

ARC DS1

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

IN RE:) **Case No. 17-22507 JAD**
ARC, LIMITED) **Chapter 11**
Debtor.) **Docket No.**

**DISCLOSURE STATEMENT
TO ACCOMPANY PLAN DATED MAY 18, 2018**
(Debtor is Chapter 11 Small Business Debtor)

Section 1 - Executive Summary of Plan

Reasons for Chapter 11. Debtor’s lease from The Buncher Company was more than the Debtor could afford. The monthly rent with taxes and insurance was approximately \$15,500. Debtor was in default of the lease in approximate amount of \$139,000. Debtor believed that the landlord would soon take enforcement action on the lease.

Business Changes. There were two business changes during the Chapter 11 which should enable the Debtor to continue in business. The Buncher Company agreed to a one year lease for a average month rent of \$5,300. Secondly, Debtor decided to reduce the amount of the less profitable building panel business and increase the more profitable terra cotta manufacturing segment of its business.

Secured Claim. The Debtor’s only secured claim (Class 1 - JPMorgan Chase Bank) will be paid in full payment according to the contract upon which such claim is based.

Administrative Lease Claim. The Buncher Company holds an administrative claim for post-petition rent in the amount of \$61,179. This claim is paid in full in 60 equal monthly payments starting on the Plan Distribution Date (“PDD”).

Priority Wage Claim. A Class 2 priority wage claim in the amount of \$12 475 will be paid in full with interest in 12 monthly payments beginning on the PDD.

Priority Tax Claims. Debtor has \$7,666.44 in priority tax claims. Tax claims in excess of \$770 will be paid in full with interest at 4% in sixty equal monthly payments beginning on the PDD. Tax claims of \$770 or less shall be paid in full with interest at 4% in twelve equal months payments starting on the PDD.

General Unsecured Claims. Class 3 claims total \$492,678 and will be paid 5% on the Plan Distribution Date (“PDD”) in full satisfaction of such claims.

Chapter 7 Liquidation Alternative - 0 % Distribution for Class 3. The Debtor estimates that general unsecured claimants (Class 3) will not receive any distribution if (a) the Debtor cannot obtain approval of any plan and (b) the Debtor’s case is converted to a chapter 7 case

Equity Security Interests. These interests are retained by Debtors’ shareholders, Rick Tavares and Richard Lang.

Section 2 - Definitions

The following terms, when used in this Plan of Reorganization and related Disclosure Statement, shall, unless the context otherwise indicates, have the following meanings, respectively:

- 2.01 **“Administrative Expense Claim”** means any right to payment constituting a cost or expense of administration of the Chapter 11 case allowed under §503(b) and §507(a)(1) of the Code.
- 2.02 **“Allowed Claim”** means a claim to the extent such claim is (a) not subject to a pending objection, (b) scheduled by the Debtor in a liquidated amount and not listed as contingent, unliquidated or disputed or (c) as otherwise been allowed by a final order or pursuant to the Plan.
- 2.03 **“Bankruptcy Court”** means the U. S. Bankruptcy Court for the Western District of Pennsylvania.
- 2.04 **“Claim”** has the meaning set forth in §101 of the Bankruptcy Code.
- 2.05 **“Code” or “Bankruptcy Code”** means Title 11 of the United States Code, 11 U.S.C §101, et seq. as amended, as applicable to this Chapter 11 case.
- 2.06 **“Confirmation Order Date”** means the day the order confirming the Plan is docketed.
- 2.07 **“Contested Claim”** means a claim which is not finally allowed.
- 2.08 **“Counsel”** means the Debtor’s counsel, Gary W. Short.
- 2.09 **“Debtor”** means ARC, Limited
- 2.10 **“Disclosure Statement”** means the Disclosure Statement related to the Plan filed on May 18, 2018.
- 2.11 **“Disputed”** means that portion or all of a claim that is not an allowed claim.
- 2.12 **“Final Court Approval”** means when appeals relating to an Order entered by the Court are finally resolved.
- 2.13 **“General Unsecured Claim”** means a claim that it not an Administrative, Priority, or Secured Claim.
- 2.14 **“Lien”** has the meaning set forth in §101 of the Bankruptcy Code.
- 2.15 **“Petition Date”** means June 20, 2018.
- 2.16 **“Plan”** means the Plan of Reorganization filed by the Debtor on May 18, 2018, and any modifications and amendments.
- 2.17 **“Plan Confirmation Date”** means the date the order confirming the Plan becomes final and not subject to appeal.
- 2.18 **“Plan Distribution Date”** means the 45th day after the Plan Confirmation Date.
- 2.19 **“Plan Effective Date”** means the Plan Distribution Date.
- 2.20 **“Priority Claim”** means any claim that is entitled to priority in accordance with §507(a) of the Bankruptcy Code, other than an administrative expense claim.
- 2.21 **“Secured Claim”** means any claim that is secured by a valid lien on the Debtor’s property.

Section 3 - Disclosures

Debtor, ARC, Limited, furnishes this disclosure statement to creditors in the above-captioned matter pursuant to Bankruptcy Code 11 U.S.C. §1125 to assist them in evaluating Debtor's proposed Chapter 11 plan. Creditors may vote for or against the plan of reorganization. Creditors who wish to vote must complete their ballots and return them to the following address before the deadline noted in the order approving the disclosure statement and fixing the time for balloting. The Court will schedule a hearing on the Plan pursuant to 11 U.S.C. §1129.

Address for return of ballots:

Gary W. Short, Esquire
212 Windgap Road
Pittsburgh, Pa 15237

Section 4 - Background

- A. Name of Debtor: ARC, Limited
- B. Type of Debtor: C corporation.
- C. Debtor's Business or Employment: Manufacturing of exterior building panels and terra cotta fixtures.
- D. Date of Chapter 11 Petition: June 20, 2017.
- E. Events that Caused the Filing: Default on Debtor's lease.
- F. Anticipated Future of the Debtor and Source of this Information and Opinion: Will continue in operations under a confirmed plan. Source of opinion: Rick Tavares, President of Debtor.
- G. Are All Monthly Operating Statements Current and on File With The Clerk of Court? Yes X No ___
- H. Does the plan provide for release of non-debtor parties? No.
- I. Identify all executory contracts that are to be assumed or assumed. Post-petition lease from The Buncher Company to Debtor
- J. Has a bar date been set? Yes.
- K. Specify property that will be transferred subject to 11 U.S.C. §1146: None.

Section 5

Summary of Significant Plan Terms as to How Each Class of Creditors and Interests Will Be Paid and What Liens Will Be Retained or Granted.

A. The Plan creates the following classification of impaired claims:

Class 2: The claim of Rick Tavares in the amount of \$12,475 to extent such claim is an allowed priority claim under Section 507(a)(4)(A) of the Code.

Class 3: All allowed general unsecured claims which are not priority claims under the Code.

B. The Plan provides the following treatment of impaired claims:

Class 2: The holder of a Class 2 claim shall be paid in full with interest at 4% in 12 equal monthly payments commencing on the Plan Distribution Date.

Class 3: Each holder of an allowed Class 3 claim shall be paid 5% of such claim on the Plan Distribution Date in full satisfaction of such claim.

Section 6 - Creditors

A. Secured Claims

Creditor (Class)	Collateral	Claim	Arrearage	D L U	Lien Retained Yes No
JP Morgan Chase Bank	2012 GMC Sierra 1500	1,438	0	L	Yes

* “D” means disputed, “L” means liquidated, and “U” means unliquidated .

B. Priority Claims

Creditor	Total Amount	Basis of Claim	Status
Gary W. Short	10,000	Professional fees (est.)	Liquidated
Office of the U. S. Trustee	1,250	Statutory fees (est.)	Liquidated
Berkheimer and Associates	230	Income tax	Liquidated

Boro of Leetsdale (EIT)	6,031.35	Income tax	Liquidated
Boro of Leetsdale (LST)	635.12	Service tax	Liquidated
Rick Tavares	12,475.00	Priority wage claim	Liquidated
IRS	770.00	Income tax	Liquidated
The Buncher Company	61,979.00	Post-petition rent arrears	Liquidated
TOTAL	93,370.47		

C. Unsecured Claims

1.	Amount Debtor Scheduled (Disputed and Undisputed)	319,658
2.	Amount of Unscheduled Unsecured Claims*	173,020
3.	Total Claims Scheduled or Filed	492,678
4.	Amount Debtor Disputes	0
5.	Estimated Allowable Unsecured Claims	<u>492,678</u>

*Includes a.) unsecured claims filed by unsecured creditors; b.) that portion of any unsecured claims filed by a scheduled creditor that exceeds the amount debtor scheduled; c.) any unsecured portion of any secured debt not previously scheduled; and d.) that portion of any secured claims filed or scheduled which the value of such claimant's collateral.

Section 7 - Assets (values as of April 30, 2018)

Assets	Value	Value Basis	Lien Holder, Claim, Lien Position*	Equity
Bank deposits	43,904	Actual	None	43,904
Counsel escrow	3,000	Actual	None	3,000
Accounts receivable	41,586	Actual	None	41,586
Office equipment	500	Estimate	None	500
Raw Materials	0	Estimate	None	0
Equipment	76,250	Estimate	None	76,250
'12 Chev. Sierra 1500	7,500	Estimate	JP Morgan Chase Bank	6,062
	172,740			171,302

A. Are any assets which appear on Schedule A or B of the petition not listed above? No.

B. Are any assets listed above claimed as exempt? No.

Section 8 - Summary of Plan

- A. **Effective Date of Plan:** 45 days after the plan confirmation date.
- B. **Distribution Date of Plan:** same as plan effective date.

C. Treatment of Claims Under the Plan:

Class 1 Secured Claim

Creditor	CL.	Claim	Summary of Proposed Treatment
JPMorgan Chase Bank	1	1,439	Paid according to contract

Class 2 - Priority Wage Claim

Creditor	CL.	Claim	Summary of Proposed Treatment
Rick Tavares	2	12,475	100% in 12 payments with interest at 4%

Non-Classified Priority Claims

Name of Creditor *	Amount Owed	Type of Debt	Summary of Proposed Treatment
Gary W. Short	10,000	Legal fees (est.)	100% upon Court approval
Berkheimer and Assoc.	230	Income taxes	100% in 12 mo. payments
Boro. of Leetsdale	6032	Income taxes	100% in 60 mo. payments
Boro. of Leetsdale	636	Service taxes	100% in 12 mo. payments
IRS	770	Income taxes	100% in 12 mo. payments
UST Fees	1250	Statutory fees	100% by Plan Effective Date
TOTAL	18,918		

Class 3 - General Unsecured Claims

Creditor	Claim Amount	Amount of Distribution (5%)	Treatment
Allegheny Material Handling	58,127	2,907	5% on Plan Distribution Date
Ambridge Lumber Co.	664	34	5% on Plan Distribution Date
American Transport, Inc.	1,475	74	5% on Plan Distribution Date
Americlad Quality Metalcrafts, LLC	8,250	413	5% on Plan Distribution Date
API	157	8	5% on Plan Distribution Date
Balkan Express Logistics	4,500	225	5% on Plan Distribution Date
Barber and Hoffman	20,828	1042	5% on Plan Distribution Date

Brown Hills Sand, Inc.	17,274	864	5% on Plan Distribution Date
Capstone Structural Engineering	4,663	234	5% on Plan Distribution Date
Cemex	6,936	347	5% on Plan Distribution Date
Columbia Gas Company (PC)	911	46	5% on Plan Distribution Date
Contractors Steel Company	617	31	5% on Plan Distribution Date
Craters Inc. (PC)	6,089	305	5% on Plan Distribution Date
Duquesne Light Company	1,705	86	5% on Plan Distribution Date
East Liberty Electroplating Co. Inc.	459	232	5% on Plan Distribution Date
Economy Weld. & Ind. Supply, LLC	336	17	5% on Plan Distribution Date
Economy Electrix	82	5	5% on Plan Distribution Date
Edgewood Muni. Authority	296	15	5% on Plan Distribution Date
Empire Blended Distributors, Inc.	636	32	5% on Plan Distribution Date
Fastenal Company	667	34	5% on Plan Distribution Date
Frew Plumbing, Heating, and AC	263	14	5% on Plan Distribution Date
GCP Applied Technologies Inc.	274	14	5% on Plan Distribution Date
Gerard Plumbing & Heating, Inc.	195	10	5% on Plan Distribution Date
Grainger	257	13	5% on Plan Distribution Date
Hamel Engineering Sciences, Inc.	11,468	574	5% on Plan Distribution Date
Heberling Insurance Services	1,515	76	5% on Plan Distribution Date
Home Depot Credit Services, Inc.	300	15	5% on Plan Distribution Date
IRS (PC)	34	2	5% on Plan Distribution Date
Joseph J. Brunner, Inc.	940	47	5% on Plan Distribution Date
Larson Engineering, Inc.	2,800	140	5% on Plan Distribution Date
Master-Carr	605	31	5% on Plan Distribution Date
Meadow Lark	1,475	74	5% on Plan Distribution Date
Neville Galvanizing	7,956	398	5% on Plan Distribution Date
Richard Lang	207	11	5% on Plan Distribution Date
Shar Systems	200	10	5% on Plan Distribution Date
Smooth On	122	7	5% on Plan Distribution Date
Spary-Tech, Inc.	225	12	5% on Plan Distribution Date
Sunoco	2,668	134	5% on Plan Distribution Date
The Buncher Company	147,088	7355	5% on Plan Distribution Date
The Buncher Company	175,685	8785	5% on Plan Distribution Date
Tom Brown, Inc.	132	7	5% on Plan Distribution Date

Total Quality Logistics (PC)	1,950	98	5% on Plan Distribution Date
Unishippers	853	43	5% on Plan Distribution Date
Verizon	363	19	5% on Plan Distribution Date
Young Galvanizing	431	22	5% on Plan Distribution Date
Total	492,678	24,862	

F. **Will periodic payments be made to unsecured creditors?** No. Class 3 claimants will paid a one time payment of 5% of their claims on the Plan Distribution Date.

G. **State source of funds for plan payments:** Current bank deposits and future earnings.

H. **Other significant features of the plan:** None.

Section 9 - Comparison of Plan with Chapter 7 Liquidation

If Debtor’s proposed plan is not confirmed, the potential alternatives would include a proposal of a different plan, if the Court so permitted, a dismissal of the case, or conversion of the case to Chapter 7. If this case is converted to Chapter 7, a trustee will be appointed to liquidate the debtor's non-exempt assets. In this event, all secured claims and priority claims, including all expenses of administration, must be paid in full before any distribution is made to unsecured claimants. Attached as Exhibit “A” is a liquidation analysis which shows that Class 3 unsecured creditors would **not** receive any distribution if Debtor’s case was converted to a chapter 7 proceeding.

Will the creditors fare better under the plan than they would in a Chapter 7 liquidation?

Yes. Under the Plan Class 3 claimants will be paid 5%.

Section 10 - Feasibility

- A. Attached as Exhibit “B” is a plan payment summary.
- B. Attached as Exhibit “C” is a historical summary of Debtor’s operations from June 20, 2017 to April 30, 2018, a projected summary of cash from for the first 12 months of the Debtor’s plan, and a plan feasibility table to show Debtor will have sufficient cash to fund its plan payments for the first 12 month.
- B. Attached as Exhibit “D” is a summary of the Debtor’s monthly operating reports from June 20, 2017 to April 30, 2018.
- C. To be paid on the plan distribution date: \$37,902. The basis of this estimate is:

479	Secured claims
11,287	Administrative claims (on court approval)
254	Other priority claims
24,632	Unsecured claims
1,250	U.S Trustee fees
37,902	Total

- F. What assumptions are made to justify the increase in cash available for the funding of the plan? None.
- G. Will funds be available to pay administrative expenses in full on the plan distribution date? Yes. From what source? Current cash deposits and future earnings.
- H. Current Cash on Hand: \$46,904 as of April 30, 2018 (A page from Debtor’s checking account is attached as Exhibit “E” to verify current cash. Statement excluded \$3,000 in escrow with Counsel). Estimated Cash on date of confirmation \$50,000. Estimated cash on had on plan distribution date: \$60,000.

Section 11 - Management Salaries

Position/Name of Person Holding Position	Salary at Time of Filing	Proposed Salary (Post-Confirmation)
Rick Tavares	100,000	60,000
Richard Lang	100,000	60,000

Section 12

Identify Effect on Plan Payments and Specify Each of the Following:

- A. What, if any, Litigation is Pending? None.
- B. What, if any, Litigation is Proposed or Contemplated? None.

Section 13 - Additional Information and Comments

In the case of a conflict between the terms of the Plan and the terms of the Disclosure Statement, the Plan shall control.

Section 14 - Certification

I, Rick Tavares, certify that the information herein is true and correct to the best of my knowledge and belief formed after reasonable inquiry. Signature of counsel is required by the Court and is not a certification of the accuracy this document.

May 18, 2018

/s/ Richard Tavares _____√

/s/ Gary W. Short _____
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