IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re	Chapter 11
Axion International, Inc., *et al.*,[1]	Case No.: 15-12145 ( )
Debtors.	(Joint Administration Requested)

DECLARATION OF DONALD W. FALLON IN SUPPORT OF CHAPTER 11 PETITIONS AND RELATED MOTIONS

Pursuant to 28 U.S.C. § 1746, Donald W. Fallon declares as follows:

1. I am at least 21 years of age and am competent to give this declaration. In addition to the personal knowledge that I have acquired while working with the above-captioned debtors and debtors-in-possession (the "Debtors"), I have knowledge of and familiarity with the Debtors' books and records as well as their financial and operational affairs. I have also participated directly or indirectly in communications and negotiations with the Debtors' secured lenders, vendors, customers, and others and have worked closely with the Debtors' personnel, who handle business operations and financial management, the Debtors' outside counsel and other advisors. Except as otherwise indicated, all statements in this declaration are based upon my personal knowledge, my review of the Debtors' books and records, and other relevant documents and information prepared or collected by the Debtors' employees. In making the statements herein, based upon the foregoing, I have relied in part upon others to accurately record, prepare, and collect any such documentation and information.

[1] The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Axion International, Inc. [1880], Axion International Holdings, Inc. [6389], Axion Recycled Plastics Incorporated [5048]. The address of the Debtors' corporate headquarters is 4005 All American Way, Zanesville, OH 43701.

2. I am the Chief Financial Officer, Treasurer, and an Authorized Representative of each of the Debtors. I have been a member of the Debtors' management team since November 2010.

3. I submit this declaration (the "First Day Declaration") in support of the Debtors' petitions and "first-day" motions (collectively, the "First Day Motions"). As CFO, I am authorized to submit this Declaration on behalf of the Debtors. If I were called to testify as a witness in this matter, I could and would competently testify to each of the facts set forth herein based upon my personal knowledge and review of documents or upon my professional opinion.

4. On the date hereof (the "Petition Date"), the Debtors filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware (the "Court"). The Debtors will continue to operate their business and manage their properties as debtors-in-possession.

5. I submit this First Day Declaration on behalf of the Debtors in support of (i) the Debtors' voluntary petitions under title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as amended (the "Bankruptcy Code"), and (ii) the Debtors' First Day Motions. The Debtors seek the relief set forth in the First Day Motions with the goal of minimizing the adverse effects of the commencement of these chapter 11 cases on their business. I have reviewed the Debtors' petitions and the First Day Motions, or have otherwise had their contents explained to me, and it is my belief that the relief sought therein is essential to ensure the continued survival of the Debtors and the success of these chapter 11 cases (the "Chapter 11 Cases").

I. BACKGROUND OF THE DEBTORS

A. Business Operations

6. Axion International Holdings, Inc. ("Holdings") is a publicly-traded company (AXIH), organized under Colorado law, with executive offices in Zanesville, Ohio. As of the Petition Date, Holdings had 54,121,611 shares of common stock, par value $0.016 per share, traded on the OTCC Bulletin Board. Axion International, Inc. ("Axion International"), a Delaware corporation, is a wholly-owned subsidiary of Holdings, and Axion Recycled Plastics Incorporated ("Axion Recycling"), an Ohio corporation, is a wholly-owned subsidiary of Axion International. The chart attached hereto as Exhibit A reflects the organizational structure of the Debtors.

7. The Debtors manufacture, market and sell structural products and building materials, with an emphasis on railroad ties and construction mats. Using patented technology and proprietary known-how, the Debtors transform post-consumer and post-industrial recycled plastics, such as high-density polyethylene and glass-filled polypropylene, into products that are ideal replacements for traditional materials made from wood, steel or concrete. Compared to traditional materials, Axion products are cost competitive, and feature longer life cycles and lower maintenance costs. The Debtors' manufacturing facilities (both of which are leased) are located in Zanesville, Ohio and Waco, Texas.

8. The Debtors' strategic focus has been to (i) expand manufacturing capacity to meet current demand for their railroad ties and construction and temporary road mats; (ii) further penetrate chosen end-use markets in the railroad, transportation, and oil and gas industries; (iii) identify new applications for the Debtors' proprietary

technologies based on market research and geographic segmentation; and (iv) spread exposure to risk and liability through product stratification.

9. Unfortunately, however, the Debtors have been plagued by a lack of liquidity requiring a reduction in production capacity. The Debtors' principal costs and expenses include raw materials and expenses associated with production and manufacturing. To compensate for the liquidity challenges, the Debtors were forced to reprocess slow-moving and obsolete products into new products and to liquidate inventory at lower sales prices in order to induce customers to purchase and/or accept shorter payment terms.

10. Due to the liquidity issues, recurring losses from operations, and negative operating cash flows, the Debtors recently disclosed in notes to its financial statements that it questioned its ability to continue as a going concern. The actions taken by the Debtors to decrease production activity, liquidate available inventory and to seek additional capital investment from both public and private sources have proved largely unsuccessful. Through funds made available prior to the Petition Date and the proposed DIP Facility (defined below), the Debtors are purchasing raw materials and rebuilding relationships with vendors who are necessary to the production side of the Debtors' business.

B. Prepetition Capital Structure

11. On November 15, 2013, Axion Recycled Plastics entered into an agreement (the "2013 Purchase Agreement") to acquire certain assets of a recycled plastics facility located in Zanesville, Ohio. As a component of the consideration paid for these assets, Axion assumed a 3% promissory note payable to the State of Ohio with a

remaining principal balance of $236,201 as of June 30, 2015 (the "Ohio State Note" and the "Ohio State Secured Debt"). The Ohio State Note is secured by first-priority liens encumbering certain equipment owned by Axion Recycling (the "Ohio State Collateral").

12. In 2013, the Debtors entered into two term loans with The Community Bank in the aggregate principal amounts of $1,000,000 and $3,500,000 (the "Community Bank Debt"). The Community Bank Debt bears interest at 4.25% per annum, is secured by first-priority liens encumbering certain identifiable equipment owned by the Debtors (the "Community Bank Collateral"), and matures on November 15, 2018.

13. Over the course of the last several years, investor Allen Kronstadt loaned substantial sums of money to the Debtors (for operational and other needs), sometimes on an unsecured basis and others on a secured basis. As of the Petition Date, the total principal sum owed to Kronstadt pursuant to secured promissory notes is approximately $5.2 million (the notes are referred to as the "Kronstadt Secured Notes" and the debt owed pursuant thereto, is referred to as the "Kronstadt Secured Indebtedness"). The Ohio State Note, the Community Bank Debt and the Kronstadt Secured Notes are hereinafter referred to as the "Prepetition Obligations." In addition, Allen Kronstadt together with the State of Ohio and The Community Bank, are hereinafter collectively referred to as the "Prepetition Lien Holders." The Kronstadt Secured Notes are secured by (a) second-priority perfected security interests in the Ohio State Collateral and the Community Bank Collateral, and (b) a first-priority perfected security interest in all of the other assets of the Debtors (together with the Ohio State Collateral and the Community Bank Collateral, the "Kronstadt Collateral"). The Ohio State Secured Debt, the Community Bank Debt

and the Kronstadt Secured Indebtedness are hereinafter referred to as the "Prepetition Secured Debt."

14. During 2014, the Debtors borrowed $4,000,000 from EagleBank pursuant to the terms of a promissory note and loan agreement (the "EagleBank Debt"). Interest accrues on the outstanding principal of the EagleBank Debt at a fixed interest rate of 5% per annum and is payable monthly. All outstanding principal and accrued but unpaid interest is due on September 18, 2017. The EagleBank Debt is not secured by any of the Debtors' assets.

C. Employees

15. As of the Petition Date, the Debtors employ approximately 70 employees (collectively, the "Employees"). Sixty-nine Employees work full-time and one Employee works part-time. Seventeen are salaried Employees, including one that earns a salary plus commission, and fifty-three are hourly. The Employees are paid bi-weekly in arrears. The Debtors use a third party to process the payroll for the Employees. The Debtors' average payroll obligation is approximately $142,000. The next scheduled payroll dates are on or around December 4 and 18, 2015.

16. The Employees have specialized skills and are closely familiar with the Debtors' operations and product lines. I believe that the Debtors' Employees are critical to continued operations and the Debtors' ability to preserve, maximize, and ultimately realize the value of their business as a going concern.

D. Cash Management System

17. As of the Petition Date, and in the ordinary course of their business, the Debtors maintain two bank accounts (collectively, the "Accounts") at PNC Bank. An

operating account (the "Operating Account") is used to collect funds generated by the Debtors' operations, and to disburse funds to satisfy the Debtors' general financial obligations. The Debtors manually transfer funds from the Operating Account to a payroll account (the "Payroll Account"), which is used to make payroll disbursements. In order to minimize the disruption caused by these bankruptcy filings and maximize the value of the estates in these chapter 11 proceedings, it is vital that the Debtors maintain their current Accounts and system for managing cash.

III. EVENTS LEADING TO THE DEBTORS' CHAPTER 11 CASES

18. As noted above, the Debtors are facing a liquidity crisis requiring a curtailment of production, and are therefore unable to meet customer demand. In addition to their cash flow crisis, as of September 30, 2015, the Debtors had a working capital deficit of $10,100,000, a stockholders' deficit of $31,500,000 and accumulated losses of $86,200,000. Further details of the Debtors' financial performance can be found in the Debtors' most recently filed Form 10Q (Quarterly Report pursuant to Section 14 or 15(d) of the Securities Exchange Act of 1934) for the quarterly period ended September 30, 2015, filed on or about November 16, 2015.

19. Given the Debtors' inability to independently survive as a going concern, the board of directors of the Debtors has authorized the filing of these Chapter 11 Cases to pursue a sale of the Debtors' assets. Accordingly, the Debtors are in the final stages of an extensive marketing process for the sale of their business. As described in further detail below, the Debtors have entered into a stalking horse purchase agreement with Allen Kronstadt as a potential purchaser. Mr. Kronstadt intends to credit bid at least $3.2 million of the Kronstadt Secured Indebtedness and (through the entity designated to take

title to the purchased assets) assume the balance of such indebtedness that Mr. Kronstadt does not credit bid. The Debtors intend to seek approval of certain bid protections and bidding procedures to complete the marketing process and ensure that the Debtors realize the highest and best value for their assets.

20. In order to fund the continued operations of the Debtors during the completion of the marketing process, Plastic Ties Financing LLC ("Plastic Ties" or the "DIP Lender") has agreed to provide the Debtors with postpetition financing up to $2.2 million pursuant to a DIP credit agreement (the "DIP Credit Agreement") evidenced by an amended term sheet and the anticipated court orders approving the arrangement. Plastic Ties is an entity owned 100% by Murray Koppelman (neither a creditor of nor equity holder in the Debtors). I understand that Mr. Kronstadt serves as the Manager for Plastic Ties, and I (together with other members of the Debtors' management team) have worked with Mr. Kronstadt and his professionals to negotiate the terms and facilitate the initial funding of the DIP Credit Agreement.

21. The Debtors will be able to draw up to $850,000 of this facility immediately upon issuance of an interim order approving the DIP Credit Agreement. The DIP Credit Agreement also includes a release and waiver of certain rights in favor of Plastic Ties, as DIP Lender, and Mr. Kronstadt, as a prepetition lender and stalking horse purchaser. I believe the Debtors would be forced to immediately cease operations and liquidate its assets without access to the anticipated availability under the DIP Credit Agreement.

22. These Chapter 11 Cases will allow the Debtors to maintain operations and save jobs while providing the necessary time to complete the current sales process for the

benefit of stakeholders. Absent the protections of the Bankruptcy Code, the Debtors will run out of cash, shut down operations, layoff employees and liquidate, all to the detriment of the Debtors' employees, customers, suppliers, and creditors.

A. The Debtor's Prepetition Search for Alternatives

23. The Debtors' access to capital has always been extremely limited. Since September 2012, the Debtors have relied upon the continued financial contributions from a concentrated group of investors (including Mr. Kronstadt) who owned a substantial portion of the Debtors' debt and equity securities. In March 2015, all but one member of this group (i.e. Mr. Kronstadt) indicated, in light of the uncertainty they believe existed surrounding the Debtors' future prospects, that they were unwilling to invest further.

24. In order to address the issues facing the Debtors' businesses, the Debtors undertook a series of activities designed to enable the Debtors to remain in business while they considered their alternatives. These activities primarily consisted of ceasing the reengineering and build out of the Zanesville facility to support additional manufacturing, liquidating inventory at favorable prices and securing orders with favorable pricing terms from customers who had an interest in the Debtors' survival.

25. On April 25, 2015, the Debtors retained, on a nonexclusive basis, Gordian Group, LLC ("Gordian") to provide financial advisory and investment banking services. In connection with its nonexclusive engagement, Gordian advised the Debtors with respect to the potential restructuring of their outstanding indebtedness. The scope of Gordian's engagement included: (i) raising new or replacement debt or equity capital (or other investment or financing) for any of the Debtors, (ii) a restructuring, amendment, extension, exchange, compromise, repayment, retirement, satisfaction, conversion,

refinancing or other modification of any of the Debtors' indebtedness (contingent or otherwise) or a portion of any of the Debtors' obligations, (iii) any other restructuring, reorganization or recapitalization of any of the Debtors, (iv) any merger, consolidation, joint venture or other business combination involving any of the Debtors, (v) a sale of substantially all or a portion of the assets or outstanding securities of any of the Debtors, and/or (vi) the acquisition of substantially all or a portion of the assets or outstanding securities or another entity.

26. Subsequent to Gordian's nonexclusive engagement and through November 2015, the Debtors and Gordian, either together or independently, considered over 300 potential strategic and financial investors, creditors, equity holders and other parties in interest with respect to potential investments, financings, mergers or sales of the Debtors. The Debtors or Gordian contacted 177 of these potential investors and partners. Of those interested parties, 134 received additional information in advance of signing confidentiality agreements and 106 parties signed confidentiality agreements and were granted access to the Debtors' electronic data room, financial models and customer information. Of those parties, 74 had discussions with management respecting potential investments, financings, mergers or sales of the Debtors, with over 70% of these parties stemming from the Debtors' independent marketing efforts or from prospects given to Gordian by the Debtors to manage. Several strategic purchasers surfaced and the Debtors pursued preliminary merger/investment discussions with another strategic party it identified. Two private equity funds expressed interest and after extensive due diligence determined not to present a term sheet. At one point, Debtors were able to secure a non-

binding letter of intent ("LOI") from an asset-based lender which conducted extensive due diligence and after approximately five weeks withdrew its LOI.

27. In all cases, the Debtors tried to accommodate all reasonable requests upon expressions of interest, including arranging calls with key customers, engaging in face to face meetings, arranging calls with the Debtors' outside counsel, developing financial models based upon potential investee assumptions and always making the Debtors' management available to answer questions. In addition, to aid potential investment, the Debtors attempted to reduce and restructure The Community Bank's loans to have its preferred stockholders forego their put right and to convert to common stock and to secure investors to potentially co-invest alongside Mr. Kronstadt, who had indicated his desire to invest in Debtors if additional investors could be obtained. None of the Debtors' efforts in any of these regards proved successful.

28. After all possibilities were exhausted and the Debtors ability to remain in business was threatened due to a liquidity crisis, Mr. Kronstadt, through Plastic Ties, facilitated negotiations for a DIP loan and effectively a bridge loan to enable the Debtors to reach chapter 11 with sufficient funding. Plastic Ties has also agreed to post-petition financing in the form of a DIP facility (the "DIP Facility") that will provide the Debtors with liquidity as they pursue a sale of their assets under section 363 of the Bankruptcy Code.

29. As set forth in detail above, the Debtors attempted to design and execute an out-of-court restructuring, but this has proven impossible. Based on the current financing environment coupled with the Debtors' weak financial condition, the Debtors have determined that no outside sources of capital would be willing to fund the Debtors

under its current capital structure. The Debtors have attempted to restructure their obligations outside of bankruptcy, but this has not proven successful. Cost-saving measures have been implemented. However, without the necessary balance sheet restructuring, such measures and improvements have not been sufficient to turn around the Debtors' financial difficulties in the current economic environment or to attract sufficient equity investment or financing.

30. After extensive negotiations with their lenders, a review of various liquidation and sale recovery scenarios and discussions with the Debtors' professionals, the Board ultimately determined in the exercise of their reasonable business judgment that the most effective way to maximize the value of the Debtors' estates for the benefit of their constituents is to seek bankruptcy protection. The Debtors believe that proceeding under chapter 11 will enable them to achieve a new capital structure to operate as a going concern, fund their operations and obligations in the ordinary course, and maximize the value of such assets with reduced potential risks, contingencies and uncertainties.

31. Having exhausted options other than filing for protection under the Bankruptcy Code, and in order to effectuate strategies to maximize value for all constituents, including unsecured creditors, the Debtors' board of directors (the "Board") voted to authorize the Debtors to file for chapter 11 relief through a Unanimous Written Consent on December 2, 2015.

B. The Kronstadt Stalking Horse Bid

Allen Kronstadt's Relationship with the Debtors

32. Commencing in August 2012, Allen Kronstadt, along with two other individuals and/or their affiliates, began to actively invest in the Debtors through the purchase of 8% secured convertible notes for which they were also issued warrants. Upon his initial investment of approximately $2.4 million, Mr. Kronstadt was elected to the Debtors' board of directors. Through December 31, 2014, Mr. Kronstadt purchased $5.2 million of the 8% notes (the notes are collectively referred to as the "Kronstadt Secured Notes" and the debt owed pursuant thereto, is referred to as the "Kronstadt Secured Indebtedness"). In addition to these notes, Mr. Kronstadt thereafter purchased $666,667 of a different series of 8% convertible notes., $333,333 of 12% convertible notes and approximately $2.4 million of a series of 12% notes, which were secured by a pledge of Holdings equity interest in Axion Recycling and Axion International (collectively, "Additional Kronstadt Indebtedness"). Mr. Kronstadt never converted any of the Kronstadt Notes. On June 9, 2015, Mr. Kronstadt resigned from the Debtors' board of directors.

33. When the Debtors, in anticipation of an up-listing to a national exchange in April 2015, initiated a tender offer to acquire their outstanding warrants in exchange for the issuance of shares, Mr. Kronstadt tendered his warrants and obtained 10.9 million shares of the Debtors' common stock. Mr. Kronstadt was also issued approximately 1.6 million shares of common stock as interest on his convertible notes. Until the two other investors with whom Mr. Kronstadt invested forgave their debt and relinquished part of their shares in October, 2015, Mr. Kronstadt held a 17.8% interest in the Debtors'

common stock. As a result of the relinquishment, Mr. Kronstadt became a 20.1% stockholder.

34. On November 24, 2015, Mr. Kronstadt tendered to the Debtors in exchange for $2.00 the Additional Kronstadt Indebtedness. He also tendered back to the Debtors in exchange for $2.00 all shares of common stock, stock options and warrants registered in his individual name. As of the date hereof, 224,803 shares of common stock are held by a tax-exempt foundation established by Mr. Kronstadt and trusts established for the benefit of Mr. Kronstadt's direct descendants. Mr. Kronstadt no longer holds shares of the Debtors in his individual name.

The Stalking Horse Term Sheet

35. The Debtors have concluded that the sale of their assets pursuant to section 363 with an open and competitive auction process will maximize the value of their assets for the benefit of creditors. Accordingly, the Debtors have negotiated the terms for an asset purchase agreement (the "Stalking Horse Term Sheet") for the sale of all or substantially all of their assets to Mr. Kronstadt (or his designee) (the "Purchaser"), subject to higher and better bids and court approval. A copy of the Stalking Horse Term Sheet is attached to the Debtors' bidding procedures and sale motion (the "Sale Motion"), filed contemporaneously herewith. I understand that the Debtors and Mr. Kronstadt will negotiate a formal asset purchase agreement to be filed with the Court prior to the hearing on the bidding procedures. As consideration for the sale, Mr. Kronstadt would credit bid at least $3.2 million of the Kronstadt Secured Indebtedness, and the entity vehicle used to take title to the Debtors' assets will: (i) assume the balance of the Kronstadt Secured Indebtedness that is not credit-bid; (ii) assume the full balance of the DIP Facility that is

not credit-bid; (iii) pay the cure costs for any assumed and assigned contracts and leases, and (iv) make a cash payment of $500,000 to acquire the Ohio State and the Community Bank Collateral.

36. The Debtors believe it is in the best interests of their estates, creditors, customers and employees to commence a bidding process immediately, as the Debtors have limited funding and resources to try to maximize the value of their assets. Indeed, the DIP Facility is available only for a short period of time. Although the Debtors are operating on reduced expenses, it is unlikely they will be able to continue operating beyond the period of this proposed bidding process without additional funding, the source of which would be uncertain.

37. The Debtors evaluated the terms of Mr. Kronstadt's offer with the assistance of their professionals and, in their reasoned business judgment, concluded that the Stalking Horse Term Sheet represents the best opportunity to initiate a sale process that will maximize creditor recoveries (both in terms of purchase price and in terms of maintaining production operations). The Debtors have marketed and will continue marketing their assets and business in an effort to solicit further interest from both strategic acquirers and financial buyers and investors.

38. The counterparties to any assumed and assigned contracts and leases can be assured of future performance by the Purchaser. The Purchaser (backed by Mr. Kronstadt and potentially other investors) has financial credibility, business expertise and a proven record of success, sufficient working capital to operate and manage the purchased assets, and both the intent and proven access to resources to satisfy all obligations required under the contracts and leases following the closing of the Sale.

39. The Stalking Horse Term Sheet contemplates a forty-eight (48) day sale process in these Chapter 11 Cases. The Debtors propose the following timeline in connection with the sale:

EVENT	DATE
Bidding Procedures Hearing	December 23, 2015
Objection Deadline for Sale Hearing	January 12, 2016 at 4:00 p.m.
Bid Deadline	January 15, 2016 at 5:00 p.m.
Auction Date (if necessary)	January 18, 2016 at 10:00 a.m.
Sale Hearing	January 19, 2016

I believe that this timeframe is appropriate given the Debtors' prepetition marketing efforts and its inability to address its urgent liquidity issues.

40. The Stalking Horse Term Sheet incorporates various negotiated bidding procedures (the "Bidding Procedures"), pursuant to which the Debtors will solicit superior offers for their assets. In general terms, the Bidding Procedures provide an opportunity for other interested purchasers to perform necessary diligence and submit competing bids. The Debtors will conduct an auction if other qualified bids are ultimately received.

41. In consideration of Mr. Kronstadt's expenditure of time and money, his agreement to act as the initial bidder, and the preparation of the Stalking Horse Term Sheet, the Stalking Horse Term Sheet and Bidding Procedures contemplate a break-up fee of $550,000 and expense reimbursement up to $250,000 for reasonable expenses (including reasonable legal fees) incurred in connection with the sale transaction (the "Bidding Protections"). The Bidding Protections, which are subject to the Court's

approval, are payable by the Debtors subject to certain conditions identified in the Stalking Horse Term Sheet.

42. I believe a significant number of parties that reasonably could be expected to consummate a transaction with the Debtors were contacted by the Debtors or their advisors. The parties that executed nondisclosure agreements during the prepetition process were granted access to substantially the same diligence materials the Debtors will use in the postpetition sale process. Moreover, the Debtors' liquidity crisis necessitates a prompt and orderly sale to preserve and maximize going concern value. Absent a prompt sale pursuant to the proposed procedures and timeline, the Debtors believe that the going concern value of the acquired assets will be significantly compromised, rendering the possibility of a sale unlikely and a liquidation of the enterprise likely. The Debtors therefore submit that the proposed timeline is more than sufficient to complete a fair and open process that will maximize value for the Debtors' assets while at the same time preserve the going concern value.

43. I believe that the Debtors' existing products and services can produce positive EBITDA and operating cash flow with opportunities for future growth. Nonetheless, as a result of the factors discussed above, the Debtors have suffered a systematic decline in EBITDA, continue to operate at a net loss, and still experience severe liquidity concerns as a result of consistently negative cash flow. The Debtors cannot continue to function financially in the near term absent a sale of the business or financial restructuring.

44. I further believe that, subject to higher and better offers, the Stalking Horse Term Sheet represents the best available option for the continuation of the

Debtors' business. The Stalking Horse Term Sheet allows for the Debtors' creditors to benefit from the going concern value of the business, preserves jobs, and achieves assumption and assignment of a substantial number of the Debtors' contracts and leases; results that would not be achieved in a liquidation scenario.

45. As a result of the foregoing developments, the Debtors have on this date commenced the Chapter 11 Cases and filed various administrative and operational First Day Motions, as further described herein. Among the relief sought is interim and final approval of the DIP loan provided by Plastic Ties. I believe, based on my personal knowledge of the Debtors' affairs and my conversations with certain of the Debtors' management, Employees, and advisors, that absent approval of the relief sought, including DIP Credit Agreement authorization, the Debtors will be unable to continue operations on an uninterrupted basis, which in turn will jeopardize the Debtors' going concern value and any prospect of recovery to the Debtors' creditors.

IV. THE DEBTORS' FIRST DAY MOTIONS

46. I have formed opinions as to (a) the necessity of obtaining the relief sought by the Debtors in the First Day Motions, (b) the need for the Debtors to continue to effectively operate, and (c) the negative effects if the Debtors do not obtain the requested relief. My opinions are based upon my first-hand experience, my review of the relevant documents, my discussions with other members of the Debtors' management team and the Debtors' advisors.

47. I reviewed each of the First Day Motions and participated in the preparation thereof. I believe, to the best of my knowledge, that the facts set forth in the voluntary petition and the First Day Motions are true and correct. This representation is

based upon information and belief and my thorough review of various materials and information, as well as my experience and knowledge of the Debtors' operations and financial condition. Based upon the foregoing, if called to testify, I could and would testify competently to the facts set forth in each of the First Day Motions.

48. The relief sought in the First Day Motions will minimize the adverse impact of these cases on the Debtors' customers, Employees, and suppliers, while allowing the Debtors to maximize value for their creditors. I believe that the relief sought in the First Day Motions is necessary to enable the Debtors to operate effectively as debtors-in-possession.

49. The Stalking Horse Term Sheet contemplates the purchase of a going concern. I believe that it is critical to the viability of the Stalking Horse Term Sheet that the going concern value be preserved, that disruption of the business operations be kept to a minimum, and that all deadline dates be met.

50. Some of the First Day Motions request authority to pay or otherwise honor certain prepetition claims. I am advised that Rule 6003 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") provides that "except to the extent relief is necessary to avoid immediate and irreparable harm," the court shall not consider motions to pay prepetition claims during the first twenty (20) days after the filing of a petition. As set forth in more detail below and in the First Day Motions, I believe that the Debtors' requests for authority to pay prepetition claims are narrowly tailored to those circumstances where the failure to pay such claims would bring immediate and irreparable harm, or which would otherwise be entitled to administrative priority under the Bankruptcy Code.

A. Administrative Motion

Joint Administration Motion

51. Many of the motions, applications, hearings and orders that will arise in these Chapter 11 Cases will likely jointly affect all of the Debtors. I believe that the interests of the Debtors, their creditors and other parties in interest would be best served by the joint administration of these Chapter 11 Cases. I further believe that in order to optimally and economically administer the Debtors' pending Chapter 11 Cases, such cases should be jointly administered, for procedural purposes only, under the case number assigned to Debtor Axion International. Joint administration will also significantly reduce the volume of paper that otherwise would be filed with the Clerk of this Court, render the completion of various administrative tasks less costly and minimize the number of unnecessary delays. Moreover, the relief requested by this motion will also simplify supervision of the administrative aspects of these cases by the Office of the United States Trustee (the "U.S. Trustee").

52. For these reasons and as more thoroughly provided in the motion, I believe, and the Debtors submit, that the relief requested in this motion is in the best interest of the Debtors, their estates and their creditors and should therefore be approved.

B. Operational Motions

Cash Management/Bank Accounts Motion

53. By this motion, the Debtors seek entry of an order (a) authorizing the continued use and maintenance of the Debtors' existing bank Accounts, (b) authorizing the continued use of the Debtor's business debit cards; (c) authorizing the Debtor to pay certain Bank Fees (as defined in the motion), without regard to when such fees arose, (d)

authorizing the continued use of the Debtors' existing business forms, and (e) waiving the requirements of section 345(b) of the Bankruptcy Code.

54. The Debtors' cash management system has been designed (i) to provide an efficient method of collecting, transferring and disbursing funds; (ii) to establish procedures and controls necessary to account for funds in an accurate manner; and (iii) to facilitate satisfaction of the Debtors' financial obligations. The Debtors maintain current and accurate accounting records of cash transactions; all funds received or disbursed by the Debtors are properly reflected on the Debtors' books and records.

55. In order to minimize the disruption caused by these bankruptcy filings, and to maximize the value of the Debtors' estates, it is vital for the Debtors to maintain their current Accounts and cash management system.

56. The Debtors also seek a waiver of the U.S. Trustee's requirement that their existing Accounts be closed and that new postpetition bank accounts be opened. If enforced in this case, such requirements would cause significant disruption in the Debtors' business and would impair the Debtors' chapter 11 efforts.

57. The Debtors also request that they be authorized to continue to use all correspondence, business forms (including, but not limited to, letterhead, purchase orders, and invoices), and checks existing immediately before the Petition Date without reference to the Debtors' status as debtors-in-possession. If the Debtors were required to change their correspondence, business forms, and checks, they would be forced to choose standard forms rather than the current forms with which those that do business with the Debtors are familiar. Such a change in operations would create a sense of disruption and

potential confusion within the Debtors' organization, as well as with customers and suppliers.

58. I believe it is critical that the Debtors be granted the relief requested by this motion to minimize the disruption caused by these Chapter 11 Cases. For these reasons and as more thoroughly provided in the motion, I believe, and the Debtors submit, that the relief requested in this motion is in the best interest of the Debtors, their estates, and their creditors, and should therefore be approved.

Motion to Pay Employee Wages, Benefits and Withholdings

59. By this motion, the Debtors request an order authorizing, but not directing, the Debtors to pay or otherwise honor prepetition wages and salaries, and prepetition obligations, arising under various employee benefit and insurance programs, including reimbursable expenses, subject to caps set forth in the motion. The Debtors further seek authority to continue various employee benefit and insurance programs, as further described in the motion, in the ordinary course of business.

60. The Debtors have costs and obligations with respect to their Employees relating to the period prior to the Petition Date. By this motion, the Debtors request authority to pay any wages and salaries accrued, but unpaid prepetition, on a postpetition basis, in an amount not to exceed $200,000. The Debtors also seek authority to continue their employee benefit programs, including reimbursement of certain expenses incurred by Employees, and generally make payments related thereto, in the ordinary course of business, in an amount not to exceed $15,000. Finally, the Debtors request authority to continue, in the ordinary course of business, their 401(k) retirement plan, which does not involve employer contributions.

61. The Debtors are required by law to withhold certain amounts from its Employees' wages and to remit the same to the appropriate taxing or other garnishment authorities. These withholding amounts relate to, for the Debtors' Employees, federal, state, and local income taxes, as well as social security and Medicare taxes. The Debtors may also be required to withhold amounts from the Employees' wages for such items as court ordered child support payments, other garnishment of wages, and government mandated savings plans. I believe that the current practice of directing such funds to the appropriate parties is in the ordinary course of business and appropriate on a postpetition basis.

62. The Debtors also seek authorization directing all banks and payroll services to receive, process, honor, and pay any and all checks related to wages and benefits, whether presented before or after the Petition Date, provided that sufficient funds are on deposit in the Debtors' Accounts to cover such payments.

63. There can be no doubt that the Debtors' Employees are a substantial component to the uninterrupted operation of the Debtors' business during these Chapter 11 Cases. For these reasons and the others described more thoroughly in the motion, I believe the relief sought in this motion is necessary to avoid immediate and irreparable harm, including, but not limited to, the loss of Employees and the potential shutdown of operations.

Insurance Motion

64. By this motion, the Debtors seek an order authorizing the Debtors to maintain existing insurance policies, pay all policy premiums and fees arising thereunder, whether prepetition or postpetition, and renew or enter into new policies as needed.

65. The Debtors maintain numerous insurance policies (each a "Policy" and collectively, the "Policies") through different carriers in the ordinary course of their businesses. In particular, the Debtors' Policies include, *inter alia*, commercial general liability, umbrella liability, workers' compensation, environmental impairment liability, business automobile, employment practices, international liability, property, and coverage for the Debtors' directors and officers. The Debtors' Policies are essential to the preservation of their businesses, properties, and assets, and in many cases, such Policies are required by applicable regulations, laws, and contracts governing the Debtors' business and operations.

66. The Debtors pay premiums in varying frequencies directly to the provider for each Policy. The Debtors believe they are current on their payments under each Policy as of the Petition Date, except for an outstanding $134,945 premium payment for their property and casualty policy, which amount is included in the Debtors' postpetition budget. By this Motion, the Debtors seek authority to pay any prepetition amounts outstanding. Further, the Debtors seek authority to pay up to a cap of $150,000 of premiums and broker fees relating to the prepetition period that will come due postpetition. The Policies are essential to the Debtors' business and the Debtors believe it is in the best interest of their estates to permit the Debtors to honor their obligations under the current Policies. Any other alternative would likely require considerable additional cash expenditures and would be detrimental to the Debtors' efforts to maximize the value of their estates.

67. For these reasons and as more thoroughly provided in the motion, I believe, and the Debtors submit, that the relief requested in this motion is in the best interest of the Debtors, their estates, and their creditors and should therefore be approved.

Utilities Motion

68. In connection with the operation of their business and management of their leased properties, the Debtors obtain power, telephone, water, trash and other similar utility services (collectively the "Utility Services") from a number of utility companies (collectively, the "Utility Companies"). By this motion and pursuant to sections 105(a) and 366 of the Bankruptcy Code, the Debtors request, among other things, entry of interim and final orders (i) prohibiting utility service providers from altering, refusing or discontinuing services to, or discriminating against, the Debtors as a result of the commencement of these cases or on account of prepetition invoices, (ii) approving the Debtors' proposed form of adequate assurance, (iii) establishing procedures for resolving adequate assurance objections by utility providers, and (iv) scheduling a final hearing to consider the relief requested herein on a final basis (the "Final Hearing").

69. During the course of these Chapter 11 Cases, the Debtors intend to pay all postpetition obligations owed to the Utility Companies in a timely manner. The Debtors have budgeted availability that is more than sufficient to pay all postpetition obligations for Utility Services. With respect to adequate assurance of payment for postpetition services, the Debtors propose to reserve an amount equal to two (2) weeks of expected Utility Service usage (calculated as the average weekly usage in the 12 months prior to the Petition Date) for each Utility Company (the "Adequate Assurance Deposits").

70. Uninterrupted Utility Services are essential to the preservation of the Debtors' estates and assets, and therefore, to the success of the Debtors' Chapter 11 Cases. Should any Utility Company refuse or discontinue service, even for a brief period, the Debtors' ability to preserve and maximize the value of their respective estates could be severely and irreparably harmed. It is therefore critical that Utility Services continue on an uninterrupted basis. For these reasons and as more thoroughly provided in the motion, I believe, and the Debtors submit, that the relief requested in this motion is in the best interest of the Debtors, their estates and their creditors and should therefore be approved.

DIP Credit Agreement/Cash Collateral Motion

71. The Debtors do not currently have access to the funds they need to operate their business. As described more fully in the motion, the Debtors have obtained a $2,200,000 DIP Credit Agreement from Plastic Ties that will allow the Debtors to operate during these Chapter 11 Cases. The Debtors have also obtained agreed terms for its use of cash collateral with the stalking horse purchaser.

72. I believe that the DIP Credit Agreement represents the best terms currently available to the Debtors, and that the financing being provided by the Purchaser (including the use of cash collateral) is necessary to continue operations postpetition and consummate a going concern sale of the Debtors' assets.

73. The DIP Credit Agreement is critical to the success of these cases, as the Debtors are experiencing a significant liquidity shortfall. It is therefore necessary for the Debtors to obtain new liquidity, substantially on the terms provided in the DIP Credit Agreement, and be permitted to use cash collateral, to maintain their business operations,

and in turn, the going concern value of these estates pending consummation of a sale. Absent the financing provided for in the DIP Credit Agreement, I believe that the Debtors will soon not be able to meet their direct operating expenses and would face the prospect of a complete cessation of operations and liquidation. Such a result would undoubtedly cause immediate and irreparable harm to these estates by eliminating going concern value and any possibility of completing the sale, all to the detriment of the Debtors' creditors and stakeholders.

74. After an extensive search, a process in which I was integrally involved, I believe that the Debtors are unable to procure financing in the form of unsecured credit allowable under Section 503(b)(1) of the Bankruptcy Code, as an administrative expense under Section 364(a) or (b) of the Bankruptcy Code, or in exchange for the grant of an administrative expense priority pursuant to Section 364(c)(1) of the Bankruptcy Code, without the grant of liens on assets. The Debtors have been unable to procure the necessary financing on terms more favorable than the financing offered by the Purchaser pursuant to the DIP Credit Agreement.

75. For these reasons and as more thoroughly provided in the motion, I believe, and the Debtors submit, that the relief requested in this motion is in the best interest of the Debtors, their estates, and their creditors and should therefore be approved.

C. Retention Application

Claims and Noticing Agent

76. This application seeks an order appointing Epiq Bankruptcy Solutions LLC ("Epiq") as the claims and noticing agent to assume full responsibility for the

distribution of notices and the maintenance, processing, and docketing of proofs of claim filed in the Debtors' Chapter 11 Cases.

77. I believe, based on my discussions with the Debtors' advisors, that the Debtors' selection of Epiq satisfies the Court's *Protocol for the Employment of Claims and Noticing Agents under 28 U.S.C. § 156(c)*, in that the Debtors have obtained and reviewed engagement proposals from at least two (2) other court-approved claims and noticing agents to ensure selection through a competitive process. Moreover, I believe based on all engagement proposals obtained and reviewed, that Epiq's rates are competitive and reasonable, given the quality of services and expertise. The terms of retention are set forth in the Engagement Agreement attached to the retention application.

78. The Debtors seek retention of Epiq solely in accordance with the terms and provisions as set forth in the retention application and the proposed order attached thereto. Although the Debtors have not yet filed their schedules of assets and liabilities, I anticipate that there will be approximately 838 creditors and 1253 shareholders to notice in these Chapter 11 Cases. In view of the number of anticipated claimants and interest holders, I believe that the appointment of a claims and noticing agent is in the best interest of the Debtors' estates and their creditors and interest holders.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on: December 2, 2015

By: */s/ Donald W. Fallon*
Donald W. Fallon

EXHIBIT A

Axion International, Inc. Organization Chart