are not Liquidation Plans, the Plans contemplate utilizing all of the Assets to fund the Plan of Properties and the Plan of Homes. Thus,

projections are not realistic because the operations of the Debtors are not being utilized for the funding of the Plans.

BECAUSE THE PAYMENTS TO CREDITORS UNDER THE PLANS ARE BASED, IN PART, UPON SALES OF ASSETS, NOT ALL PAYMENTS TO CREDITORS UNDER THE PLANS ARE CERTAIN. ANY PAYMENTS TO BE PAID UNDER THE PLANS ARE, THEREOFRE, CONTINGENT UPON SUFFICIENT VALUE BEING REALIZED BY THE DEBTORS FROM THE SALE OF THEIR ASSETS.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

7.1

BECAUSE THE TAX CONSEQUENCES TO CREDITORS AND DEBTORS 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 DEBTORS, 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 Debtors' creditors. The following summary may assist the Debtors and its creditors in evaluating the effect U.S. federal income taxes may have if the Plan is consummated. This summary does not address the federal income tax consequences to creditors whose Claims are entitled to reinstatement or payment in full in cash, or are otherwise unimpaired under the Plan.

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

This discussion is based upon information received from various sources and has not been audited or verified. Any material inaccuracies in the information may affect the stated conclusions regarding the tax consequences of the Plan. This summary is based

upon the Internal Revenue Code of 1986, as amended (the “Tax Code”), the Treasury regulations (including temporary regulations) promulgated thereunder, judicial authorities and current administrative rulings, all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision.

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

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

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

creditor in exchange for its allowed Claim, and whether the creditor reports the income on the accrual basis.

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

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

To the extent that any amount received by a holder of a Claim under the Plan is attributable to accrued interest not previously included in the holder's gross income, such amount should be taxable to the holder as interest income. Conversely, a holder of a Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent that any accrued interest on such holder's Claim was previously included in the holder's gross income but was not paid in full by the Debtors. 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 Debtors reserves the right to dispute and object to any Claim as filed.

8.2 Internal Revenue Service

There may be a dispute as to whether or not the IRS has a lien interest in either Debtor's Assets. This will be explored by the Debtors.

8.3

Both Debtors reserve the right to dispute any calculation of interest by any of the secured creditors in the Case, particularly with respect to default interest.

IX. RISK FACTORS

9.1

There is no guarantee that the Debtors will be able to obtain the Cash Infusion, refinance or sell the various Assets for a sum sufficient to realize the amounts required to fund the Plan.

X. ALTERNATIVES TO THE PLAN

10.1

Because the Plan is essentially utilizing all of the Debtors Assets and if the Cash Infusion or refinance occurs, creditors will be paid as set forth above, and because, as an alternative, the Plan contemplates a sale of all of the Assets of both Debtors, there is no alternative to the Plan per se which is believed to provide any greater benefit to the

Debtors. One alternative would be conversion to a Chapter 7 Case, the Debtors' Liquidation Analysis is set forth as Exhibit "C" which is attached hereto.

It should be noted that liquidation under Chapter 7 will have additional expenses, including Trustee's commissions 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 Debtors are doing an orderly liquidation as opposed to a forced liquidation, it is believed that the Plan is a 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 DEBTORS' ASSETS SUBSEQUENT TO REORGANIZATION

11.1.

Subsequent to the Confirmation of the Plan, the Debtors will be revested with all of its property then existing, free and clear of all liens, Claims and encumbrances, except as set forth in Articles V and XIII of the Plan. Essentially, the liens of CBC and Colonial Funding will remain in effect until each creditor is paid as set forth under the Plan.

11.2.

Any transfer of any assets by the Debtors, after Confirmation of the Plan, including the sale of any real property of the Debtors, 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 Debtors' shareholder will remain as a shareholder until such time as all Assets are liquidated and payments are made to creditors under this Plan. At that point in time, the stock interest in the Debtors will be canceled and the Debtors will become defunct.

XII. MISCELLANEOUS PROVISIONS

12.1.

Under the Plan, the Debtors, his 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 Debtors, 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 Debtors as well as provides for certain default provisions. Such provision provides as follows:

All creditors of the Debtors 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 Debtors, 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 Debtors 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 Debtors and its counsel, Cunningham, Chernicoff & Warshawsky, P.C., Debtors' counsel, without cure of the non-payment. Such notice is

to be forwarded to Debtors' counsel at the address set forth at the end of this Plan.

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 Debtors. It has not been subject to a certified audit or independent review. Accordingly, neither the Debtors 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 Debtors, will receive the maximum results from the Plan.

Debtor:

ARCON PROPERTIES, LLC

By: 

Merrill D. Miller, Jr.

Date: 04/17/2018

ARCON HOMES, LLC

By: 

Merrill D. Miller, Jr.

Date: 04/17/2018

Debtors' 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

F:\Home\SJO\DOCS\MANUGRAPH\Manugraph Americas, Inc\Pleadings\Plan\Disclosure Statement\Disclosure Statement.doc