

**IN THE UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION**

IN RE ALLIED CONSOLIDATED INDUSTRIES,  
INC.

*Et al Debtor*

CASE No. 16-40675  
(Substantively Consolidated)

JUDGE KAY WOODS  
CHAPTER 11

**FIRST DISCLOSURE STATEMENT FOR JOINT PLAN OF REORGANIZATION PROPOSED BY THE  
DEBTOR AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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## I. INTRODUCTION

This is the disclosure statement (the “Disclosure Statement”) in the chapter 11 case of Allied Consolidated Industries, Inc. (“ACI”), as the substantively consolidated Debtor and Debtor in Possession in Case No. 16-40475; and as the successor to Allied Erecting & Dismantling Co., Inc., (“AED”) the debtor in Case No. 16-40672 (“AED Case”); Allied Industrial Scrap, Inc., (“AIS”) the debtor in Case No. 16-40673 (“AIS Case”); and, Allied-Gator, Inc., (“AGI”) the debtor in Case No. 16-40674 (“AGI Case.” Collectively the term “Debtor;” refers to ACI as the substantively consolidated Debtor and Debtor in Possession and the term “Reorganized Debtor” refers to the operations of the reorganized estate. This Disclosure Statement has been prepared by the Debtor. This Disclosure Statement contains information about the Debtor and describes the First Joint Plan of Reorganization Dated \_\_\_\_\_, 2017 and as may be amended (the “Plan”). A full copy of the Plan is included with this Disclosure Statement.

*Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.*

**The proposed distributions under the Plan are discussed at sections III.B and 0 below of this Disclosure Statement. General Unsecured Creditors are classified in Class 5, and those who hold Claims (“Creditors”) in that Class will receive 100% of their Allowed Claims, to be distributed when funds are available. Included with this Disclosure Statement is a ballot identifying in which Class of Claims your Claim has been Classified (“Ballot”). If you did not receive a Ballot, and you believe that you should have received a Ballot, please contact the Balloting Agent at the address included below.**

**The terms of the Plan have been carefully negotiated and are being jointly proposed with the official Committee of Unsecured Creditors (“Creditors Committee”) appointed in these cases by the United States Trustee. The Debtor and Creditors Committee recommend that you vote in favor of the Plan. A copy of a letter from counsel to the Creditors Committee is enclosed with these documents recommending that you vote in favor of the Plan.**

#### **A. PURPOSE OF THIS DOCUMENT**

This Disclosure Statement describes, among other things:

- The Debtor and significant events during this bankruptcy case (“Case”)
- How the Plan proposes to treat Claims or equity interests of the type you hold (*i.e.*, what you will receive on your Claim or equity interest if the Plan is confirmed),
- Who can vote on or object to the Plan,
- What factors the Bankruptcy Court (the “Court”) will consider when deciding whether to confirm the Plan,
- Why the Debtor believe the Plan is feasible, and how the treatment of your Claim or equity interest under the Plan compares to what you would receive on your Claim or equity interest in liquidation, and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement, and discuss it with your counsel. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights. Terms defined in this Disclosure Statement, the Plan or 11 U.S.C. § 101 et seq. (the “Bankruptcy Code” or “Code”) are capitalized herein.

#### **B. DISCLAIMER**

*The Court has not yet approved this Disclosure Statement as containing adequate information to enable parties affected by the Plan to make an informed judgment about its terms.*

## **II. BACKGROUND**

### **A. DESCRIPTION AND HISTORY OF THE DEBTOR’S BUSINESSES**

#### **▪ Formation of AED and Related Entities**

AED was co-founded on March 7, 1973 by current President, John R. Ramun, and his father, Michael Ramun. AED originally provided industrial dismantling of decommissioned industrial facilities. AED operated on a national level and provided its services for steel mills, coke plants, and auto plants.

AED was a pioneer in utilizing hydraulic shears that attached to the boom arm of an excavator. The shear was revolutionary and its performance exceeded expectations. As AED continued to grow and its reputation increased in the industry, additional sister companies came into being. Prior to the Chapter 11 filing, the subsidiary companies operated as separate but related divisions of ACI. These companies, both those in bankruptcy and those that are not, are collectively the “Allied Companies.” All of the Allied Companies are organized under the laws of the state of Ohio.

ACI (A debtor that is operating), was established in May 1985 and acts as the parent company for the Debtor and non-debtor companies. ACI engages in no other business other than

the management of its wholly-owned service-oriented companies and the development of long-term plans for the subsidiary companies. ACI's subsidiaries are:

- AGI. (A debtor that is operating). The success of the proprietary hydraulic shear led to the formation of AGI to design, manufacture and sell the shear to dismantlers around the world. Established in May 1981 AGI manufactures and markets hydraulic attachments utilized in the industrial dismantling and construction industries using patents owned by John R. Ramun as discussed in the "Intellectual Property" section below.
- AIS, (A debtor that is operating), was established in April 1985 and engages in the processing and sale of ferrous and non-ferrous scrap generated from AED's operations as well as the purchasing and brokering of scrap metals.
- Allied Industrial Equipment, Inc. ("AIE," A non-debtor that is not operating), was established in April 1985 and sold used and surplus equipment for the steel, automotive, and chemical industries. AIE has no employees and no assets. Its estimated net value is zero.
- Allied Industrial Development Corporation, Inc. ("AID," A non-debtor that is operating), was established in May 1985 as a real estate development entity. AID has no employees. Its assets consist of land and buildings comprising approximately one hundred acres with an estimated value of \$500,000. AID is indebted to AED, in the amount of approximately \$944,134.00. Its assets are pledged and included as assets of the Debtor and will be liquidated pursuant to the Plan.
- Allied Industrial Contracting, Inc. (A non-debtor that is not operating), was established in August 1985 and primarily rebuilt outdated industrial facilities into new, complete turnkey operations. Allied Industrial Contracting, Inc. has no employees and no assets. The estimated net value of this entity is zero.
- Allied Industrial Salvage, Inc. (A non-debtor that is not operating), was established in April 1985 and has never operated. The estimated net value of this entity is zero.
- Strenn Consulting, Inc. (A non-debtor that is not operating) was established in September 2004 and was a structural and civil engineering consulting firm. Strenn Consulting has no employees and owns no assets. The estimated net value of this entity is zero.

▪ **Location**

AED originally operated its original yard and business at 2100 Poland Avenue, Youngstown, Mahoning County, Ohio. Due to rapid growth the businesses soon expanded to the Debtor's present location at 1999 Poland Avenue, Youngstown, Ohio. The Allied Companies' complex has expanded to include a 25,000 square foot office building and a new 218,000 square foot machine shop, office, and training facility. The Debtor presently holds approximately 214.909 acres of surrounding industrial land and controls another approximately 106.049 acres held by AID.

▪ **Employees**

When AED began, it had seven to ten employees. As the businesses and services expanded, the number of employees increased to a high of 265 employees in 2008 plus sub-contractors and suppliers. Today the Debtor operates with less than thirty employees.

▪ **Insiders of the Debtor**

ACI is the parent company for all of the other Allied Companies. John R. Ramun, President is the 75% shareholder of ACI. Michael D. Ramun, his brother, is the other 25% shareholder in ACI. Michael D. Ramun is not an officer, not an employee and does not receive compensation from the Debtor.

**B. MANAGEMENT OF THE DEBTOR BEFORE AND DURING THE BANKRUPTCY**

John R. Ramun, President is the officer who is in control of the Debtor. Mr. Ramun has a current annual compensation of \$110,240.00 paid at a rate of \$2,120.00 per week. In addition to day-to-day operations, his general duties include submitting proposals, reviewing contracts, overseeing and supervising operations, schedules, maintenance, manpower, and equipment and overseeing and assisting with litigation as the representative of the Debtor.

John P. Ramun is the son of John R. Ramun. He is Assistant Secretary, and has a current annual compensation of \$162,000.80 paid at a rate of \$3,115.40 per week. His general duties include accounting, purchasing, payroll and benefits, tax compliance, human resources, and employee safety programs, overseeing and facilitating computer, phone, surveillance, and security systems, and supervision of outside mechanics and vendors.

Michael R. Ramun is the son of John R. Ramun. He serves Debtor as marketing manager of shears and attachment sales, has a current annual compensation of \$162,000.80 paid at a rate of \$3,115.40 per week. He is involved with the marketing, sales, and service of the Allied Gator line of hydraulic shears, attachments, and related equipment. His general duties also include inventory control and oversight of print, video, and social media advertising along with attendance of tradeshow.

The Plan contemplates that there will be no change in management of the Reorganized Debtor. Further, the Plan contemplates that management's salaries and compensation will not change during the Plan and that no dividends, bonuses, or other forms of additional compensation will be paid to management and/or equity holders.

**C. EVENTS LEADING TO CHAPTER 11 FILING**

The various operation Allied Companies remained consistent and strong through the massive and tumultuous downsizing of the American steel industry. Management adapted to the many changes facing the industry and the country and its strategic initiatives kept the companies afloat and profitable. Nevertheless litigation events led to the Debtor's bankruptcy filing.

▪ **The Prepetition U.S. Steel Litigation**

The major customer of AED was U.S. Steel. AED and U.S. Steel have a decades-long working relationship and an almost equally long history of litigation. The first dispute arose in 1986 in the Western District of Pennsylvania (the "1986 Case") That matter was settled on the eve of trial under a Settlement Agreement and General Release dated April 24, 1992 (the "1992 Settlement Agreement").

However AED felt that U.S. Steel did not abide by the terms of the 1992 Settlement Agreement and it again sued U.S. Steel in the United States District Court for the Western District of Pennsylvania (the “1993 Case”). The core of the 1993 case was dismissed by the trial court, but AED appealed that ruling and obtained a reversal reinstating it. In 2002 AED also sued U.S. Steel over additional claims that arose under the 1992 Settlement Agreement during the pendency of the appeal in the United States District Court for the Northern District of Ohio (the “2002 Case”).

After almost a month of trial, AED and U.S. Steel settled the 1993 Case pursuant to an Agreement in Principle dated November 17, 2003 (the “2003 AIP”), and shortly thereafter, AED and U.S. Steel settled all of their remaining disputes including the 2002 Case, pursuant to an Agreement in Principle dated April 5, 2004 (the “2004 AIP”). On July 15, 2004, the parties entered into a Dismantling Services Agreement to implement the terms of the 2003 and 2004 AIP’s (the “2004 DSA”).

Over the next ten (10) years, AED performed over 450 dismantling projects for U.S. Steel. In 2010, U.S. Steel and AED entered into a renewed Dismantling Services Agreement (the “2010 DSA”) – which extended until December 31, 2015 AED’s right to perform on a “last look” basis all of U.S. Steel’s dismantling work across the country.

a. The 2012 Case and Appeal

The one major exception to the parties’ otherwise productive and mutually beneficial relationship was the Sheet and Tin Project at the Fairless site. What was anticipated to be a very lucrative project became a delayed, costly and extremely inefficient project that drained AED of much of the settlement cash it had received under the 2003 and 2004 AIP’s. Instead of taking three (3) years to perform as required under the governing contract documents, the Sheet and Tin project took AED over seven (7) years to perform, which AED blamed on various delays and impacts caused by U.S. Steel. Consequently, on June 4, 2012, AED filed another complaint against U.S. Steel in the United States District Court for the Northern District of Ohio (the “2012 Case”).

In the 2012 Case cross motions for summary judgment were filed in early 2014. In its motion for summary judgment, U.S. Steel sought judgment as a matter of law on its Counterclaim II and also sought to dismiss Counts I, II, III, IV, V, and VI of AED’s Second Amended Complaint. AED cross moved for summary judgment on U.S. Steel’s Counterclaim II. On September 30, 2014, the trial court denied AED’s cross motion for summary judgment and granted, in part, U.S. Steel’s motion for summary judgment in the amount of \$10 Million and dismissing as a matter of law Count VI of AED’s Second Amended Complaint. As to Counts I, II, III, IV, and V, the trial court ruled that there were genuine issues of material fact warranting a jury trial of those claims.

A jury trial was conducted from May 18 to June 4, 2015. At the conclusion of AED’s case in chief, the trial court granted U.S. Steel’s oral directed verdict motion and dismissed as a matter of law Counts III, IV, and V (partial) as being barred by the statute of limitation – a defense not even raised by U.S. Steel at summary judgment.

The remainder of AED’s claims (including Counts I, II, V (partial), VII, and IX) were submitted to the jury. AED won all of the claims submitted to the jury, with the jury awarding AED damages in the amount of nearly \$1.7 million. On Count VII the jury found that U.S. Steel



had breached the 2010 DSA by not honoring AED's last look rights for railroad cars, and awarded \$662,442.00 in damages to AED. This finding of liability against U.S. Steel on Count VII is now binding on U.S. Steel with respect to all additional railroad cars that were not made part of the damages calculation presented at trial. Available information for the damages presented at trial was limited to a report that went through approximately October 2014. Railroad cars decommissioned from that point through the end of 2015 will represent additional damages to Debtor. These damages are now estimated at approximately \$1.2 million and are a part of the 2016 Case (described below).

In July 2015, U.S. Steel and AED filed motions for prejudgment interest and AED also filed a motion for judgment on Count I (declaratory judgment). The trial court awarded interest amounts to both AED and U.S. Steel, but, significantly reduced U.S. Steel's claimed interest from approximately \$6 million to \$1.8 million. Separately, the trial court denied Debtor's request for declaratory judgment.

Finally, U.S. Steel filed a motion to alter or amend the judgment entered in favor of AED on Count II of the Second Amended Complaint. U.S. Steel argued that the jury was precluded from entering damages in favor of AED because the jury also had found a "breach" by AED. AED opposed the motion, arguing that the trial court could easily harmonize the jury findings based upon the jury having awarded AED almost \$700,000 and U.S. Steel zero (0) and the principle of material breach. AED also argued that U.S. Steel must raise such an issue before the jury is discharged, and as it did not timely object, it waived any inconsistency in the verdict.

On March 17, 2016, the trial court granted U.S. Steel's motion to alter or amend the judgment, thereby eliminating the damages award in AED's favor on Count II and increasing U.S. Steel's net judgment to approximately \$10.6 million against AED. AED filed a notice of appeal on October 23, 2015. The notice of appeal was amended on April 11, 2016. AED appealed the trial court's award of affirmative summary judgment to U.S. Steel on its Counterclaim II in the amount of \$10 million; the trial court's granting of U.S. Steel's oral motion for directed verdict, which dismissed Counts III, IV, and V (partial) of the Second Amended Complaint; the trial court's granting of U.S. Steel's motion to alter or amend judgment; the trial court's denial of AED's request for judgment on Count I; and the trial court's granting of U.S. Steel's partial motion to dismiss – which dismissed Count VIII as a matter of law, although the Debtor believes the merits of the appeal are very strong. This judgment is on appeal with the 6<sup>th</sup> Circuit Court of Appeals.

#### ▪ **JP Morgan Chase Liquidation**

Because U.S. Steel was so much of AED (and hence the Debtor's) business income, the U.S. Steel Litigation severely impacted Debtor's finances. The Debtor had an asset backed line of credit with JP Morgan Chase Bank in the amount of \$3,400,000.00. On November 19, 2015, JP Morgan Chase cancelled Debtor's line of credit and demanded payment of the outstanding balance. In order to satisfy JP Morgan, the Debtor conducted two auctions of its equipment fleet. The first equipment auction occurred on September 2, 2015 and realized a gross amount of \$4,408,300.00 and net proceeds of \$3,967,470.00. The second equipment auction occurred on November 4, 2015 and realized a gross amount of \$3,956,500.00 and net proceeds of \$3,560,850.00. Out of the \$7,528,320.00 net auction proceeds, the sum of \$3,400,000.00 was paid to JP Morgan Chase on November 20, 2015 to satisfy the line of credit, and \$2,466,500.00 was paid on September 24, 2015 to pay-off the term loan with JP Morgan Chase.



### ▪ **Grant of Professionals' Lien**

Because of the decline in the Debtor's income and the cancellation of the line of credit, the Debtor fell behind on payments to its lawyers and accountants working on the U.S. Steel Litigation. In order to secure their existing balances and future services the AED and certain Allied Companies, AIE, AIC, and AID (and with AIE, AIC and the AED, jointly and severally, the "Grantors"), entered into a certain Consideration and Security Agreement made as of August 24, 2015 and into a certain Open End Mortgage, Security Agreement and Assignment of Rents and Profits made as of August 24, 2015 (collectively the "Security Agreement").

Under the Security Agreement the Grantors gave to Eckert Seamans Cherin & Mellot, LLC, ("ESCM") as agent for itself, Nadler Nadler & Burdman Co., LPA ("NNB") and Anness Gerlach & Williams, Inc. ("AGW" and with ESCM and NNB collectively, the "Professionals") a first priority security interest in all personal property of the Grantors, and a mortgage against all real property of AED (collectively the "Security Interest").

Each of the Professionals has filed a Proof of Claim for fees owed to them as of the Petition Date. ESCM for itself filed a Proof of Claim for \$1,346,075.43 (Claim No. 24), NNB filed a Proof of Claim for \$195,604.17 (Claim No. 25), and AGW filed a Proof of Claim for \$249,110 (Claim No. 34). These three claims total \$1,790,789.60, and each of them claims to be a fully secured claim by virtue of the Security Interest (collectively the "Pre-petition Professional Fees")

### ▪ **Norfolk Litigation**

Norfolk Southern Railway Co. ("Norfolk") holds a disputed judgment against AED (the "Norfolk Judgment"). On April 5, 2016, Norfolk obtained a judicial lien on AED's real property located in Mahoning County, Ohio, filed as 16 JD 00614 (the "Norfolk Judgment Lien").

The monetary portion of the Norfolk Judgment has an aggregate value of \$244,029.47, "plus any additional amounts resulting from [the Debtor's] obligation to 'ensur[e] that the road's surface is level and free from potholes and clear from more than two (2) inches of snow accumulation.'" The judgment also included a declaratory "Judgment for Exclusive Permanent Unconditional Easement" for the purpose of a new roadway, which impacts the value of vacant land owned by AED. On or about February 1, 2016, Debtor filed a motion for judgment notwithstanding the verdict and motion for new trial. The appeal period for the Norfolk Judgment was tolled because of the commencement of the bankruptcy case, and the Debtor's right to appeal the Norfolk Judgment has been preserved. On or about September 8, 2016, the judge entered an order indicating that he would not rule on any pending motions and instructed counsel to file a notice with the court when the bankruptcy proceedings have been discharged.. The Debtor believes that substantial and material errors occurred in the case against Norfolk that will result in a reversal of the exclusive easement portion of the Norfolk Judgment. On or about February 1, 2016, Debtor filed a motion for judgment notwithstanding the verdict and motion for new trial. As soon as practicable after the Effective Date, the Reorganized Debtor will continue to address the judgment for an "exclusive easement" to the extent it impairs reasonable use of the subject land.

#### **D. THE DEBTOR'S CHAPTER 11 FILING AND POST-PETITION ACTIVITIES**

Because AED was unable to get a stay of the U.S. Steel Litigation, the JP Morgan Liquidation and ongoing collection activity by U.S. Steel and Norfolk, the Debtors chose to file their Bankruptcy Cases.

On April 13, 2016 (the "Petition Date"), ACI, AED, AIS, and AGI each filed a voluntary petition for relief under the provisions of chapter 11 of the Bankruptcy Code. By an order entered on the Petition Date, the Debtor's cases were consolidated for procedural purposes and were being jointly administered.

On April 19, 2016 U.S. Steel filed its Creditor and Interested Party United States Steel Corporation's Expedited Motion To Appoint Trustee [Doc. 17] ("Motion for Trustee").

The Office of the United States Trustee for Region IX ("UST") appointed the Creditors Committee on May 16, 2016 [Doc. 75].

On July 11, 2016, the bankruptcy court substantively consolidated all the debtor companies (ACI, AED, AIS and AGI) into the consolidated Debtor. [Doc. 123]<sup>1</sup>

On July 18, 2016, an agreed order was entered employing Eckert Seamans Cherin & Mellott, LLC as special counsel for the Debtor to pursue the appeal and post-petition lawsuit against U.S. Steel.

On July 25, 2016 the Bankruptcy Court denied the Motion for Trustee [Doc. 132].

The Debtor is operating its businesses as debtor-in-possession, pursuant to 11 U.S.C. §§ 1107 and 1108.

On August 3, 2016 the Creditors Committee sent a letter to counsel for the Debtor requesting that the Debtor file an adversary proceeding to avoid the Professionals' Lien. When the Debtor declined to do so, on September 12, 2016 the Creditors Committee filed its Motion of Official Committee of Unsecured Creditors for Authority to File and Prosecute Adversary Proceeding on behalf the Estate [Doc. 147] seeking authority to bring an adversary proceeding to challenge the validity and priority of the Professionals' Lien. On October 18, 2016 the Bankruptcy Court entered an order granting the Creditors Committee's motion [Doc. 184]. On November 17, 2016 the Creditors Committee filed its adversary proceeding challenging the validity of the Professionals' Lien.

On February 6, 2017 the UST filed a motion to convert this case to one under Chapter 7 of the Bankruptcy Code. On February 8, 2017 U.S. Steel filed a motion to convert this case to one under Chapter 7 of the Bankruptcy Code ("Motions to Convert"). The Committee, ECSM and the Debtor opposed the Motions to Convert. The Bankruptcy Court set an evidentiary hearing on the Motions to Convert for March 14, 2017.

##### **▪ The Post-Petition U.S. Steel Litigation**

U.S. Steel denied AED various last look projects after the 2012 Case was initiated. This conduct was very consistent with what the jury verdict in AED's favor with respect to the

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<sup>1</sup> All docket references are to the docket for Case No. 16-40675.

railroad cars and barges under Count VII in the 2012 Case. The damages relating to last look projects under the 2010 DSA are estimated at \$3,552,170.

As a result of the parties' stipulation and the jury award and judgment in AED's favor on Count VII in the 2012 Case, the Debtor believes that U.S. Steel will be liable to AED for damages relating to all decommissioned railroad cars (and barges) not included in the Transtar report from October 2014 used at trial. Liability cannot be contested and the damages simply need to be calculated. Based on known information, these damages amount to at least \$1.2 million. However, when further information is discovered regarding railroad cars dismantled through the end of 2015, these damages could be much higher.

Further, U.S. Steel denied various change orders and withheld significant payments from Debtor relating to various project sites under the 2010 DSA. These change orders and withheld payments amount to \$3,194,520.

Finally, U.S. Steel failed to pay Debtor the 25% indirect cost mark-up on direct equipment costs under the 2004 AIP. The damages for this breach alone are \$8,847,794.

Therefore on September 6, 2016 the Debtor filed an action in the United States District Court for the Western District of Pennsylvania to recover on these claims (the "2016 Case").

#### **E. CLAIMS OBJECTIONS**

Except to the extent that a Claim is already Allowed pursuant to a Final Order<sup>2</sup>, the Creditor Trustee and the Reorganized Debtor reserve the right to object to Claims. The procedures for resolving disputes to Claims are set forth in Article IV of the Plan.

#### **F. CURRENT AND HISTORICAL FINANCIAL CONDITIONS**

**Federal Tax Returns:** Consolidated Federal Tax Returns for the year 2014 for the Debtor are attached hereto as Exhibit 1 and fully incorporated herein by reference.

**Operating Results:** A summary of Debtor's operating results for the two years prior to filing for bankruptcy are attached hereto as Exhibit 2 and fully incorporated herein by reference.

The identity and fair market value of the estate's assets on the date of filing as listed in on Schedule A and B filed in the Debtor's respective Bankruptcy Cases. The analysis of the value of the liquidation of those assets attached is provided in Section V.D below which has been prepared by the Debtor. The Debtor has prepared a projection of its future operations set forth in Exhibit 3. These documents are based on the Debtor's management's knowledge and experience in evaluating industrial property and equipment, discussions with John Lane of Inglewood Associates, LLC advisor to the Debtor. The projections are prepared on a cash basis of accounting.

The most recent post-petition operating report filed since the commencement of the Debtor's Case are set forth in Exhibit 4. That report shows that since the filing the Debtor has accumulated \$2,515,407<sup>3</sup> in cash.

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<sup>2</sup> Final Order shall mean an order which (i) any appeal that has been taken is finally determined, resolved or dismissed, or (ii) the time for filing a notice of appeal or petition for certiorari has expired and no notice of appeal or petition for certiorari has been filed.

<sup>3</sup> This amount was generated from: \$675,073 – operations and \$1,840,334 – sale of equipment.

### **III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS**

#### **A. WHAT IS THE PURPOSE OF THE PLAN OF REORGANIZATION?**

As required by the Code, the Plan places Claims and equity interests in various classes (“Class”) and describes the treatment each Class will receive, a process known as “Classifying” or “Classification” of Claims (and the Claims so organized are called “Classified Claims”). The Plan also states whether each Class of Claims or equity interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to the consideration provided by the Plan. Amounts paid to various Creditors holding either Classified or Unclassified Claims are referred to as “Distributions.”

#### **B. SUMMARY OF THE PLAN**

Under the Plan most of the Debtor’s property will be placed in the control of a Creditor Trust, managed by Inglewood Associates LLC and John Lane as the Creditor Trustee who will have full control and power to determine which transactions should be entered into, what property should be sold or leased and at what price, and will make all distributions to Creditors.

- The Litigation Claims will become property of the Reorganized Debtor, subject to all recovery rights in the Creditor Trust;
- The major asset is the AED real estate. In order to effectively liquidate that asset it must be marketed for an appropriate period estimated to be up to 24 months;
- The Plan creates 6 classes of Claims and one of Interests. Distributions will be 100% of Allowed Claims.

#### **C. UNCLASSIFIED CLAIMS**

Under section §1123(a)(1), Claims Allowed by the Bankruptcy Court pursuant to §503(b) of the Code (“Administrative Expense Claims”), and Allowed Claims entitled to priority pursuant to §507(a)(8) (“Tax Claims”) are not in classes under the Plan and ineligible to vote on the Plan. These Claims are collectively called “Unclassified Claims.”

##### **▪ Administrative Expense Claims.**

Each holder of an Administrative Expense Claim, including fees for professionals retained in the Cases by the Debtor or the Creditors Committee as ultimately Allowed by the Bankruptcy Court (“Professional Fee Claims”), will be paid in full in cash on the third business day after the later of either: (1) Effective Date or (2) the Date a Final Order is entered Allowing the Professional Fee Claim; or upon such other terms as may be mutually agreed upon between the holder of such allowed Professional Fee Claim and the Creditor Trustee or Reorganized Debtor. Each holder of a Professional Fee Claim must file with the Bankruptcy its final application for allowance of compensation for services rendered and reimbursement of expenses incurred through the Confirmation Date within 60 days after the Effective Date. Objections to any Professional Fee Claim must be filed with the Court and served on the Reorganized Debtor and the requesting party by the later of: (i) 90 days after the Effective Date; or (ii) within 30 days after the filing of the applicable request for payment of the Professional Fee Claim. The Debtor estimates the amount of Administrative Expense Claims to be \$500,000.00.

▪ **Tax Claims.**

Each holder of a Tax Claim will be amortized and paid in including interest from the Petition Date at the rate specified by applicable non-bankruptcy law, including the United States Tax Code or O.R.C. §§ 4123.32, 4141.23 and 5703.47 in equal quarterly cash installments starting no later than the end of the first quarter following the Effective Date and ending no later than five (5) years from the Petition Date, pursuant to 11 U.S.C. § 1129(a)(9)(C). Debtor believes that there are no tax claims, except the State of Ohio, Department of Taxation (“ODOT”) filed proof of claim number 8-1 in the AED Case in the amount of \$993,950.58 based upon an assessment. Of that amount ODOT claims \$881,918.75 is a Tax Claim and \$112,031.83 is a Class 5 Claim. The Debtor believes that there may be a basis to challenge this assessment inasmuch as it is based upon a use tax for equipment used in manufacturing. The Debtor believes that such equipment is exempt from use tax. The Debtor will continue through the process necessary to challenge this assessment. The balance of the other State of Ohio claims asserting priority is approximately \$15,000.

United States Trustee Fees. On and after the Effective Date, the Creditor Trust shall pay all fees incurred pursuant to 28 U.S.C. §1930(a)(6) (“U.S. Trustee Fees”) until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees due and owing on or before the Effective Date of this Plan will be paid on the Effective Date. Unless otherwise ordered by the Bankruptcy Court, the Creditor Trustee shall also file with the Bankruptcy Court and serve on the U.S. Trustee, a post-confirmation report for each quarter (or portion thereof) and pay all U.S. Trustee Fees when due from the Trust Assets, until a final decree is entered.

**D. CLASSES OF CLAIMS AND EQUITY INTERESTS**

Classified Claims and interests shall be treated as follows under the Plan:

<b>Class</b>	<b>Impairment</b>	<b>Treatment</b>
Class 1	Impaired; will be solicited to vote on the Plan.	By agreement, the Professionals Claim will be bifurcated into a secured portion in the amount of \$1,200,000 and an unsecured portion in the amount of \$590,789.60. After Allowed Administrative Expense Claims have been paid, the secured portion of the Class 1 Claims will be paid in full in cash from the Excess Equipment Proceeds and a deposit of \$106,132.97 with the United States District Court. The unsecured portion of the Class 1 Claims will be paid pro rata with Classes 2, 3 and 5 from the Trust Assets.
Class 2	Impaired; Entitled to Vote on the Plan	For purposes of distribution, the U.S. Steel Claim will be bifurcated into an estimated secured claim of \$2,684,754.52 (the “Estimated Secured Claim”) and an estimated unsecured claim of \$8,000,000.00. The unsecured portion of the U.S. Steel Claim will be paid pro rata with Classes 3 and 5 from the Trust Assets. The Estimated Secured Claim will be paid

Class	Impairment	Treatment
		from the proceeds of sale of the AED real estate after payment of costs of sale, real estate taxes, as to AED real estate that is part of the Collateral, and the balance owed on the Class 1 Claim, if any. The Estimated Secured Claim shall bear interest from the Petition Date at the rate specified by 28 U.S.C. § 1961 on the date of the U.S. Steel Judgment March 16, 2016 of 0.68% <sup>4</sup> until paid in full. Such net proceeds of sale may exceed the Estimated Secured Claim, in which case, U.S. Steel's estimated unsecured claim shall be reduced accordingly for purposes of subsequent pro rata distributions to unsecured creditors.
Class 3	Impaired; Entitled to Vote on the Plan	The Norfolk Judgment Lien was filed on April 5, 2016 (within 90 days of the Petition Date) and in any case is there is no value securing the Claim because of the amount of the Class 2 lien. The Claim of Norfolk shall be treated consistent with the basis of bifurcation for Class 2 and paid, with interest from the Petition Date at the rate of 0.68% until paid in full, pro rata with Class 2 unsecured Claim and Class 5 Claims from the Trust Assets.
Class 4	Impaired; Entitled to Vote on the Plan	Class 4 Creditors will be paid in full in cash on the Effective Date or will receive Periodic Distributions as soon thereafter as Sufficient Funds are available to pay such claims provided that all Claims entitled to Priority have been paid in full.
Class 5	Impaired; Entitled to Vote on the Plan	Class 5 Claims will be paid pro-rata with the remaining estimated unsecured portion of the Class 2 Claim and the Class 3 Claim from the Trust Assets once all payments or transfers to the above classes have been paid (with the exception of Classes 2 and 3).
Class 6	Impaired; Entitled to Vote on the Plan	Allowed, at \$900,000 but will be not be paid until all other Classes are paid in full. The allowed unsecured claim of Michael D. Ramun in the amount of \$450,000, shall be paid in full from the Creditor Trust by the Creditor Trustee prior to any payments to John R. Ramun on

<sup>4</sup> Even though in a chapter 7 analysis will not provide full payment, in a showing of good faith the Plan will provide for the payment of interest on all Allowed Claims.



Class	Impairment	Treatment
		account of his unsecured claim in the amount of \$450,000 and no payments shall be made to any direct family members (other than ordinary course of business salaries) until the allowed Class 6 claim of Michael D. Ramun has been paid in full. Further, John R. Ramun will reduce his Allowed Class 6 claim by \$100,000 as a contribution for his equity interest in the Reorganized Debtor.
Class 7 – Interests	Unimpaired; Deemed to have accepted the Plan and will not be solicited to vote on the Plan.	Class 7 is unimpaired by the Plan. Equity Interests have been modified as a result of the Claim Resolution Order. John R. Ramun is now the 100% owner of the Debtor, and will be the 100% owner of the Reorganized Debtor under this Plan. John R. Ramun will not receive any payments on account of such equity interest until all above Classes have been paid in full.

**E. INTEREST ON CLAIMS**

All unsecured Claims in Classes 1 through 5 and the Class 6 Claim of Michael D. Ramun shall accrue interest from the Petition Date until paid in full at the applicable federal judgment rate as set forth in 28 U.S.C. § 1961, calculated using the interest rate applicable to the U.S. Steel Judgment of 0.68% per annum.

**F. PLAN FUNDING.**

**Plan Funding.** The Plan will be funded from the following sources:

- **Sales of Trust Assets other than Cash on Hand and Operations Income.** The Creditor Trustee will sell any Trust Assets other than the Cash on Hand or Operations Income free of any lien, claim or encumbrance (such lien, claim or encumbrance being transferred to the proceeds of sale) to raise funds to make payments under the Plan.
- **Cash on Hand.** \$\$675,073.00<sup>5</sup> is estimated to be the amount of funds available for distribution on the Effective Date.
- **Excess Equipment Proceeds.** The net proceeds from the public auction of the Debtor’s excess equipment held on December 1, 2016 and other equipment sales in the amount of \$1,840,334.00 not part of the Cash on Hand.
- **Operations Income.** Net income from the scrap processing operations of AIS and the ongoing sales and other operations of the Reorganized Debtor i.e, the hydraulic shear business known as Allied Gator (“Operations Income”). As soon as all Claims in Classes 1 through 5 and the Michael D. Ramun Class 6 Claim

<sup>5</sup> Includes hydraulic shear sale escrow of \$563,975.00.

have been paid in full, the Reorganized Debtor's obligation to contribute the Operations Income to the Trust shall automatically cease..

- **Recovery from Norfolk Litigation.**
- **The Causes of Action.**
- **Proceeds from the Assumption and Assignment of the Fairless Agreements.**
- **Recovery from U.S. Steel.** Any right to recover from U.S. Steel as a result of the Reorganized Debtor prevailing in the U.S. Steel Appeal or the New U.S. Steel Suit until all funds paid to U.S. Steel from the Creditor Trust are recovered, provided the Creditor Trust has not been terminated as a result of full payment to all Classes of Claims other than Class 2.
- **Proceeds.** All net proceeds (after actual costs of sale) from any disposition of any of the Trust Assets regardless of whether the Creditor Trust holds legal and/or equitable title to any Trust Asset.

#### G. PROJECTED TIMING OF PLAN PAYMENTS

Estimated net receipts	Projected disbursement date range	Payment class(es) and estimated disbursement amounts
\$250,000 (1 <sup>st</sup> semi-annual distribution from sales operations following Effective Date)	Upon the Effective Date	Priority Tax Claims; Class 4 Claims; Administrative Expenses. The balance will be distributed equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Class 2 unsecured Claim, 3 and Class 5 Claims.
\$1,544,975 (Excess Equipment auction 12/1/2016)	Upon the Effective Date	Allowed Administrative Claims * the Professionals Allowed Class 1 Claim; and <i>pari passu</i> on Class 2 unsecured Claim, and the Class 3 and Class 5 Claims.
\$1,500,000 (sale of the bridge cranes) to be sold within 24 months of Confirmation Date	within 365 days after the Effective Date	Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims, determined on a <i>pari passu</i> basis.
\$1,018,000 (sale of the shoring towers)	within 180 days from the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims

\$250,000 (2nd semi-annual distribution from sales operations following Effective Date)	within 180 days from the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims
\$1,300,000 (special “marketing plan” auction for PC1100 package and related equipment)	within 180 days from the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims
\$82,000 (sale of the tension towers)	within 365 days after the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims
\$70,000 (sale of 393 gross tons of light railroad rails)	within 180 days from the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims
\$250,000 (3 <sup>rd</sup> semi-annual distribution from sales operations following Effective Date)	within 365 days after the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims
\$1,300,000 (sale of equipment used in scrap processing)	within 545 days from the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims
\$250,000 (4 <sup>th</sup> semi-annual distribution from sales operations following Effective Date)	within 545 days from the Effective Date	Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Unsecured Claim of Class 1, Class 2 unsecured Claim, and the Class 3 and Class 5 Claims

<p>\$1,500,000 (sale of approximately 300 acres of industrial real estate, not including manufacturing facility or office building if not previously sold within 24 months of Confirmation Date)</p>	<p>within 720 days from the Effective Date</p>	<p>Distributions shall be made by the Creditor Trustee to the lienholders in the following order of priority: (i) first on the Secured Claim of Class 1 to the extent of its Allowed Claim unless, at the time of the sale, there is a challenge to the Professionals Lender lien, in which case the value of the balance of the Secured Claim (not already paid or escrowed) will be placed in a separate escrow account to be established by the Creditor Trustee pending an outcome of that challenge; (ii) second, the balance of the proceeds, if any, shall be paid on the Secured Claim of U.S. Steel up to the value of its Claim; (iii) third, the balance of the proceeds, if any, shall be paid on the Claim of Norfolk up to the value of its claim; and (iv) fourth, any remaining proceeds shall be distributed on the Allowed General Unsecured Claims and the Unsecured Portion of the Class 1 Claim.</p>
<p>\$7,000,000 (auction of manufacturing facility, office building and structural steel) if not previously sold within 24 months of Confirmation Date)</p>	<p>within 720 days from the Effective Date</p>	<p>Distributions shall be made by the Creditor Trustee to the lienholders in the following order of priority: (i) first on the Secured Claim of Class 1 to the extent of its Allowed Claim unless, at the time of the sale, there is a challenge to the Professionals Lender lien, in which case the value of the balance of the Secured Claim (not already paid or escrowed) will be placed in a separate escrow account to be established by the Creditor Trustee pending an outcome of that challenge; (ii) second, the balance of the proceeds, if any, shall be paid on the Disputed Secured Claim of U.S. Steel up to the value of its estimated claim; (iii) third, the balance of the proceeds, if any, shall be paid on the Disputed Secured Claim of Norfolk up to the value of its estimated claim; and (iv) fourth, any remaining proceeds shall be distributed on the Allowed General Unsecured Claims and the Unsecured Portion of the Class 1 Claim.</p>
<p>\$3,000,000 (auction of CNC milling equipment if not previously sold within 24 months of Confirmation Date)</p>	<p>within 720 days from the Effective Date</p>	<p>Distributions shall be made equally by the Creditor Trustee, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, U.S. Steel and Norfolk. After payment in full of all Allowed Claims in Classes 1 through 5, the allowed unsecured claim of Michael D. Ramun in the amount of shall be paid in full by the Creditor Trustee.</p>

**H. PRESERVATION OF LITIGATION CLAIMS**

**▪ The Litigation Claims**

The Debtor is involved in the following actions, and listed in the bankruptcy schedules various claims for breaches of contract, covenants, good faith, fair dealing, consequential and business damage claims (all of which shall be referred to collectively as the “Litigation Claims”):

- The 2012 Case, the pending appeal of which the Debtor estimates the value to be nearly \$40 million.

- The 2016 Case. Debtor’s counsel has accepted employment on a contingency fee basis. The claims are valued by Debtor at approximately \$10 million.
- The Norfolk Judgment and appeal (the “Norfolk Litigation”). Any affected AED real estate will be sold subject to Norfolk’s Claim.
- AED commenced suit against Say Security Group USA, LLC in the court of common pleas, Mahoning County, Ohio, Case No. 14 CV 2442. This matter stemmed from a contract dispute over a security system. That matter is stayed due to the bankruptcy filing. The maximum value of this claim is \$21,750.00.
- AED and ACI commenced suit against the Surface Transportation Board in the United States District Court, Northern District of Ohio, Case Nos. 14-CV-03094, 14-CV-04020, and 15-CV-4012. These matters stemmed from disputes over the use of railroad easements. The judgment is on appeal to the United States Court of Appeals for the Sixth Circuit. Oral arguments were held on June 8, 2016 with no decision as of the time of this filing. The Debtor is seeking non-monetary relief concerning property usage and rights.
- Michael D. Ramun commenced litigation against John R. Ramun and ACI in the Mahoning County Court of Common Pleas, Case No. 04 CV 1738. Michael’s complaint had sought injunctive relief and alleged breach of fiduciary duty and breach of an oral contract. Counterclaims were filed on August 1, 2007 alleging a breach of fiduciary duty by Michael involving the misappropriation of confidential, proprietary, and trade secret information taken from ACI to be used to begin his own, competing business. The trial court denied injunctive relief and rendered summary judgment in favor of the John R. Ramun and ACI. That decision was affirmed on appeal by the Ohio Seventh District Court of Appeals in case number 12 MA 61. The counterclaims remain open and may have a value in an amount exceeding \$75,000.00. The claims were settled and released per the Claim Resolution Order.
  - All claims, causes of action, rights of action, suits, and proceedings, whether in law or in equity, whether known or unknown arising out of the matters addressed in the Litigation Claims, but only to the extent that they may be raised as amendments to existing pleadings or as additional claims or defenses in the filed Litigation Claims.

Upon confirmation of the Plan, all of the Debtor’s rights, title and interest in and to the Litigation Claims, shall be transferred to the Reorganized Debtor, to be prosecuted, defended, compromised, settled and otherwise dealt with in its sole and absolute discretion, with all proceeds paid to the Creditor Trust as described in the Plan.

**▪ Projected Recovery of Avoidable Transfers**

Other than the Creditors Committee’s adversary proceeding challenging the Professionals Lien, Litigation Claims and the 2016 Case, the Debtor does not believe there are any significant prepetition transactions that constitute avoidance actions (i.e., preference actions) under Chapter 5 of the Bankruptcy Code. Nevertheless all such claims, and all prepetition claims of the Debtor under Section 541, 544, 547, 548 and 550 of the Code (“Causes of Action”) other than the

Litigation Claims will be transferred to the Creditor Trust to determine whether any such Causes of Action should be pursued.

## **I. POST-PETITION MANAGEMENT OF THE DEBTOR'S ESTATES.**

### **▪ Creation of the Creditor Trust.**

On the Effective Date the Debtor will create a trust for the benefit of Unclassified Claims, and Classified Claims in Classes 1, 2, 3, 4, 5 and the allowed Claim of Michael D. Ramun in Class 6 and the Trust Assets will be placed into that trust ("Creditor Trust"). A copy of the proposed trust agreement is attached to the Plan as Exhibit 5. The Creditor Trust will be managed by the Creditor Trustee as described below and in the trust agreement.

### **▪ Trust Assets Defined.**

The assets to be transferred to the Creditor Trust (the "Trust Assets") shall include all assets of the Debtor as of the Effective Date other than the Reorganized Debtor Assets (as defined in Section 7.13 below) and include without limitation the following:

**NOTE: The transfer to the Creditor Trust shall in no way affect the liens and encumbrances relating to said real estate and personal property.**

The Creditor Trust shall have legal and equitable title to all assets of the Debtor (other than the Litigation Claims) including, but not limited to, the following assets:

- **Cash on Hand.** The net cash on hand on the Effective Date, excluding the Excess Equipment Proceeds.
- **Excess Equipment Proceeds.** The net proceeds from the public auction of the Debtor's excess equipment held on December 1, 2016 and other sales in the amount of \$1,840,334.00 not part of the Cash on Hand.
- **Income from Sales Operations.** Net income from the scrap processing operations of AIS and the ongoing sales and other operations of the Reorganized Debtor i.e, the hydraulic shear business known as Allied Gator ("Operations Income"). As soon as all Claims in Classes 1 through 5 and the Michael D. Ramun Class 6 Claim have been paid in full, the Reorganized Debtor's obligation to contribute the Operations Income to the Trust shall automatically cease. .
- **Recovery from the Norfolk Litigation.**
- **The Causes of Action.**
- **Proceeds from the Assumption and Assignment of the Fairless Agreements.**
- **Recovery from U.S. Steel.** Any right to recover from U.S. Steel as a result of the Reorganized Debtor prevailing in the U.S. Steel Appeal or the New U.S. Steel Suit until all funds paid to U.S. Steel from the Creditor Trust are recovered, provided the Creditor Trust has not been terminated as a result of full payment to all Classes of Claims other than Class 2.
- **Proceeds.** All net proceeds (after actual costs of sale) from any disposition of any of the Trust Assets.
- **Manufacturing Facility.** The manufacturing building consisting of a 218,000 square foot building configured for manufacturing and assembly of large



fabricated parts located at 1999 Poland Ave., Youngstown, OH, the adjacent office building and 3,540 tons of structural steel (the “Manufacturing Facility”), situated on the real property parcels identified in the applicable portion of Exhibit “B.”

- **300 Acres of Industrial Real Estate.** Approximately 300 acres of industrial real estate currently owned by the Debtor or AID, as identified by real property parcel number in the applicable portion of Exhibit “B” to the Plan
- **Scrap Inventory.** All ferrous and non-ferrous scrap inventory of the Debtor.
- **Equipment Used for Scrap Processing.** The equipment used by the Debtor for scrap processing (to be sold after all scrap has been processed and sold).
- **PC 1100.** Four (4) PC 1100’s that have extensive modifications and enhancements (which constitute the assets set forth on Exhibit “C” to the Plan).
- **CNC Milling Equipment.** The CNC milling equipment owned by the Debtor, including the CNC milling equipment located in the Manufacturing Facility.
- **Bridge Cranes.** Assets consisting of certain bridge cranes (estimated listing value \$1,500,000), tension towers (estimated listing value \$350,000) and shoring towers (estimated listing value \$1,018,000).
- **Light Rails.** Assets consisting of 393 gross tons of light railroad rails.
- **The stock of AID**

In summary – upon confirmation the Creditor Trust assets shall receive all of the real and personal property of the Debtor, both tangible and intangible, except the Litigation Claims which shall remain with the Reorganized Debtor notwithstanding that any and all recovery shall be paid to the Creditor Trust until the Creditor Trust is terminated.<sup>6</sup>

▪ **Administration of Creditor Trust by Creditor Trustee.**

On the Effective Date, Inglewood Associates LLC, as represented by John Lane, shall become Creditor Trustee. The Creditor Trustee shall have the following powers and/or duties:

- To administer the Creditor Trust and to have dominion and control over all Trust Assets for the benefit of all Creditors who are beneficiaries of the Creditor Trust;
- To be named as an additional named insured on all insurance policies of the Debtor or the Reorganized Debtor with regard to any of the Trust Assets;
- To sell, lease, assign or transfer any Trust Assets or determine whether to invest Trust Assets to maximize the return to the Creditor Trust. Any Material Transaction (defined below) by the Creditor Trustee may proceed only after filing a notice in the bankruptcy case with an opportunity to object pursuant to 11 U.S.C. § 363(b)(1) and Bankruptcy Rule 2002(a)(2);

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<sup>6</sup> AID, a non-debtor affiliate, which is 100% owned by Debtor ACI is contributing all of its real estate in the approximate amount of 106 acres, to the Creditor Trust for Plan funding.

- To determine whether it is in the best interest of Creditors and to continue to attempt to maximize value for the remaining Trust Assets or whether such Trust Assets should be abandoned and whether any future Distributions will be made under the Plan;
- To determine the value of the Trust Assets, and the prices to be sought for the Trust Assets; (other than the income from the Reorganized Debtor's future operations) and to determine the amount of time and plan for the marketing of the Trust Assets and to adjust those values as may be necessary;
- To execute, deliver, file, or record such contracts, instruments, releases, any other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan;
- To supervise the sales operations by the Reorganized Debtor and to receive such reports from the Reorganized Debtor regarding its operations as the Creditor Trustee may determine are necessary for his administration of the Trust Assets;
- To determine whether Sufficient Funds exist to make a Distribution under the Plan;
- To make all distributions to Allowed Unclassified Claims and Allowed Claims in Classes 1 through 5 and the allowed Claim of Michael D. Ramun in Class 6 as provided under the Plan;
- To file post confirmation reports with the Court;
- To pay all taxes and fees owed by the Creditor Trust;
- To object to any Claim and prosecute Claims objections pursuant to the provisions of the Plan and to be substituted as the real party in interest in any objection to a claim or any litigation commenced before the Effective Date by the Creditors' Committee or the Debtor other than the Litigation Claims that are not Trust Assets;
- To retain employees, agents and professional advisors he deems appropriate to administer the Creditor Trust or the Trust Assets.
- To request entry of a Final Decree from the Bankruptcy Court.
- Appear and be heard as a party in interest in the Bankruptcy Court.
- **Compensation and Indemnification.**

The Creditor Trustee shall be entitled to be compensated from the Trust Assets for his time at his customary hourly rate. The Creditor Trustee shall also be reimbursed for all reasonable out-of-pocket expenses incurred in the performance of his duties hereunder. The Creditor Trustee shall be indemnified by and receive reimbursement from the Trust Assets against and from any and all loss, liability, expense, or damage which he may incur or sustain, in good faith and without gross negligence, recklessness or willful misconduct, in the exercise and

performance of his powers and duties under the Plan. The Creditor Trustee may use the Trust Assets to purchase appropriate errors and omissions insurance. All payments made under this Section for reasonableness, and any dispute with respect thereto may be resolved by the Bankruptcy Court.

▪ **Material Transactions.**

Notwithstanding anything to the contrary, the following shall constitute the material transactions of the Creditor Trust requiring Bankruptcy Court approval: (A) any action of the Creditor Trustee involving the expenditure of cash in the amount of \$50,000 or greater; (B) resolution of a Claim or cause of action involving \$50,000 or more in Cash, Administrative Expense Claims, or Priority Claims or greater than \$50,000 worth of Unsecured Claims; or (C) any material action related to the sale or other disposition of any Trust Assets for an amount greater than \$50,000.

▪ **Term.**

The Creditor Trustee shall continue until all Unclassified Claims and Class 1 through 5 Claims and the allowed Claim of Michael D. Ramun in Class 6 are paid in full. Once such Claims are paid and upon full payment of any outstanding fees and expenses of administration of the Creditor Trustee, the Trust shall automatically terminate. Title to any Trust Assets that are unadministered upon expiration of the Creditor Trust shall automatically vest in the Reorganized Debtor.

▪ **Retention and Payment of Professionals without Court Order.**

After the Effective Date, attorneys, accountants and other persons employed or retained Creditor Trustee shall be paid in the ordinary course of business from the Trust Assets, without the need for Court approval.

▪ **Confidentiality.**

Consistent with his duty to the Estate, the Creditor Trustee will preserve the confidentiality of business information received from the Reorganized Debtor.

▪ **Vesting of Property in the Reorganized Debtor.**

Subject to the provisions of the Plan, on the Effective Date, the Litigation Claims (collectively, the “Reorganized Debtor Assets”) shall automatically vest in the Reorganized Debtor subject to the Reorganized Debtor’s obligation to pay any recovery from the Litigation Claims to the Creditor Trust until terminated. Upon termination of the Creditor Trust, all remaining assets will vest with the Reorganized Debtor. It is anticipated that this will include, among other assets, the operating assets of the hydraulic shear business known as Allied Gator.

▪ **Management of Reorganized Debtor.**

Except as set forth above the Debtors existing Management will retain authority and rights on behalf of the Reorganized Debtor, without need for Bankruptcy Court approval (unless otherwise indicated) but subject to the rights and duties of the Creditor Trustee. The powers and/or duties of the Creditor Trustee shall in no way be construed to apply to the Reorganized Debtor Assets or the management of the Reorganized Debtor. The property of the Reorganized Debtor Assets are expressly excluded from the authority of the Creditor Trustee. Management shall perform these duties with no additional compensation under this Plan. Management shall have the

authority and right on behalf of the Reorganized Debtor to carry out and implement provisions of this Plan including, without limitation, to: (i) consistent with the other provisions of this Plan, exercise its reasonable business judgment to direct and control the day to day business operations of the Reorganized Debtor or Debtor-controlled entities under this Plan and in accordance with applicable law; (ii) retain professionals to assist in performing its duties; (iii) maintain the books and records and accounts of the Reorganized Debtor; (iv) prosecute all Litigation Claims and elect not to pursue any Litigation Claims transferred to it under this Plan, and whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Litigation Claims as the Reorganized Debtor may determine is in its best interests; (v) administer the Reorganized Debtor's tax obligations, including (a) filing tax returns and paying tax obligations, (b) requesting, if necessary, an expedited determination of any unpaid tax liability of the Reorganized Debtor under Bankruptcy Code section 505(b) for all taxable periods of the Debtor and (c) representing the interest and account of the Reorganized Debtor or the Debtor's estate before any taxing authority in all matters including, without limitation, any action, suit, proceeding or audit; (vi) prepare and file any and all informational returns, reports, statements, returns or disclosures relating to the Reorganized Debtor that are required hereunder, by any Governmental Unit or applicable law; and (vii) perform other duties and functions that are consistent with the implementation of this Plan.

**J. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

Pursuant to Sections 365 and 1123(b)(2) of the Bankruptcy Code, on the Effective Date, all of the following executory contracts and unexpired leases are assumed by the Reorganized Debtor along with the amount that must be paid to cure any default under such contract or lease ("Cure Amount"). The Cure Amount with respect to any of the above executory contracts and unexpired leases to be assumed under the Plan shall be paid in Cash on the Effective Date or on such other terms as agreed by the parties to such executory contract or unexpired lease.

<b>Party</b>	<b>Nature of the Contract or Lease</b>	<b>Assumption Cure Amt</b>
Com Doc	Two (2) copiers and seven (7) printers lease and maintenance agreement	\$0.00
John R. Ramun,	Royalty-free exclusive, revocable, license right to use patents	\$0.00
PNC Equipment Finance	Solomon upgrade lease	\$0.00
United States Steel Corp	Right to any further Dismantling Work at U.S. Steel Fairless Works, Fairless Hills PA under the 2003 AIP, the 2004 AIP and 2004 Dismantling Services Agreement (collectively, "Fairless Agreements")	\$0.00

**Cure of Defaults.** Any monetary amount by which any executory contract or unexpired lease being assumed under the Plan is in default shall be satisfied, under section 365(b)(1) of the Bankruptcy Code, by the Creditor Trustee or Reorganized Debtors, by the payment of a Cure Amount. With the exception of such payment of Cure Amounts, if any, the Debtors are not required to make any payment or take any other action in order to satisfy the requirements of section 365(b) of the Bankruptcy Code with regard to the executory contracts and unexpired leases being assumed under the Plan.

**Assumption Disputes.** If a non-Debtor party to an executory contract or unexpired lease being assumed under the Plan timely objects to (i) the assumption, (ii) the proposed Cure Amount or the nature of the cure, (iii) the ability of the Creditor Trustee, Reorganized Debtors or any assignee to provide “adequate assurance of future performance” (within the meaning of section 365 of the Bankruptcy Code) under the executory contract or unexpired lease being assumed, or (iv) any other matter pertaining to assumption, the Creditor Trustee and the objecting party may settle, compromise, or otherwise resolve such issues without further order of the Court, or submit the dispute to the Court for determination. Cure and assumption (or assumption and assignment) shall occur following either resolution of the dispute by the parties or the entry of a Final Order by the Court, as the case may be.

**Timing of Cure.** The Creditor Trustee or Reorganized Debtors shall pay all Cure Amounts, if any, to the non-Debtor parties to the executory contracts and unexpired leases being assumed under the Plan within ten (10) Business Days after resolution of the Cure Amount by Final Order or agreement of the parties, except as otherwise agreed to by the parties; *provided, however*, that as to Insurance Policies and related agreements, the Reorganized Debtors shall remain liable for any premium arising thereunder that becomes liquidated, or is due and owing, after the time of assumption (regardless of when the underlying cause or action and/or claim arose).

**Other Executory Contracts and Unexpired Leases.** Upon the Effective Date the Creditor Trustee and Reorganized Debtor will be conclusively deemed to have rejected all executory contracts and/or unexpired leases not expressly assumed on or before the date of the order confirming this Plan. A proof of a claim arising from the rejection of an executory contract or unexpired lease under this section must be filed no later than thirty (30) days after the date of the order confirming this Plan. All proofs of claim relating to Claims arising from the rejection of any executory contract or unexpired lease under this Plan (“Rejection Claim”) are required to be filed with the Bankruptcy Court within 30 days after the Effective Date. An allowed Rejection Claim shall constitute a Class 5 Claim. Any holder of a Rejection Claim that has not filed within that time will be forever barred from asserting such Claims against the Debtor or the Reorganized Debtor and such Claim shall be deemed discharged as of the Effective Date. Objections to Rejection Claims must be filed by the later of (i) sixty (60) days after the Effective Date, or (ii) thirty (30) days after the filing of the applicable proof of claim.

#### **IV. TAX CONSEQUENCES OF PLAN**

##### **CREDITORS AND EQUITY INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS.**

A summary description of certain United States federal income tax consequences of the Plan is provided below. This disclosure describes only the principal United States federal income

tax consequences of the Plan to the Debtor and to the Creditors who are entitled to vote to accept or reject the Plan. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the Internal Revenue Service (the “IRS”) or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made to the Debtor or any Creditor regarding the particular tax consequences of the confirmation and consummation of the Plan. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any discussed in this disclosure.

The following discussion of United States federal income tax consequences is based on the Internal Revenue Code of 1986, as amended, Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). The following discussion does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to particular types of taxpayers (e.g., banks and certain other financial institutions, insurance companies, tax-exempt organizations, governmental entities, persons that are, or hold their Claims through, pass-through entities, persons whose functional currency is not the United States dollar, foreign persons, dealers in securities or foreign currency, employees of a Debtor, persons who received their Claims pursuant to the exercise of an employee stock option or otherwise as compensation and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction). Furthermore, the following discussion does not address United States federal taxes other than income taxes.

Creditors are strongly urged to consult their own tax advisors regarding the United States federal, state, local, and foreign tax consequences of the transactions described in this Disclosure Statement and in the Plan.

#### **A. UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO DEBTOR**

Debtor is a corporation organized under the laws of the state of Ohio. Corporations pay taxes themselves and owners and employees of a corporation pay taxes on their earnings or compensation. Debtor does not have any known tax consequences related to the Plan of Reorganization. The taxes relating to income earned and the continued operation of this business will be borne by the Reorganized Debtor.

#### **B. UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO CREDITORS**

The following discusses certain United States federal income tax consequences of the transactions contemplated by the Plan to Creditors that are “United States holders,” as defined below. The United States federal income tax consequences of the transactions contemplated by the Plan to Creditors (including the character, timing and amount of income, gain or loss recognized) will depend upon, among other things: (1) whether the Claim and the consideration received in respect thereof are “securities” for federal income tax purposes; (2) the manner in which a Creditor acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the Creditor has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current tax year or any prior tax year; (6) whether the Creditor has previously included in its taxable income accrued but unpaid interest



with respect to the Claim; (7) the Creditor's method of tax accounting; and (8) whether the Claim is an installment obligation for federal income tax purposes. Creditors therefore should consult their own tax advisors regarding the particular tax consequences to them of the transactions contemplated by the Plan.

For purposes of the following discussion, a "United States holder" is a Creditor that is: (1) a citizen or individual resident of the United States; (2) a partnership or corporation created or organized in the United States or under the laws of the United States, a political subdivision thereof, or a State of the United States; (3) an estate the income of which is subject to United States federal income taxation regardless of its source; or (4) a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust, or (ii) the trust was in existence on August 20, 1996, and properly elected to be treated as a United States person.

**Sale or Exchange of Claims.** Under the Plan, Creditors will receive cash in exchange for their Claims. A Creditor who receives such property in exchange for its Claim under the Plan will generally recognize gain or loss for United States federal income tax purposes in an amount equal to the difference between (1) the fair market value of such shares and/or other property on the Effective Date, plus the amount of Cash received by such Creditor, and (2) the Creditor's adjusted tax basis in its Claim. A Creditor who recognizes a loss on a transaction conducted under the Plan may be entitled to a bad debt deduction, either in the taxable year of the Effective Date or a prior taxable year.

**Accrued Interest.** Under the Plan, cash or other property may be distributed or deemed distributed to certain Creditors in respect of accrued interest on their Claims. Creditors that previously have not included such accrued interest in taxable income will be required to recognize ordinary income equal to the amount of cash or other property received with respect to such accrued interest on their Claims. Creditors that have included such accrued interest in taxable income generally may take an ordinary deduction to the extent that the Claim for accrued interest is not fully satisfied under the Plan (after allocating the distribution between principal and accrued interest), even if the underlying Claim is held as a capital asset. The adjusted tax basis of any property received in exchange for a Claim for accrued interest will equal the fair market value of such property on the Effective Date, and the holding period for the property will begin on the day after the Effective Date. It is not clear the extent to which consideration that may be distributed under the Plan will be allocable to interest. Creditors are advised to consult their own tax advisors to determine the amount, if any, of consideration received under the Plan that is allocable to interest.

**Non-Confidential Nature of the Tax Treatment and Tax Structure of the Plan.** A Creditor's disclosure of the tax treatment or the tax structure of the Plan is not limited in any manner by an express or implied understanding or agreement with or for the benefit of any person who makes or provides a statement, oral or written, to a Creditor (or for whose benefit a statement is made or provided to a Creditor) as to the potential tax consequences that may result from the Plan. Moreover, a Creditor's use or disclosure of information relating to the tax treatment or tax structure of the Plan is not limited in any other manner for the benefit of any person who makes or provides a statement, oral or written, to the Creditor (or for whose benefit a statement is made or provided to the Creditor) as to the potential tax consequences that may result from the Plan.

### **C. IMPORTANCE OF OBTAINING PROFESSIONAL TAX ASSISTANCE**

The foregoing discussion is intended only as a summary of certain United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The above discussion is for informational purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary depending on a Creditor's particular circumstances. Accordingly, Creditors are strongly urged to consult their tax advisors about the United States federal, state and local and applicable foreign income and other tax consequences of the Plan, including with respect to tax reporting and record keeping requirements.

### **V. CONFIRMATION REQUIREMENTS AND PROCEDURES**

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired Class of Claims must accept the Plan, without counting votes of Insiders; the Plan must distribute to each Creditor and equity interest holder at least as much as the Creditor or equity interest holder would receive in a chapter 7 liquidation case, unless the Creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

#### **A. DEADLINES FOR VOTING AND OBJECTING; DATE OF PLAN CONFIRMATION HEARING**

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

##### **▪ Time and Place of the Hearing to Confirm the Plan**

The hearing at which the Court will determine whether to confirm the Plan will take place on \_\_\_\_\_ 2017, at \_\_\_\_\_, in Honorable Judge Kay Woods courtroom 3rd Floor, United States Courthouse, 10 E Commerce Street, Youngstown Ohio.

##### **▪ Deadline For Voting to Accept or Reject the Plan**

If you are entitled to vote to accept or reject the Plan, vote on the enclosed Ballot and return the Ballot by (i) mailing it in the enclosed envelope; (ii) faxing it to the facsimile number located below; or (iii) e- mailing a scanned copy to the email address located below to **Melissa Macejko, Esq., P.O. Box 1497, Youngstown, OH 44501-1497, Facsimile: (330) 744-5857, email mmacejko@suharlaw.com. Ms. Macejko is also the "Balloting Agent"**.

See section V.A for a discussion of voting eligibility requirements. Your Ballot must be received by \_\_\_\_\_ 2017 or it may not be counted.

#### **B. WHO MAY VOTE OR OBJECT**

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met. Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A Creditor or equity interest holder has a right to vote for or against the Plan only if that Creditor or equity interest holder has a Claim or equity interest that is both (1) an Allowed Claim or an Allowed Claim for voting purposes and (2) impaired. In this case, the Classes the Debtor believes that are entitled to vote on the Plan are set forth in Section 0 above.

▪ **What Is an Allowed Claim or an Allowed Equity Interest?**

Only a Creditor or equity interest holder with an Allowed Claim or an Allowed equity interest has the right to vote on the Plan. Generally, a Claim or equity interest is allowed if either (1) the Debtor has scheduled the Claim on the Debtor's schedules, unless the Claim has been scheduled as disputed, contingent, or unliquidated, or (2) the Creditor has filed a proof of Claim or equity interest, unless an objection has been filed to such proof of Claim or equity interest. When a Claim or equity interest is not allowed, the Creditor or equity interest holder holding the Claim or equity interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the Claim or equity interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

*The deadline for filing objections to Claims will be ninety (90) days following the Effective Date of the Plan.*

▪ **What Is an Impaired Claim or Impaired Equity Interest?**

As noted above, the holder of an Allowed Claim or equity interest has the right to vote only if it is in a Class that is *impaired* under the Plan. As provided in § 1124 of the Code, a Class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that Class.

▪ **Who is Not Entitled to Vote**

The holders of the following seven types of Claims and equity interests are *not* entitled to vote:

1. holders of Claims and equity interests that have been disallowed by an order of the Court;
2. holders of other Claims or equity interests that are not "Allowed Claims" or "Allowed Interests" (as discussed above), unless they have been "Allowed" for voting purposes.
3. holders of Claims or equity interests in unimpaired Classes;
4. holders of Claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;
5. holders of Deposits;
6. holders of Claims or equity interests in Classes that do not receive or retain any value under the Plan; and
7. Holders of Administrative Expense Claims.

*Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.*

**C. VOTES NECESSARY TO CONFIRM THE PLAN**

If impaired Classes exist, the Court cannot confirm the Plan unless (i) at least one (1) impaired Class of Claims has accepted the Plan without counting the votes of any Insiders within that Class, and (ii) all impaired Classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by "cram down" on non-accepting Classes, as discussed later in Section □ below.

▪ **Votes Necessary for a Class to Accept the Plan**

A Class of Claims accepts the Plan if both of the following occur: (i) the holders of more than one-half (1/2) of the Allowed Claims in the Class, who vote, cast their votes to accept the Plan, and (ii) the holders of at least two-thirds (2/3) in dollar amount of the Allowed Claims in the Class, who vote, cast their votes to accept the Plan.

If no holder of a Claim or Equity Interest in a Class of Claims or Equity Interests eligible to vote in a particular Class timely submits a ballot to accept or reject the Plan and does not otherwise object to the Plan, then the applicable Class will be deemed to have voted to accept the Plan.

▪ **Treatment of Nonaccepting Classes**

Even if one or more impaired Classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting Classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds nonaccepting Classes is commonly referred to as a “cram down” plan. The Code allows the Plan to bind nonaccepting Classes of Claims or equity interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired Class that has not voted to accept the Plan.

▪ **Cramdown of the Plan**

*Confirmation Without Acceptance by All Impaired Classes.* Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if such plan has not been accepted by all impaired Classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired Class. With respect to the Plan, the Debtor intends to seek the application of the requirements set forth in Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan in the event of a lack of acceptance by all impaired Classes. Section 1129(b) of the Bankruptcy Code provides that notwithstanding the failure of an impaired Class to accept a plan or reorganization, the plan may be confirmed, on request of the plan proponent, in a procedure commonly known as “cramdown,” so long as the plan does not “discriminate unfairly” and is “fair and equitable” with respect to each Class of impaired Claims or interests that has not accepted the plan. The condition that a plan be “fair and equitable” with respect to a rejecting Class of secured Claims includes the requirements that (a) the holders of such secured Claims retain the liens securing such Claims to the extent of the allowed amount of the Claims, whether the property subject to the liens is retained by the Debtor or transferred to another entity under the plan, and (b) each holder of a secured Claim in the Class receives deferred cash payments totaling at least the allowed amount of such Claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured Creditor’s interest in the Debtor’s property subject to the liens. The condition that a plan be “fair and equitable” with respect to a rejecting Class of Unsecured Claims includes the requirement that either (a) such Class receive or retain under the plan property of a value as of the effective date of the plan equal to the allowed amount of such Claim or (b) if the Class does not receive such amount, no Class junior to the non- accepting Class will receive a distribution under the plan.

The condition that a plan be “fair and equitable” with respect to a rejecting Class of equity interests includes the requirements that either (a) the plan provides that each holder of an equity interest in such Class receive or retain under the plan, on account of such equity interest,

property of a value, as of the effective date of the plan, equal to the greater of (i) the allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such equity interest, or (b) if the Class does not receive such amount, no Class of equity interests junior to the rejecting Class will receive a distribution under the plan.

The Liquidation Analysis also explains why the Plan is fair and equitable.

*You should consult your own attorney if a “cramdown” confirmation will affect your Claim or equity interest, as the variations on this general rule are numerous and complex.*

#### **D. LIQUIDATION ANALYSIS**

To confirm the plan, the court must find that all creditors and interest holders who do not accept the plan will receive at least as much under the plan as such creditors and interest holders would receive in liquidation under chapter 7 of the bankruptcy code. The Debtor believe that the plan provides substantially more value to creditors than liquidation.

If this case is converted to a Chapter 7 under the Bankruptcy Code, a trustee would be appointed to liquidate the unencumbered assets of the Debtor. In this event, the secured claims will be paid to the extent of the value of the assets.

The Debtor’s liquidation analysis is set forth in Exhibit 6.

#### **E. INTERCOMPANY CLAIMS AND ASSETS HELD BY NON-DEBTOR AFFILIATES –**

The intercompany claims among the Debtor companies have been addressed through the substantive consolidation of ACI, AED, AIS and AGI into the Consolidated Debtor on July 11, 2016. All other transactions among the non-debtor affiliates (as disclosed in the Intercompany Reconciliation attached as Exhibit 7) are being satisfied by the sale of the 106 acres of property contributed by AID to the Creditor Trust. The other non-debtor affiliates, Allied Industrial Equipment, Inc., Allied Industrial Contracting, Inc., Allied Industrial Salvage, Inc. and Strenn Consulting, Inc, are not operating and own no assets. The estimated net value of these companies is zero.

#### **F. FEASIBILITY**

The Court must find that confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Reorganized Debtor or the Creditor Trust, unless such liquidation or reorganization is proposed in the Plan.

##### **▪ Ability to Initially Fund Plan**

The Debtor believes that the Creditor Trustee will have enough cash on hand on the Effective Date of the Plan to pay all the Claims and expenses that are entitled to be paid on such date from their funds on hand.

##### **▪ Ability to Make Future Plan Payments and Operate Without Further Reorganization**

The Debtor must also show that the Estate will have enough cash over the life of the Plan to make the required Plan payments. The Debtor has provided projected financial information. Those projections are listed in Exhibit 3. The final Plan payment is projected be paid to Creditors

approximately 24 months following the Effective Date. The approximate date of payments is set forth in Section III.G above

The Plan reflects the successful restructuring of the Debtor's businesses by management since the Petition Date. The Plan takes into consideration the Debtor's actual results through December 30, 2016 and management's estimates through December 31, 2018. Management's estimates and projections are considered reasonable based on the restructuring, recent financial performance, current market conditions and anticipated future growth prospects of the Debtor. The revised capital structure as presented in the Plan for the Debtor sufficiently addresses the Claims of the Creditors under the Plan.

#### **G. RISK FACTORS**

The proposed Plan has the following risks:

- The restructuring of Debtor involves some degree of risk, and this Disclosure Statement contains forward-looking statements that involve uncertainty. Reorganized Debtor's actual results could differ materially from those anticipated in such forward-looking statements as a result of a variety of factors.
- Debtor cautions that there are various important factors that could cause actual events to differ materially from those indicated in the forward-looking statements. Among such factors are:
  - General economic and business conditions. For example, inflation following a recession may lead to increases in costs and expenses.
  - Availability of a labor force.
  - The ability of Debtor to maintain its current corporate and operating structure.
  - The ability to maintain sufficient liquidity.
  - There is, however, no guarantee that Debtor will be able to satisfy its obligations to creditors under the Plan.

***You Should Consult with Your Accountant or other Financial Advisor If You Have Any Questions Pertaining to These Projections.***

### **VI. EFFECT OF CONFIRMATION OF PLAN**

#### **A. DISCHARGE OF REORGANIZED DEBTOR, INJUNCTION AND EXCULPATION**

Discharge. Upon issuance of the Confirmation Order the Reorganized Debtor will be discharged from any debt that arose before confirmation of the Plan, subject to the occurrence of the Effective Date, to the extent specified in § 1141(d)(1)(A) of the Code, except that the Reorganized Debtor will not be discharged of any debt: (i) imposed by the Plan; (ii) of a kind specified in § 1141(d)(6)(A) if a timely complaint was filed in accordance with Rule 4007(c) of the Federal Rules of Bankruptcy Procedure; or (iii) of a kind specified in § 1141(d)(6)(B). The Reorganized Debtor Assets shall be free and clear of all liens, claims, rights and other interests.

Injunction. Unless such party previously received relief from stay to liquidate the value of such Claim(s), and only to the extent of such relief from stay, and except as provided in the Plan or the Confirmation Order, as of the Confirmation Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is unclassified by the Plan, that is



classified by the Plan or is subject to a Distribution under the Plan, or an Interest or other right of an equity security holder that is affected by the Plan, are permanently enjoined from taking any of the following actions on account of any such Claims, debts, liabilities, Insider Claims, Interests or rights: (a) commencing or continuing in any manner any action or other proceeding against the Reorganized Debtor and/or Ownership (including any officer or director or other Person acting as a representative or otherwise on behalf of the Reorganized Debtor); or the Creditor Trustee (b) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree, or order against the Reorganized Debtor and/or Ownership, or their respective property; (c) creating, perfecting, or enforcing any Lien or encumbrance against the Reorganized Debtor and/or Ownership, or their respective property; (d) asserting a setoff, right of subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Reorganized Debtor and/or Ownership, or their respective property; and (e) commencing or continuing any action, in any manner, in any place, that does not comply with or is inconsistent with the provisions of the Plan or the Bankruptcy Code.

Exculpation. Neither the Creditor Trustee or the Reorganized Debtor, or any of their respective officers, directors, professionals, attorneys accounts, agents, shareholders, partners, members, or employees have or will incur any liability to any holder of a Claim or Equity Interest, or any other party in interest, or any of its' respective members or former members, agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of its' predecessors, successors, or assigns, for any act or omission in connection with, relating to, or arising out of, this Case, the negotiation and pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan, excluding acts and/or omissions of the Creditor Trustee or the Reorganized Debtor under the Plan constituting gross negligence, bad faith, or willful misconduct, as finally determined by the Bankruptcy Court, and in all respects the Creditor Trustee or the Reorganized Debtor, or any of their respective officers, directors, professionals, attorneys accounts, agents, shareholders, partners, members, or employees are entitled to reasonably rely upon the advice of counsel with respect to its' duties and responsibilities under the Plan or in the context of the Case. Nothing in this Exculpation section is intended to waive any obligations of any party under the Plan.

## **B. FINAL DECREE**

The Creditor Trustee shall file a motion with the Court to request entry of a final decree to close the case upon the termination of the Creditor Trust . Alternatively, the Court may enter such a final decree on its own motion.

**SUHAR & MACEJKO, LLC**

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Counsel to Committee

**ALLIED CONSOLIDATED INDUSTRIES,  
INC.**, the substantively consolidated Debtor and  
Debtor-in-Possession

By: /s/ John R. Ramun  
John R. Ramun

**Official Committee of Unsecured  
Creditors**

/s/ Anthony Roncone  
By Anthony Roncone, Chair of the  
Committee

## **VII. INDEX OF EXHIBITS**

- Exhibit 1 Federal Tax Return
- Exhibit 2 Operating Results
- Exhibit 3 Plan Financial Projections
- Exhibit 4 Operating Report
- Exhibit 5 Trust Agreement
- Exhibit 6 Liquidation Analysis
- Exhibit 7 Intercompany Reconciliation