

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF MARYLAND
(Baltimore Division)**

IN RE: * **Case No. 16-25294 NVA**
EXPERIMENTAL MACHINE, INC. * **(Chapter 11)**
Debtor. *

* * * * *

**AMENDED DISCLOSURE STATEMENT
IN SUPPORT OF THE PLAN OF REORGANIZATION
PROPOSED BY THE DEBTOR**

December 12, 2017

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**THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY HELP
YOU DECIDE WHETHER TO ACCEPT OR REJECT THE DEBTOR'S PLAN OF
REORGANIZATION. PLEASE READ THIS DOCUMENT WITH CARE.**

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Exhibits:

1. List of the Debtor's Machinery and Equipment
2. Schedule of Claims
3. Plan Payments Amortization Schedule
4. Chapter 7/Chapter Comparison Analysis

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(Baltimore Division)**

| | | |
|-----------------------------------|---|---|
| IN RE: | * | Case No. 16-25294 NVA (Chapter 11) |
| EXPERIMENTAL MACHINE, INC. | * | |
| Debtor. | * | |

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AMENDED DISCLOSURE STATEMENT

On November 18, 2016, Experimental Machine, Inc. (“Debtor”), a Maryland Corporation, filed a Voluntary Petition under Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Maryland (the “Court”). As required by the Bankruptcy Code, the Debtor has filed with the Bankruptcy Court a Plan of Reorganization (the “Plan”).

The Bankruptcy Code requires that the Debtor prepare and file a Disclosure Statement for the Court’s approval and for submission to the Debtor’s creditors. The purpose of the Disclosure Statement is to disclose to the creditors and those parties-in-interest that information deemed to be material, important, and necessary for its creditors to arrive at an informed judgment about the Plan filed by the Debtor with the Court. A copy of the Plan accompanies this Disclosure Statement.

Disclaimer

THIS DISCLOSURE STATEMENT IS NOT TO BE CONSIDERED A SOLICITATION FOR ACCEPTANCES OR REJECTIONS OF THE PLAN, RATHER IT IS

BEING FORWARDED TO YOU, AT THIS TIME, SO THAT YOU MAY CONSIDER IT IN THE LIGHT OF ITS INTENDED PURPOSE. THIS PROPOSED DISCLOSURE STATEMENT MAY ONLY BE APPROVED BY THE COURT AFTER IT HAS BEEN DETERMINED THAT IT CONTAINS ADEQUATE INFORMATION.

NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO ITS BUSINESS OPERATIONS, VALUE OF PROPERTY, OR VALUE OF ANY NOTES, OR PAYMENTS TO BE ISSUED UNDER THE PLAN) ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS STATEMENT. ANY REPRESENTATIONS, OTHER THAN AS CONTAINED IN THIS STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN YOUR CONSIDERATION OF THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. THEREFORE, THE DEBTOR IS UNABLE TO WARRANT THAT THE BOOKS AND RECORDS, FROM WHICH SOME INFORMATION HEREIN IS DERIVED, ARE WITHOUT ANY INACURACY. HOWEVER, THE DEBTOR BELIEVES ALL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT IS COMPLETELY ACCURATE.

Brief Overview of Plan to Pay Creditors

The Debtor's Plan allocates payments to creditors over 61 months from proceeds of operations and from the sale of equipment. For the first 12-24 months of the Plan, the Debtor pays secured creditors and leasehold creditors 55%-75% of their regular, pre-petition monthly amount. The Plan then increases monthly payments to secured creditors and leasehold creditors, on a case- by-case basis, to their full pre-petition payments for the remainder of the term of the

obligation. Plan payments to secured/leasehold creditors will begin in January, 2018, following monthly payments being made to secured/leasehold creditors pursuant to a cash collateral order which will conclude in December, 2017. The Debtor begins making monthly payments to unsecured claims on a *pro rata* basis in March, 2020 as secured and leasehold claims become satisfied. All claims will be paid in full (100%) by the conclusion of the Debtor's Plan.

General Information about the Debtor

In 1975, the Debtor opened its doors to provide commercial precision machining services and high-end commercial mold and dye work. Beginning 2009, the Debtor experienced significant growth and had expanded into military defense work. Around this time, Kirk Schmidt became the Debtor's sole owner and officer.

In 2010, the Debtor relocated to a facility on McCormick Road in Hunt Valley, Maryland, and continued to enjoy growth of its commercial and military orders. The Company's capabilities expanded to include production of high-end composite products, painting, and finishing. For example, the Company was one of the prime contractors in providing rocket fins produced for NASA and for the Missile Defense Agency.

Through 2014, the Company's growth was constant and demand was heavy; however, there was an unexpected sales down-turn. This reduction in work caused the Company to experience an annual sales reduction from \$4.3 million to \$2.3 million, and caused the Debtor to reduce its employees from over 40 to about 20. This down-turn in work was a result of the military sequester of the federal budget. The Debtor believes that military spending will soon resume to pre-sequester levels with the new incoming Administration and Congress.

In the summer of 2017, the Debtor relocated again to a property located in New Freedom, Pennsylvania in order to decrease its monthly rent.

The Debtor owns no real property. The Debtor owns machinery and equipment used in its facility. Attached hereto as Exhibit 1 is a list of the Debtor's machinery and equipment.

Financial History of the Debtor – Pre-Petition

Per the Debtor's tax returns, the Debtor's gross annual revenue for 2013 was \$4,671,685.00. In 2014, the Debtor's gross annual revenue was \$3,376,216.00. In 2015, the Debtor's gross revenue was \$3,392,973.00. The Debtor's gross revenue for 2016 through to November 18, 2016 (the date of filing its bankruptcy petition) was \$2,045,427.00.

Financial History of the Debtor- Post-Petition

Monthly gross sales for the Debtor have been increasing since filing bankruptcy. Revenues are as follows:

| | |
|--------------------------|--------------|
| November, 2016 (13 days) | \$56,617.32 |
| December, 2016 | \$182,955.67 |
| January, 2017 | \$156,552.00 |
| February, 2017 | \$209,861.75 |
| March, 2017 | \$325,435.98 |
| April, 2017 | \$218,086.91 |
| May, 2017 | \$238,357.09 |
| June, 2017 | \$167,067.36 |
| July, 2017 | \$171,914.11 |

| | |
|-----------------|--------------|
| August, 2017 | \$201,425.22 |
| September, 2017 | \$206,930.87 |
| October, 2017 | \$251,994.48 |
| November, 2017 | \$158,300.40 |

Additional details of the Debtor's monthly financials can be found in the Debtor's Monthly Operating Reports filed with the Court.

Significant Procedural History of Chapter 11 Case

On the day of the filing of the Debtor's voluntary petition, the Debtor filed an emergency motion to use cash collateral. The Debtor was able to reach a consent agreement with M&T Bank, the only creditor to hold an interest in cash collateral. The Debtor was also able to budget payments to secured creditors and leasehold creditors. By working with the creditors in this case, the Debtor has been able to obtain consensual use of cash collateral throughout this case.

Debtor has filed an application to appoint Clark Machinery Sales, LLC ("CMS") as sales broker to the Debtor for the sale of a Haas VF9/40, SN: 1089021 ("VF-9") machine. On August 7, 2017, the Debtor filed a motion to allow sale of that machine for \$80,000.00 which was granted by the Court. The machine was subsequently sold pursuant to the Order.

Debtor filed a motion to extend time to assume or reject the unexpired lease with Merritt/Bavar-VA-LLC ("Merritt") to evaluate the costs and benefits of relocation. Ultimately, the Debtor decided to reject to lease with Merritt and relocate in June, 2017. The new lease will have a monthly rent of \$14,250.00 thus saving the Debtor about \$9,000.00 per month in rent.

There have been no adversary proceedings filed in this case. The Debtor has been working cordially with all creditors and parties in this case in an attempt to resolve problems before they arise before the Court.

The Debtor filed a Plan of Reorganization and Disclosure Statement in May of 2017. The Disclosure Statement was conditionally approved by the Court and a hearing for Confirmation was set for August 9, 2017. The Debtor received sufficient ballots and votes to confirm the plan at that time.

However, just before the hearing date, the Debtor came to the belief and realization that it would not be able to make the payments as contemplated in the plan due to the reduced operational capacity resulting from the business relocation. Consequently, the Debtor requested a postponement of the confirmation hearing to reformulate a plan that set forth payments to creditors that were feasible.

The Plan of Reorganization

The following is a brief summary of the Debtor's Plan of Reorganization and is provided only to aid the Debtor's creditors in connection with this Disclosure Statement. The Plan itself should be read, in full, before a vote is cast and it is suggested that creditors discuss the Plan with legal counsel to fully understand the Plan and its effects. If there is an inconsistency between this Disclosure Statement and the Plan, the Plan shall govern.

Classes of Claims

The Debtor's Plan of Reorganization provides for the division of the allowed claims and creditors and interest holders into eleven (11) classes; a summary of these classes is set forth below:

Class I. Class I claims consist of the claims for costs and expenses of Administration as defined in Section 503(b) of the Bankruptcy Code. Such claims shall include, but not limited to,

the claims of the Debtor's attorneys and accountants. The Debtor estimates that attorney's fees to be approximately \$80,000.00 and accountant's fees to be approximately \$15,000.00.

Class II. Class II claims shall consist of Priority Claims allowed pursuant to Section 507 of the Bankruptcy Code, including, but not limited to, tax claims of governmental units, including the Internal Revenue Service and the Comptroller of the State of Maryland, but only to such extent that such claims are entitled to priority under Section 507(a)(8). A proof of claim lists the amount owed to the Internal Revenue Service at \$100.00 (Claim #3). Baltimore County Government asserts a claim for \$592.14 for unpaid personal property tax (Claim #7).

Class III. Class III claims shall consist of the secured claims of M&T Bank. M&T Bank holds three claims against the Debtor totaling approximately \$307,782.08 (as of the date of this filing) together with attorneys' fees (Claims #15, 16, and 17). M&T Bank's claims against the Debtor are secured by all of Debtor's assets.

Class IV. Class IV claim consists of a leasehold/secured claim by Wells Fargo in the amount of \$85,305.89 (Claim #20). This claim is secured by a Haas VF-9/40 Milling Machine (valued at \$70,000.00).

Class V. The Class V claim consists of the leasehold/secured claim held by Trinity Bank of the West ("Trinity") in the amount of \$40,989.00 (Claim #23). Trinity held a security interest in the Haas VF-2SS Milling Machine (valued at \$20,000.00), and the Haas VF9 Milling Machine (valued at \$70,000.00).

Trinity's claim was satisfied in full through the sale of the Haas VF-9. The Debtor now owns the title to Haas VF-2SS subject to the blanket lien of M&T Bank.

Class VI. Class VI claims shall consist of the leasehold/secured claim of TCF Equipment Finance, a division of TCF National Bank ("TCF"). TCF has a claim for \$80,480.45, plus

interest on such claim and reasonable fees, costs, and other charges under TCF's agreements with the Debtor (Claim #21). This claim is secured by a Haas DS-30Y Lathe Machine (valued at \$60,000.00) and 2 Haas VF-2SS Milling Machines (valued at \$40,000.00).

Class VII. Class VII claims shall consist of the two secured claims by Ford Motor Credit Claims (#4 and 5). These claims together amount to a total of \$59,499.15. These claims are secured by a Ford F150 (valued at \$27,000.00) and a Ford Expedition (valued at \$26,000.00).

Class VIII. Class VIII claims shall consist of the leasehold/secured claim of Siemens Financial Services. These claims together total \$176,196.96 (Claim #18). This claim is secured by a Haas VF6 CNC Milling Machine (valued at \$70,000.00) and a Haas DS-30SSY CNC Lathe Machine (valued at \$60,000.00).

Class IX. Class IX claim shall consist of the leasehold/secured claim of U.S. Bank. U.S. Bank has a claim against Debtor in the amount of \$30,456.96 (Claim #13). The claim is secured by a Haas VF-6SS Milling Machine (valued at \$40,000.00).

Class X. Class X claims shall consist of all general unsecured claims. The total amount of unsecured claims is estimated to be approximately \$630,000.00. A large portion of the unsecured claims is the claim of Merritt Properties, the Debtor's former landlord. Attached hereto as Exhibit 2 is an analysis of claims of all unsecured creditors.

Class XI. Class XI claims shall consist of all the legal, equitable and beneficial interests of the stockholder of the Debtor, Kirk Schmidt.

Treatment of Claims

The following sets forth the treatment of Claims. Attached hereto as Exhibit 3 is a spreadsheet setting forth payments to creditors through the term of this Plan.

Class I. Unimpaired – Administrative Class I creditors shall be paid, on the Effective Date of the Plan, in full, and in cash, the allowed amount of their claims by Order of this Court or in accordance with such agreements or arrangements as may be made between the Debtor and holders of Class I claims. Pursuant to Section 1123(a)(2) of the Bankruptcy Code, Class I creditors are not a class of claims which are impaired under this Plan within the meaning of Section 1124 and are deemed to accept the Plan pursuant to Section 1126(f). After confirmation of the Plan, the Debtor shall pay the reasonable fees and expenses incurred by its administrative creditors, including, but not limited to, its professionals and attorneys in connection with the consummation of the Plan and the performance of any duties or obligations necessary or appropriate in connection with this Chapter 11 proceeding in the ordinary course of business without further order of the Court. Notwithstanding the foregoing, the Court shall retain jurisdiction to resolve any dispute regarding post Effective Date administrative claims incurred prior to the closing of this case. The Debtor shall also pay to the United States Trustee all fees owed and allowed under 28 U.S.C. § 1930 during this Chapter 11 proceeding at the time such payments are due.

Class II. Unimpaired – The indebtedness of the Debtor’s Class II creditors shall be paid their allowed priority claims in full and in cash on the effective date of the plan.

Class III. Impaired - The indebtedness of the Debtor's Class III creditor, being M&T Bank, shall be modified as follows:

a. The Debtor shall pay the Class III holder \$6,000.00 per month for the first nine (9) months after the Effective Date of the Plan beginning on the fifteenth (15th) day of January, 2018 and ending in September, 2018. Beginning in October, 2018, the Debtor shall make equal monthly payments of \$7,500.00 per month through July, 2019. And beginning in August, 2019, the Debtor will resume its normal monthly pre-petition payment amount until the claim is satisfied.

b. The holder of the Class III claim shall retain its liens in the property of the Debtor, pursuant to its security agreement with the Debtor.

c. Payments shall be applied to principal on all loans on a *pro rata* basis. The Debtor may prepay the loan to the Class III creditor, at any time, without penalty or cost to the Debtor.

d. From and after the Effective Date, the Reorganized Debtor may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to affect a transfer of property required under the Plan, and to perform any other act, including the satisfaction of any lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

e. The modification of the debt due the Class III creditor shall not affect the liability of any guarantor, endorser or surety for such debt; however, as long as the Debtor remains in compliance with the provisions set forth in this Plan, and any order confirming this Plan as those provisions deal with the repayment of the claim owed by the Debtor to the Class III creditor, the Class III creditor shall not be permitted to proceed and is enjoined from proceeding against any guarantor, endorser or surety for debt owed by the Debtor.

f. Upon the Debtor's failure to make payment to M&T Bank when and as due, M&T Bank shall send a notice to the Debtor's counsel by email to mmyers@scarlettcroll.com setting forth the event of default and providing a 10-day period for the Debtor to cure the default. If the Debtor fails to cure the default, then the automatic stay of 11 U.S.C. § 362 shall be terminated as to M&T Bank at the sole election of M&T Bank". If there is a default under this Plan in the payments to the Class III secured creditor, then, after all periods of cure provided for under the loan documents, the Class III secured creditor may liquidate the collateral it maintains to secure its debt.

g. Except as modified herein, the present terms of the promissory note, security agreement and other loan documents shall remain effective and the reorganized Debtor shall execute such other modifications and agreements to effectuate the terms of this Plan as the Class III creditor may reasonably request.

Class IV. Impaired - The indebtedness of the Debtor's Class IV creditor, being Wells Fargo shall be modified as follows:

a. The Debtor shall pay the Class IV holder \$2,200.00 per month after the Effective Date of the Plan beginning on the fifteenth (15th) day of January, 2018 through July, 2019. Thereafter, the Debtor shall make equal monthly payments of its normal pre-petition amount estimated to be \$3,300.00 per month until the claim is satisfied.

b. The holder of the Class IV claim shall retain its lien/leasehold interest in the property of the Debtor, pursuant to its security agreement/lease with the Debtor.

c. Payments shall be applied to principal on all loans on a *pro rata* basis. The Debtor may prepay the claim of the Class IV creditor, at any time, without penalty or cost to the Debtor.

d. From and after the Effective Date, the Reorganized Debtor may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to affect a transfer of property required under the Plan, and to perform any other act, including the satisfaction of any lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

e. The modification of the debt due the Class IV creditor shall not affect the liability of any guarantor, endorser or surety for such debt; however, as long as the Debtor remains in compliance with the provisions set forth in this Plan, and any order confirming this Plan as those provisions deal with the repayment of the claim owed by the Debtor to the Class IV creditor, the Class IV creditor shall not be permitted to proceed and is enjoined from proceeding against any guarantor, endorser or surety for debt owed by the Debtor.

f. If there is a default under this Plan in the payments to the Class IV secured/leasehold creditor, then, after all periods of cure provided for under the loan documents, and after the Class IV secured/leasehold creditor has obtained the appropriate permission from the Bankruptcy Court, the Class IV secured/leasehold creditor may repossess or liquidate its collateral or property.

g. Except as modified herein, the present terms of the promissory note, security agreement and other loan documents shall remain effective and the reorganized Debtor shall execute such other modifications and agreements to effectuate the terms of this Plan as the Class IV creditor may reasonably request.

Class V. Unimpaired - The claim of the Debtor's Class V creditor, being Trinity, Bank of the West, has been satisfied.

Class VI. Impaired - The indebtedness of the Debtor's Class VI creditor, being TCF, shall be modified as follows:

a. The Debtor shall pay the Class VI creditor \$3,349.00 per month for the first ten (10) months after the Effective Date of the Plan, beginning on the fifteenth (15th) day of January, 2018 through October, 2018. Thereafter, the Debtor shall make equal monthly payments to the Class VI creditor of \$5,023.00 per month until the Class VI creditor's claim is satisfied.

b. The holder of the Class VI claim shall retain its lien/leasehold interest in the property of the Debtor, pursuant to its lease agreement with the Debtor, until such time as the claim is satisfied. Upon full payment of the Class VI creditor's claims, its liens will be released.

c. Payments shall be applied on all leases on a *pro rata* basis. The Debtor may prepay the claim of the Class VI creditor, at any time, without penalty or cost to the Debtor.

d. From and after the Effective Date, the Reorganized Debtor may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to affect a transfer of property required under the Plan, and to perform any other act, including the satisfaction of any lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

e. The modification of the debt due the Class VI creditor shall not affect the liability of any guarantor, endorser or surety for such debt; however, as long as the Debtor remains in compliance with the provisions set forth in this Plan, and any order confirming this Plan as those provisions deal with the repayment of the claim owed by the Debtor to the Class III creditor, the Class VI creditor shall not be permitted to proceed and is enjoined from proceeding against any guarantor, endorser or surety for debt owed by the Debtor.

f. If there is a default under this Plan in the payments to the Class VI creditor, then, after all periods of cure provided for under the lease documents, and after the Class VI creditor has obtained the appropriate permission from the Bankruptcy Court, the Class VI creditor may repossess or liquidate its collateral or property.

g. Except as modified herein, the present terms of any promissory note, security agreement and other lease documents shall remain effective and the reorganized Debtor shall execute such other modifications and agreements to effectuate the terms of this Plan as the Class VI creditor may reasonably request.

Class VII. Impaired - The indebtedness of the Debtor's Class VII creditor, being Ford Motor Credit shall be modified as follows:

a. The Debtor shall pay the Class VII holder \$900.00 per month until the claim is satisfied.

b. The holder of the Class VII claim shall retain its lien/leasehold interest in the property of the Debtor, pursuant to its security agreement/lease with the Debtor.

c. Payments shall be applied to principal on all loans on a *pro rata* basis. The Debtor may prepay the claim of the Class VII creditor, at any time, without penalty or cost to the Debtor.

d. From and after the Effective Date, the Reorganized Debtor may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to affect a transfer of property required under the Plan, and to perform any other act, including the satisfaction of any lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

e. The modification of the debt due the Class VII creditor shall not affect the liability of any guarantor, endorser or surety for such debt; however, as long as the Debtor remains in compliance with the provisions set forth in this Plan, and any order confirming this

Plan as those provisions deal with the repayment of the claim owed by the Debtor to the Class VII creditor, the Class VII creditor shall not be permitted to proceed and is enjoined from proceeding against any guarantor, endorser or surety for debt owed by the Debtor.

f. If there is a default under this Plan in the payments to the Class VII secured/leasehold creditor, then, after all periods of cure provided for under the loan documents, and after the Class VII secured/leasehold creditor has obtained the appropriate permission from the Bankruptcy Court, the Class VII secured/leasehold creditor may repossess or liquidate the its collateral or property.

g. Except as modified herein, the present terms of the promissory note, security agreement and other loan documents shall remain effective and the reorganized Debtor shall execute such other modifications and agreements to effectuate the terms of this Plan as the Class VII creditor may reasonably request.

Class VIII. Impaired - The indebtedness of the Debtor's Class VIII creditor, being Siemens Financial Services ("SFS") shall be modified as follows:

a. The Debtor shall pay the Class VIII holder \$4,544.00 per month for the first ten (10) months after the Effective Date of the Plan beginning on the fifteenth (15th) day of January, 2018 through October, 2018. Thereafter, the Debtor shall make equal monthly payments of \$6,816.00 per month until the claim is satisfied.

b. The holder of the Class VIII claim shall retain its lien/leasehold interest in the property of the Debtor, pursuant to its security agreement/lease with the Debtor.

c. Payments shall be applied to principal on all loans on a *pro rata* basis. The Debtor may prepay the claim of the Class VIII creditor, at any time, without penalty or cost to the Debtor.

d. From and after the Effective Date, the Reorganized Debtor may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to affect a transfer of property required under the Plan, and to perform any other act, including the satisfaction of any lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

e. The modification of the debt due the Class VIII creditor shall not affect the liability of any guarantor, endorser or surety for such debt; however, as long as the Debtor remains in compliance with the provisions set forth in this Plan, and any order confirming this Plan as those provisions deal with the repayment of the claim owed by the Debtor to the Class VIII creditor, the Class VIII creditor shall not be permitted to proceed and is enjoined from proceeding against any guarantor, endorser or surety for debt owed by the Debtor.

f. If there is a default under this Plan in the payments to the Class VIII secured/leasehold creditor, then, after all periods of cure provided for under the loan documents,

and after the Class VIII secured/leasehold creditor has obtained the appropriate permission from the Bankruptcy Court, the Class VIII secured/leasehold creditor may repossess or liquidate its collateral or property.

g. Except as modified herein, the present terms of the promissory note, security agreement and other loan documents shall remain effective and the reorganized Debtor shall execute such other modifications and agreements to effectuate the terms of this Plan as the Class VIII creditor may reasonably request.

Class IX. Impaired - The indebtedness of the Debtor's Class IX creditor, being U.S. Bank, shall be modified as follows:

a. The Debtor shall pay the Class IX holder \$900.00 per month until the claim is satisfied.

b. The holder of the Class IX claim shall retain its lien/leasehold interest in the property of the Debtor, pursuant to its security agreement/lease with the Debtor.

c. Payments shall be applied to principal on all loans on a *pro rata* basis. The Debtor may prepay the claim of the Class IX creditor, at any time, without penalty or cost to the Debtor.

d. From and after the Effective Date, the Reorganized Debtor may apply to the Bankruptcy Court for an order directing any necessary party to execute or deliver or to join in the execution or delivery of any instrument required to affect a transfer of property required under the Plan, and to perform any other act, including the satisfaction of any lien, that is necessary for the consummation of the Plan, pursuant to Bankruptcy Code § 1142(b).

e. The modification of the debt due the Class IX creditor shall not affect the liability of any guarantor, endorser or surety for such debt; however, as long as the Debtor remains in compliance with the provisions set forth in this Plan, and any order confirming this Plan as those provisions deal with the repayment of the claim owed by the Debtor to the Class IX creditor, the Class IX creditor shall not be permitted to proceed and is enjoined from proceeding against any guarantor, endorser or surety for debt owed by the Debtor.

f. If there is a default under this Plan in the payments to the Class IX secured/leasehold creditor, then, after all periods of cure provided for under the loan documents, and after the Class IX secured/leasehold creditor has obtained the appropriate permission from the Bankruptcy Court, the Class IX secured/leasehold creditor may repossess or liquidate its collateral or property.

g. Except as modified herein, the present terms of the promissory note, security agreement and other loan documents shall remain effective and the reorganized Debtor shall execute such other modifications and agreements to effectuate the terms of this Plan as the Class IX creditor may reasonably request.

Class X. Impaired - Class X General Unsecured Creditors shall be paid on a *pro rata* basis from operation revenues as follows:

- a. \$10,000.00 per month from March, 2020 until December, 2020, and \$20,000.00 per month from January, 2021 until March, 2023.

The Debtor will pay interest on unsecured claims at the Treasury rate being .45%. The Debtor estimates total payouts to general unsecured claims will be \$640,000.00 which will pay all claims in full.

Class XI. Unimpaired - The Class XI claimholder, being Kirk Schmitt, shall retain his 100% ownership interest in the Reorganized Debtor.

Means of Execution of Plan and Payment of Creditors

The Reorganized Debtor will make payments directly to the holders of the Class III through Class X claims. The Effective Date shall be the 15th day after entry of the Confirmation Order. Plan Payments to Class III through Class X Claims shall be made on the fifteenth (15th) day of each month beginning January, 2018. The payments to the creditors shall be derived from operational revenues. Attached hereto as Exhibit 3 is a 63-month *pro forma* that sets forth payments to the classes of creditors. The *pro forma* is based on recent operational expenses and projects modest annual increases in revenue over the term of the Plan.

The Debtor-in-Possession has been making adequate protection payments throughout this case to all the secured/leasehold creditors described above. The Debtor-in-Possession has established credibility and responsibility in making consistent monthly payments.

Acceptance of Plan

ACCEPTANCE AND CONFIRMATION OF THE PLAN MAY ALTER THE LEGAL RELATIONSHIP OF CREDITORS WITH THE DEBTOR. CREDITORS ARE URGED,

THEREFORE, TO READ AND UNDERSTAND THE PLAN AND TO CONSULT WITH LEGAL COUNSEL BEFORE ACCEPTING IT AND TO QUESTION THE DEBTOR AND ITS ATTORNEYS, IF THE DEBTOR'S CREDITORS OR THEIR COUNSEL FEEL THAT FURTHER INFORMATION IS NEEDED.

For the Debtor's Plan of Reorganization to be deemed accepted, it must be accepted by each class of claims that are impaired under the Plan. A class of claims has accepted the Plan if it has been accepted by creditors within a class that hold at least two-thirds (2/3rds) in the amount, and more than one half (1/2) of the allowed claims of such creditors that have accepted or rejected the Plan. If the class of claims does not accept the Plan, the Court, on request by the Debtor, may confirm the Plan if the Plan does not discriminate unfairly, and is fair and equitable with respect to the class of claims which has not accepted the Plan. A Plan is fair and equitable with respect to a class of unsecured claims if the class and all below it in priority are treated according to the absolute priority rules set forth in the Bankruptcy Code. The non-accepting class must be paid in full, before any junior class may share under the Plan.

As an additional requirement of Plan confirmation, the Debtor must show that at least one impaired class of creditors votes to accept the Plan.

A class of creditors that is not impaired under the Plan is conclusively presumed to have accepted the Plan, and solicitation of acceptances with respect to such class from the holders of claims or interests of such class is not required. When the time for voting on the Plan has passed, the Bankruptcy Court will hold a hearing and rule on the confirmation of the Plan in accordance with the Bankruptcy Code.

The Debtor projects all of the secured/leasehold creditors will vote to accept the Plan. It should be noted that the unsecured class is being paid in full the value of their claims, therefore, issues regarding compliance with the “absolute priority rule” is not a concern with this Plan.

Alternatives to Plan

There are several alternatives to the Plan as briefly described below:

1. Dismissal of Case.

If the case were dismissed, the Debtor would be immediately liable for all the pre-petition claims of the unsecured creditors class. Also, all of the negotiations for payment of secured creditors would be void, and the Debtor would immediately return to paying pre-petition monthly payments. The Debtor would not be able to make payments to secured creditors under the pre-petition terms. Dismissal of the Case would result in the Debtor having a negative cash flow. And creditors in the case would be vying against each other for payment of their claims.

2. Conversion to Chapter 7 Liquidation.

As previously stated, all unsecured creditors will be paid 100% of their claims plus interest under the Debtor’s Plan. The advantage of liquidation to creditors is that secured and unsecured creditors would be paid sooner than over the Plan’s 4-year term. However, the liquidation of the Debtor will cause the Debtor to lose the value of the going-concern. All the employees would lose their jobs. Many of the holders of unsecured claims are trade vendors that do business with the Debtor. If the Debtor is liquidated, the trade vendors would lose that stream of business.

The Bankruptcy Law requires that any holder of a claim in a Chapter 11 would not receive less than they would receive if the case were converted to a case under Chapter 7. In this case, the creditors will receive more in this Chapter 11 Plan.

Attached as Exhibit 4 is a comparison between the Debtor's Chapter 11 Plan with distributions under a Chapter 7 liquidation. The values of the assets are derived from the value of assets listed in the Debtor's Schedule B.

Also, a conversion to Chapter 7 would contradict the stated goal of Chapter 11 bankruptcies which is to provide a Debtor with a "fresh start."

3. Debt-for-Equity

A "Debt for Equity" plan involves distributing the ownership equity of the business to the holders of unsecured debt. This type of plan is common in large corporate restructuring. The value of the business is unknown but presumed to be very small.

Further, this alternative would have the ultimate effect of having all the unsecured creditors manage the Debtor as a pool of shareholders rather than Kirk Schmidt as the exclusive manager of the Debtor. This is not practical in a case involving a relatively small company. The Debtor is a small owner-operated business where much of the good will of the business resides with Kirk Schmidt

4. Payment of Unsecured Creditors over shorter term.

A payment term less than 4 years would result in a lesser payout to creditors. Or such a Plan would result in a negative cash flow for the Debtor and, thus, is not feasible.

Feasibility

For the Plan to be confirmed, the Court must find that no further reorganization of the Debtor is likely to occur under the Plan. The Debtor's plan to pay creditors and its *pro forma* are based on recent monthly operating income and expenses. The Debtor has shown a pattern of being able to make these payments when it is fully operational. The Debtor believes that it will generate sufficient operating capital to fund payments under this Plan and no further reorganization of the Debtor will be required.

The Debtor's gross income was substantially down in most of 2016. The Debtor's income recovered in 2017, however, during the period where the Debtor was relocating its facilities, the Debtor was not able to operate at full capacity. This caused the Debtor's gross income to drop for a couple months while the Debtor worked back to full operations. The Debtor has been operating at full operations again now for several months.

Management

The Debtor shall continue to employ the following individuals who are to serve, after confirmation of the Plan, as directors or officers of the Debtor.

| <u>Name</u> | <u>Office or Directorship</u> |
|-----------------|-------------------------------|
| 1. Kirk Schmidt | President and Owner |

The appointment to or continuance in office of such individuals are consistent with the interests of creditors and equity security holders and with public policy.

Potential Recoveries From Voidable Transfers

The Debtor believes there are no voidable transfers that may be recovered. Such recovery would be unnecessary because the Plan entails paying creditors 100%.

Tax Consequences of Plan

To the extent creditors have “written off” any accounts receivable on their tax returns, ordinary income may be recognized from any distributions received under the Plan.

THE DISCUSSION OF FEDERAL INCOME TAX CONSEQUENCES SET OUT HEREIN IS LIMITED TO THE GENERAL TAX CONSEQUENCES AFFECTING CREDITORS AS A RESULT OF THE DISCHARGE OF INDEBTEDNESS WITHOUT PAYMENT UNDER THE PLAN. THE TAX CONSEQUENCES APPLICATION TO AN EQUITY SECURITY HOLDER WILL BE ENTIRELY DEPENDENT UPON THE TAX STATUS OF THAT ENTITY OR INDIVIDUAL. EACH CREDITOR OR EQUITY SECURITY HOLDER SHOULD CONSULT THEIR OWN TAX ADVISOR TO DETERMINE THE TREATMENT AFFORDED THEIR RESPECTIVE CLAIMS OR INTERESTS BY THE PLAN UNDER FEDERAL TAX LAW, THE TAX LAW OF THE VARIOUS STATES AND LOCAL JURISDICTIONS OF THE UNITED STATES AND THE LAW OF FOREIGN JURISDICTIONS.

AS A RESULT OF CONTINUAL CHANGES BY THE UNITED STATES CONGRESS, THE TREASURY DEPARTMENT AND THE COURTS WITH RESPECT TO THE TAX LAW, REPRESENTATIONS WITH RESPECT THERETO OR ANY OTHER MATTER ASSOCIATED THEREWITH.

NO STATEMENT IN THIS DISCLOSURE STATEMENT IS TO BE CONSTRUED AS TAX ADVICE OR LEGAL ADVICE TO ANY CREDITOR OR EQUITY SECURITY HOLDER. THE DEBTORS AND THEIR COUNSEL AND ACCOUNTANTS ASSUME NO RESPONSIBILITY OR LIABILITY FOR THE TAX CONSEQUENCES A CREDITOR OR EQUITY SECURITY HOLDER MAY SUSTAIN AS A RESULT OF THE TREATMENT AFFORDED THEIR CLAIM OR INTEREST UNDER THE PLAN.

Conclusion

The Debtor's Plan calls for a reorganization of the company's debt. The Debtor's financial health was significantly weakened by the 2015-16 sequester. The Debtor's plan will allow the debtor to reorganize and continue as a going-concern. The Debtor's Plan is fair and equitable and affords the Debtor with an opportunity for a fresh start.

Experimental Machine, Inc.

Dated: December 12, 2017

By: s/ Kirk Schmidt
Kirk Schmidt, President

Submitted by:

/s/ Michael S. Myers
Michael S. Myers #28450

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Certificate of Service

I HEREBY CERTIFY that on this 12th day of December, 2017, I caused a copy of the foregoing Disclosure Statement to be sent electronically, by ECF Guidelines, pursuant to Local Bankruptcy Rule 9013-4, Federal Bankruptcy Rules 5005(a)(2) and 7005, to:

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