

IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO

IN RE:)	CASE NO. 16-40675
)	(Substantively Consolidated)
)	
ALLIED CONSOLIDATED INDUSTRIES, INC.)	CHAPTER 11
)	
Debtor/Debtor-in-Possession)	JUDGE KAY WOODS

**SECOND AMENDED DISCLOSURE STATEMENT IN SUPPORT OF THE
DEBTOR AND DEBTOR-IN-POSSESSION'S PLAN OF REORGANIZATION**

I. INTRODUCTION

Allied Consolidated Industries, Inc., Allied Erecting and Dismantling, Inc., Allied Gator, Inc., and Allied Industrial Scrap, Inc. (hereinafter collectively referred to as the "Debtor"), hereby submit this disclosure statement (the "Disclosure Statement") in order to disclose information deemed to be material, important and necessary for its creditors to arrive at an informed decision in exercising their right to vote for acceptance or rejection of the plan of reorganization, as it may be (the "Plan").

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO ITS BUSINESS OPERATIONS, VALUE OF ITS PROPERTY OR ANY PROMISES TO BE MADE UNDER THE PLAN ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS IS SET FORTH IN THIS DISCLOSURE STATEMENT.

ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE A CREDITOR'S ACCEPTANCE, WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT, SHOULD NOT BE RELIED UPON BY ANY CREDITOR IN ARRIVING AT A DECISION, AND ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO THE COUNSEL FOR THE DEBTOR, WHO IN TURN SHALL DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION WHICH MAY BE DEEMED APPROPRIATE.

The financial information attached to this Disclosure Statement has been submitted by the Debtor. The financial information is based upon information prepared by the Debtor and is unaudited.

All defined terms used herein shall have the meaning ascribed to them in the Plan.

II. PURPOSE OF THIS DISCLOSURE STATEMENT

The United States Bankruptcy Code (the "Code") requires that, before the Plan may be confirmed by the Bankruptcy Court, a Disclosure Statement must be submitted to creditors and equity holders of the Debtor whose claims or interest are impaired under the terms of the Plan in order to provide them with an opportunity to vote on whether to

accept or reject the Plan. Any solicitation of acceptance or rejection of the Plan must be preceded or accompanied by an approved Disclosure Statement.

III. VOTING INSTRUCTIONS

Currently, the Debtor believes that all classes of creditors are impaired and, other than equity security holders, shall be solicited to vote on the Plan.

A ballot is enclosed for holders of Claims who are eligible to vote. Instructions detailing the various voting procedures are set forth on the ballot. To vote on the Plan, indicate on the enclosed ballot whether you accept or reject the Plan. All creditors are encouraged to vote as soon as possible. The Debtor urges you to vote to accept the Plan. Please use only the enclosed ballot. If your ballot is damaged or lost, or if you have any questions concerning voting procedures, you may contact:

ANDREW W. SUHAR, ESQ.
29 E. Front St., 2nd Floor
P.O. Box 1497
Youngstown, Ohio 44501-1497
Telephone: (330) 744-9007
Email: asuhar@suharlaw.com

Creditors who fail to vote will not be counted in the calculation of whether a class has accepted the Plan. All ballots should be returned to:

SUHAR & MACEJKO, LLC
Attn: Andrew W. Suhar, Esq.
29 E. Front St., 2nd Floor
P.O. Box 1497
Youngstown, Ohio 44501-1497

In order for the Plan to be accepted by creditors, a majority in number and a two-thirds majority in amount of claims filed and allowed (for voting purposes) of each **impaired** class of creditors must vote to accept the Plan. You are, therefore, urged to fill in, date, sign and promptly mail the ballot which has been furnished to you. Please be sure to properly complete the form and legibly identify the name of the claimant. (See Article III of the Plan regarding which claims are impaired under this Plan).

If the Debtor fails to obtain the necessary votes for approval of this Plan, the Debtor may request the Court to nevertheless confirm this Plan in accordance with the rights afforded to a proponent of a reorganization plan under Section 1129(b) of the Code.

Historical Information and Overview

A. INCORPORATION:

Prior to the Chapter 11 filing, the subsidiary companies operated as separate but related divisions of Allied Consolidated Industries, Inc. All of the subsidiary companies are wholly-owned by Allied Consolidated Industries, Inc.

Allied Consolidated Industries, Inc. (A debtor that is operating), was established in May 1985 and acts as the parent company for the Debtor and non-debtor companies. Allied Consolidated Industries, Inc., 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.

Allied Erecting and Dismantling, Inc. (A debtor that is operating), was established in March 1973 and provides mass industrial dismantling services for decommissioned industrial sites on a local, regional, and national level.

Allied Gator, Inc. (A debtor that is operating), was established in May 1981 and manufactured and marketed a hydraulic shear utilized in the industrial dismantling and construction industries. Patents (owned by John R. Ramun) are discussed in the "Intellectual Property" section below.

Allied Industrial Scrap, Inc., (A debtor that is operating), was established in April 1985 and engages in the processing and sale of ferrous and non-ferrous scrap as well as the purchasing and brokering of scrap metals.

Allied Industrial Equipment, Inc. (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.

Allied Industrial Equipment, Inc. has no employees and no assets. The estimated net value of this entity is zero.

Allied Industrial Development Corporation, Inc. (A non-debtor that is operating), was established in May 1985 as a real estate development entity.

Allied Industrial Development Corporation, Inc. has no employees. Its assets consist of land and buildings comprising approximately one hundred acres with an estimated value of five hundred thousand dollars. Allied Industrial Development Corporation, Inc. is indebted to its sister debtor company, Allied Erecting and Dismantling, Inc., in an amount of approximately \$944,134.00.

Allied Industrial Development Corporation, Inc. is a wholly-owned subsidiary of Debtor Allied Consolidated Industries, Inc. As a wholly-owned subsidiary, its assets are pledged and included as assets of the parent company, Debtor Allied Consolidated Industries, Inc., 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.

On July 11, 2016, the bankruptcy court substantively consolidated all debtor companies into one consolidated Debtor. (Docket 123)¹

B. PREPETITION STRUCTURE

The ownership structure of the Debtor is relatively straightforward: Debtor Allied Consolidated Industries, Inc. is the parent company for Debtor Allied Erecting and Dismantling, Inc., Allied Gator, Inc., and Allied Industrial Scrap, Inc.

Allied Consolidated Industries, Inc. also wholly owns and manages Allied Industrial Equipment, Inc., Allied Industrial Contracting, Inc., Allied Industrial Salvage, Inc., Strenn Consulting, Inc., and Allied Industrial Development Corporation, Inc.

Hence, all companies under the parent company are wholly owned subsidiaries. President John R. Ramun is a 75% shareholder. Michael D. Ramun, his brother, is a 25% shareholder in Allied Consolidated Industries, Inc. Michael D. Ramun is not an officer, not an employee and does not receive compensation from the Debtor.

All companies are organized under the laws of the state of Ohio.

C. BUSINESS OVERVIEW

Co-founded on March 7, 1973 by current President, John R. Ramun, and his father, Michael Ramun, Allied Erecting and Dismantling, Inc. provided industrial dismantling of decommissioned industrial facilities. Allied Erecting and Dismantling, Inc. operated on a national level and has provided its services for steel mills, coke plants, and auto plants.

In the course of these services, Allied Erecting and Dismantling, Inc. was a pioneer in utilizing hydraulic shears that attached to the boom arm of an excavator. The shear

¹ All docket references are to the docket for Case No. 16-40675.

was revolutionary for dismantling and its performance exceeded expectations. The success and, use of, the proprietary hydraulic shear gave rise to Allied Gator, Inc.

As the companies continued to grow and their reputation increased in the industry, additional sister companies came into being. In 1985, Allied Industrial Scrap, Inc., Allied Industrial Equipment, Inc., Allied Industrial Development Corporation, and Allied Industrial Contracting, Inc. came into being. In an effort to better manage and develop long-range plans for the companies, the parent company, Allied Consolidated Industries, Inc. was formed.

The various 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.

Location: Allied Erecting and Dismantling, Inc. operated its original yard and business at 2100 Poland Avenue, Youngstown, Mahoning County, Ohio. Due to rapid growth, the various Allied companies came into being and the businesses soon expanded to its 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 a non-debtor subsidiary.

Employees: When Allied Erecting and Dismantling, Inc. 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 and today the Debtor operates with less than thirty employees.

Federal Tax Returns: Consolidated Tax Returns for the Debtor are attached hereto as "Appendix 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 "Appendix 2" and fully incorporated herein by reference.

Intellectual Property

A patent represents property rights given to the inventor by the federal government for inventions. Patents generally last for twenty (20) years.

John R. Ramun owns certain patents and intellectual property rights used in Debtor's business. Given his position with Debtor and the timeframe in which these patents were obtained, it is not unusual that the patents are owned in his name individually. Even though the patents are owned by John R. Ramun individually, Debtor has equitable rights in the patents in the form of an automatic non-exclusive license (while

the standard reflected here is the minimum under the law, John Ramun as owner is granting royalty-free exclusive, but revocable to use the patents)

A list of issued and unexpired patents owned by John R. Ramun is attached here to as "Appendix 3" and is fully incorporated herein by reference.

It is Debtor's intention to defer to the Unsecured Creditors Committee any further investigation of any claim or interest Debtor may possess with regard to the intellectual property and the value of the intellectual property.²

Explanation of Chapter 11 Bankruptcy

Pursuant to Chapter 11 of the Bankruptcy Code, a debtor may reorganize or liquidate its assets for the benefit of its creditors and interest holders. In a Chapter 11 case, the debtor typically remains in control of the estate as the "debtor in possession." Upon a filing a petition for Chapter 11 relief and during the pendency of a case, the Bankruptcy Code imposes an automatic stay on certain actions against the debtor or its assets. The automatic stay provisions of section 362 of the Bankruptcy Code, unless modified by court order, will generally prohibit or restrict attempts by creditors to collect or enforce any claims that arose prior to the commencement of the Chapter 11 case against the debtor.

The Bankruptcy Code provides for the formation of an official committee of unsecured creditors in a Chapter 11 case to represent the interests of creditors in the case. On May 16, 2016, the United States Trustee filed a notice of appointment of an Official Committee of Unsecured Creditors. (Docket 60) On June 30, 2016, the bankruptcy court granted the application to employ counsel for the Committee of Unsecured Creditors. (Docket 117)

The provisions of the Bankruptcy Code are designed to encourage the parties in interest in a Chapter 11 proceeding to negotiate the terms of the plan of reorganization or liquidation so that it may be confirmed. A Chapter 11 plan is the vehicle for satisfying or otherwise addressing the claims against a debtor. After the Chapter 11 case has been filed, the holders of the claims against or interests in a debtor, whose claims or interests are impaired under the plan, may vote to accept or reject the plan. Section 1125 of the Bankruptcy Code requires a debtor, before soliciting acceptances of the proposed plan, to prepare a disclosure statement containing adequate information of the kind, and in such detail, as to enable a hypothetical reasonable investor to make an informed judgment on the plan.

Events Leading up to Filing the Bankruptcy

² The committee of unsecured creditors estimates the cost of investigation at \$20,000.00. That cost will be included in administrative claims.

Contractual disputes with United States Steel led to damage and decline in Debtor's business. In 2015, lender JP Morgan Chase informed Debtor that it would be cancelling Debtor's line of credit and demanded payment of the outstanding balance. In order to satisfy that balance, the Debtor conducted two on-site auctions of its surplus equipment and inventory.³ The proceeds of the auctions were sufficient to satisfy JP Morgan Chase.

Litigation in the United States District Court for the Northern District of Ohio between Debtor and United States Steel Corporation resulted in a judgment in the amount of \$9,845,447.35 on September 26, 2015 against Debtor Allied Erecting and Dismantling, Inc. Final judgment including interest was entered on March 17, 2016 in favor of the United States Steel Corporation and against Debtor Allied Erecting and Dismantling, Inc. in the amount of \$10,684,754.52.

In an effort to execute on its judgment, the United States Steel Corporation filed in the district court a request to appoint a receiver and garnish Debtor's corporate accounts and execute on its assets. The bankruptcy filing ensued.

Ownership of the Reorganized Debtor

The Reorganized Debtor will be owned by current equity holders John R. Ramun and Michael D. Ramun in proportions identical to their prepetition percentages, those being John R. Ramun at 75% and Michael D. Ramun at 25%.

IV. SIGNIFICANT DEVELOPMENTS IN THE CHAPTER 11 CASE

1. **General.** The Debtor filed its Chapter 11 case on April 13, 2016. On April 19, 2016, the United States Steel Corporation filed a Motion to Appoint Trustee. (Docket 17) By an Order entered on June 16, 2016, the bankruptcy court established August 15, 2016 as the deadline for filing proofs of claim. (Docket 102)

2. **Professional Retention.** The Court approved the retention of Suhar & Macejko, LLC as counsel for the Debtor on May 12, 2016. (Docket 69) The Court entered an agreed order approving the retention of Inglewood Associates, LLC as turnaround managers on May 13, 2016. (Docket 71) The Court approved the retention of Eckert Seamans Cherin & Mellott, LLC as special counsel on July 18, 2016. (Docket 126)

3. **Substantive Consolidation.** The Debtor sought substantive consolidation of the bankruptcy estates of the debtor companies. (Docket 87) On July 11, 2016, the bankruptcy court entered an Order granting substantive consolidation. (Docket 123)

³ 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. The entire net total of \$7,528,320.00 was paid to JP Morgan Chase Bank to satisfy Debtor's line of credit.

A detailed item-by-item report of the sales results was attached to the Statement of Financial Affairs for Debtor Allied Erecting and Dismantling, Inc. as "Attachment 13."

V. OVERVIEW OF PLAN

The following summary of the material provisions of the Plan is qualified in its entirety by the specific provisions of the Plan. The following is intended to provide a general description of the Plan. Any capitalized terms that are not defined in this section of the Disclosure Statement are defined in the Plan. You should refer to those definitions when reading this document.

Scope of the Plan

The Plan is designed to reorganize the business of the Debtor for the benefit of itself, creditors and estate. Confirmation of the Plan is the principal objective of this case.

VI. THE PLAN

1. The estimated aggregate totals for each Class of Claims, as of January 16, 2017 (the anticipated Confirmation Date), are contained in the following table. Funding of the Plan has been calculated without taking into account any potential recovery realized from retention of the Litigation Claims or Retained Actions.

Accordingly, the amount needed to fund the Plan may be significantly reduced based upon the outcome of the Litigation Claims or Retained Actions.

Class 1 – Secured Claim of Eckert Seamans Cherin & Mellott, LLC, as agent.	\$1,790,789.60
Class 2 - Disputed Secured Claim of United States Steel Corporation.	\$10,648,216.47
Class 3 - Disputed Secured Claim of Norfolk Southern Railway Co.	\$244,029.47
Class 4 – Other Priority Claims.	\$51,962.78
Class 5 – General Unsecured Claims.	\$1,700,000.00
Class 6 – Equity Security Holders	\$ -

2. Unsecured creditors shall receive 100% of their allowed claims.

3. The Effective Date of the Plan shall be fourteen (14) days subsequent to the Confirmation Order.

4. Timing and Calculation of Amounts to be distributed:

Estimated net receipts	Projected disbursement date range	Payment class(es) and estimated disbursement amounts
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\$250,000 (1 st semi-annual distribution from sales operations following Effective Date)	12/15/2016 – 12/31/2016	Priority Tax Claim (\$44,541.53) & Other Priority Claims (\$51,962). The balance will be distributed equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.
\$1,200,000 (Excess Equipment auction 11/30/2016)	01/15/2017 – 02/28/2017	Allowed Administrative Claims (\$585,000)* and the balance will be distributed 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 balance of these proceeds will be placed in a separate escrow account to be established by the Disbursing Agent pending an outcome of that challenge.
		*Paid or escrowed
\$1,500,000 (sale of the bridge cranes)	01/01/2017 – 12/15/2018	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 proceeds payable to the holders of Class 1 will be placed in a separate escrow account to be established by the Disbursing Agent pending an outcome of that challenge. After the Claim of Class 1 has been paid in full or escrowed, the balance of these proceeds will be distributed equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.
\$1,018,000 (sale of the shoring towers)	07/01/2017 – 12/31/2017	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.
\$250,000 (2nd semi-annual distribution from sales operations following Effective Date)	6/15/2017	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.

\$1,300,000 (special “marketing plan” auction for PC1100 package and related equipment)	07/01/2017 – 12/31/2017	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.
\$82,000 (sale of the tension towers)	07/15/2017	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.
\$70,000 (sale of 393 gross tons of light railroad rails)	07/01/2017 – 12/31/2017	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.
\$250,000 (3 rd semi-annual distribution from sales operations following Effective Date)	12/15/2017	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim, to be determined as soon as all Claims Objections have been resolved.
\$1,300,000 (sale of equipment used in scrap processing)	Shall be sold by the Reorganized Debtor after all scrap is sold, but in no event later than 06/15/2018	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim.
\$250,000 (4 th semi-annual distribution from sales operations following Effective Date)	06/15/2018	Distributions shall be made equally by the Disbursing Agent, determined on a <i>pari passu</i> basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and the estimated Norfolk Claim.
\$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)	11/01/2016 – 12/15/2018	Distributions shall be made by the Disbursing Agent 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 Disbursing Agent 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.

\$7,000,000 (auction of manufacturing facility, office building and structural steel) if not previously sold within 24 months of Confirmation Date) 11/01/2016 – 12/15/2018

Distributions shall be made by the Disbursing Agent 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 Disbursing Agent 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.

\$3,000,000 (auction of CNC milling equipment if not previously sold within 24 months of Confirmation Date) 11/01/2016 – 12/15/2018

Distributions shall be made equally by the Disbursing Agent, determined on a *pari passu* basis, among the Allowed Claims of the General Unsecured Creditors, the estimated U.S. Steel Claim and estimated Norfolk Claim.

VII. PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

A. Claims of the State of Ohio.

1. Debtor intends to file adversary proceedings challenging the validity of the claims of the State of Ohio (Claim No. 8 as submitted in U.S. Bankruptcy Court, Northern District of Ohio, Case No. 14-40672).⁴

B. All other Claims.

⁴ Debtor estimates the cost of these proceedings at \$15,000.00. That cost will be included in administrative expenses.

1. Objections to and Estimation of Claims. The Debtor or Reorganized Debtor may object to the allowance of Claims with respect to which they dispute liability in whole or in part. All objections shall be litigated to a Final Order, provided however, that the Debtor or Reorganized Debtor may compromise and settle, withdraw or resolve by any other method approved by the Bankruptcy Court, any objections to Claims. In addition, the Debtor or Reorganized Debtor may, at any time, request that the Bankruptcy Court estimate any contingent Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Debtor has previously objected to such Claim. Unless ordered otherwise by the Bankruptcy Court, the Debtor or Reorganized Debtor will file and serve any objections to Claims as soon as practicable, but in no event later than December 31, 2016.

2. Payments and Distributions on Disputed Claims. Except as provided in Articles III. and V. of the Plan regarding the Estimated U.S. Steel Claim and the Estimated Norfolk Claim, no partial payments and no partial distributions shall be made with respect to a Disputed Claim until the resolution of such disputes by settlement or Final Order. As soon as practicable after a Disputed Claim (other than the Estimated U.S. Steel Claim and the Estimated Norfolk Claim) becomes an Allowed Claim, the holder of such Allowed Claim shall receive all payments and distributions to which such holder is then entitled under the Plan.

VIII. ASSETS

The Debtor's assets are described in its bankruptcy schedules.

PLEASE NOTE: On November 23, 2015, JP Morgan Chase Bank escrowed one hundred six thousand one hundred thirty-two dollars and ninety-seven cents (\$106,132.97) with the Clerk of the United States District Court for the Northern District of Ohio. The funds represented excess net proceeds paid to JP Morgan Chase in connection with the equipment auctions held September 2, 2015 and November 4, 2015.

It is the position of the Debtor that said escrowed funds are not property of the estate as they are being held for the benefit ESCM as payment of their legal fees as part of an agreement earmarking the funds for that purpose and should be immediately released for such purpose.⁵

Debtor anticipates a challenge by the Unsecured Creditors Committee to the professionals' security interests and the payment of those funds to ESCM or the Debtor's other professionals, as more fully set forth in Section XVIII, Paragraph e. of this Disclosure Statement.

⁵ Key provisions of the agreement is memorialized by way of a Stipulation and Order filed on November 3, 2015 as Document 340 in Case No. 4:12 CV 1390.

IX. PROJECTED EARNINGS

The estimated net earnings for Plan funding shall be generated from the processing operations of on-hand scrap inventory and the ongoing Allied Gator hydraulic demolition and recycling tool manufacturing, sales and service, and are estimated to be no less than \$1,000,000.00 per annum (This does not include depreciation. Depreciation does not affect Plan funding.)

See Financial Projections for all debtor companies attached hereto as "Appendix 4" and fully incorporated herein by reference.

The Debtor believes that the operating reports filed in this case are consistent with the foregoing projected net earnings.

X. RISK FACTORS

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.

The funding of the Plan is not dependent upon the outcome of the Litigation described at Section XVIII.

There is, however, no guarantee that Debtor will be able to satisfy its obligations to creditors under the Plan.

You should consult with your attorney, accountant, or financial advisor if you have any questions pertaining to these risks.

XI. IMPLEMENTATION OF THE PLAN

Liquidation of Assets⁶. Prior to the Effective Date, the Debtor shall enter into an agreement with an industrial auctioneer, subject to the approval of the Bankruptcy Court, to hold a public action to take place no later than November 30, 2016 for the sale of the Debtor's "Excess Equipment" (which constitute the assets set forth on Appendix "5").

Special Marketing Plan. The Debtor has four (4) PC1100's that have extensive attachments and enhancements (which constitute the assets set forth on Appendix "6"). These units will be placed in a "special marketing plan." If a private sale cannot be obtained, the Debtor shall enter into an agreement with an industrial auctioneer, subject to the approval of the Bankruptcy Court, to hold a public auction to take place no later than December 31, 2017.

Also prior to the Effective Date, the Debtor shall enter into a listing agreement, subject to the approval of the Bankruptcy Court, for the sale of 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 and 3,540 tons of structural steel (the "Manufacturing Facility") with a marketing period of no more than twenty-four (24) months of Confirmation Date. If a private sale of the Manufacturing Facility cannot be obtained for at least the sum of \$7,000,000 within the marketing period, the Manufacturing Facility shall be scheduled to be sold by public auction. Along with the Manufacturing Facility, the Debtor will list for sale all of the CNC milling equipment located in said Manufacturing Facility. If a private sale of the CNC milling equipment cannot be obtained for at least \$3,000,000 within twenty-four (24) months of Confirmation Date, it shall be scheduled to be sold by public auction along with the Manufacturing Facility.

Assets consisting of 393 gross tons of light railroad rails shall be sold by the Reorganized Debtor by December 31, 2017. The amount of the proceeds that are expected be realized from the sale of the light rail, is no less than \$70,000.00.

Prior to the Effective Date, the Reorganized Debtor shall enter into a listing agreement for the sale of approximately 300 acres of industrial real estate owned by the Debtor or its wholly owned non-debtor subsidiary (the "Real Estate"). If a private sale of the Real Estate cannot be obtained for at least \$1,500,000.00 by October 31, 2018, the Real Estate shall be scheduled to be sold by public auction.

The real property parcels to be sold are identified on "Appendix 7."

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 \$750,000) shall be immediately listed for sale with an industrial sales professional. The bridge cranes not sold by June 30, 2018, will be scheduled to be sold by public auction. The shoring towers not sold by December 31, 2017, will either be scheduled for auction or scheduled to be scrapped (estimated scrap value \$500,000). The tension

⁶ Liquidation will terminate once all Allowed Claims, the Estimated U.S. Steel Claim and the Estimated Norfolk Claim are either paid in full or sums sufficient to pay the remaining Allowed Claims are escrowed.

towers not sold by December 31, 2017, will either be scheduled for auction or scheduled to be scrapped (estimated scrap value is \$82,000).

Assets consisting of the equipment used for scrap processing shall be sold by the Reorganized Debtor after all scrap is sold.

The Reorganized Debtor shall undertake all aspects of the asset liquidation process described above to maximize the value received by all creditors and other stakeholders. The Bankruptcy Court shall retain jurisdiction to consider for approval all sales of real estate consistent with the provisions of the Plan.

Sales Operations. Holders of Allowed Claims shall receive semi-annual disbursements of a minimum amount of \$250,000.00 up to \$500,000.00 from the scrap processing operations and the ongoing Allied-Gator hydraulic demolition and recycling tool manufacturing. These amounts shall be generated from the net cash flow estimated to be no less than \$1,000,000.00 per annum, for payment of Allowed Claims over a period of two (2) years, as contemplated by Article V. of the Plan. The first such semi-annual disbursement shall be all Cash in excess of \$350,000.00 (but in no case shall the disbursement be less than \$250,000.00) held by the Debtor as the Effective Date. Distributions shall commence as soon as practicable after the Effective Date.

Disbursing Agent. Pursuant to Bankruptcy Rule 3020, Inglewood Associates, LLC shall serve as the Disbursing Agent under this Plan. Inglewood Associates, LLC will establish and control the separate escrow and disbursement accounts in accordance with the Plan. Additional compensation will be paid for serving as Disbursing Agent under this Plan.

The Disbursing Agent shall have the authority and right on behalf of the Reorganized Debtor, without the need for Bankruptcy Court approval (unless otherwise indicated), to do the following: (i) make Distributions to holders of Allowed Claims, the Estimated U.S. Steel Claim and the Estimated Norfolk Claim in accordance with the Plan; (ii) make payments to existing professionals who will continue to perform in their current capacities; (iii) incur and pay reasonable and necessary expenses in connection with the performance of duties under the Plan, including the reasonable fees and expenses of professionals retained by the Reorganized Debtor; (iv) 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; (v) pay statutory fees in accordance with the Plan; and (vi) perform other duties and functions that are consistent with the limited duties and authorities of the Disbursing Agent.

XII. KEY MANAGEMENT EMPLOYEES

The officer who will manage the day-to-day operations and be in control of the Debtor, is John R. Ramun, President, with 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, the general duties of the President 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 serves Debtor as Assistant Secretary, has a current annual compensation of \$162,000.80 paid at a rate of \$3,115.40 per week. The general duties of the Assistant Secretary include accounting, purchasing, payroll and benefits, tax compliance, human resources, and employee safety programs. The general duties also include overseeing and facilitating computer, phone, surveillance, and security systems, and supervises outside mechanics and vendors. The Assistant Secretary also assists the President in day-to-day operations.

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. The marketing manager is involved with the marketing, sales, and service of the Allied Gator line of hydraulic shears, attachments, and related equipment. The 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.

Management will retain authority and rights on behalf of the Debtor, without need for Bankruptcy Court approval (unless otherwise indicated) and not inconsistent with the duties of the Disbursing Agent. Management shall perform these duties with no additional compensation under the Plan. Management shall have the authority and right on behalf of the Debtor to carry out and implement provisions of the Plan including, without limitation, to: (i) except to the extent Claims have been previously Allowed, and consistent with the other provisions of the Plan, control and effectuate the Claims reconciliation process, including to object to, seek to subordinate, compromise or settle any and all Claims against the Debtor subject to Bankruptcy Court approval; (ii) consistent with the other provisions of the Plan, exercise its reasonable business judgment to direct and control the liquidation, sale and/or abandoning of the assets of the Debtor and/or Debtor-controlled entities under the Plan and in accordance with applicable law as necessary to maximize distributions to holders of Allowed Claims, the Estimated U.S. Steel Claim and the Estimated Norfolk Claim; (iii) retain professionals to assist in performing its duties under the Plan; (iv) maintain the books and records and accounts of the Debtors; (v) with the exception of what is being deferred to the Unsecured Creditors Committee for investigation and pursuit, prosecute all Litigation Claims, Retained Actions including, without limitation, Avoidance Actions, on behalf of the Debtor, and to elect not to pursue any Litigation Claims, Retained Actions and whether and when to compromise, settle, abandon, dismiss, or otherwise dispose of any such Litigation Claims and/or Retained Actions, as the Reorganized Debtor may determine is in its best interests; (vi) administer the Reorganized Debtor's tax obligations, including (i) filing tax returns and paying tax obligations, (ii) request, if necessary, an expedited determination of any unpaid tax liability of each Debtor or its estate under Bankruptcy Code section 505(b) for all taxable periods

of such Debtor and (iii) represent the interest and account of each Debtor or its estate before any taxing authority in all matters including, without limitation, any action, suit, proceeding or audit; (vii) prepare and file any and all informational returns, reports, statements, returns or disclosures relating to the Debtors that are required hereunder, by any Governmental Unit or applicable law; and, (viii) perform other duties and functions that are consistent with the implementation of the Plan.

XIII. EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Debtor has the following executory contracts and unexpired leases:

a. Solomon Upgrade Lease with PNC Equipment Finance. This executory contract represents an equipment financing agreement that was entered into between AED and PNC Equipment Finance on or about June 22, 2015. The financed product was a "Dynamics Enhancement Plan" and the total amount financed was \$19,382.22. The installment payment agreement called for a down payment of \$4,845.56 followed by eleven (11) monthly payments in the amount of \$1,442.22. By its terms, the last payment was due on or about June 26, 2016.

b. John R. Ramun royalty-free, exclusive but revocable, right to use patents. See Section entitled "Intellectual Property" at Page 5-6 of this Disclosure Statement for additional details.

c. ComDoc Lease for copiers and printers. This agreement arose between January and October 2009. The original agreement provided for payments on office copiers and printers. Upon conclusion of the original agreement, AED paid for maintenance agreements for the machines. At the present time, AED only pays a fee for black and white copies ranging from \$0.012 to \$0.017 per copy.

d. Contract for dismantling work at U.S. Steel's Fairless Works in Fairless Hills, PA. As part of 2003 and 2004 "Agreements in Principle," Debtor was granted certain long-term, exclusive rights to perform additional dismantling work for U.S. Steel at all of U.S. Steel's sites in the United States. This contract is the subject of litigation described at Section XVIII, Paragraph f. below as it is the Debtor's position that United States Steel Corp. has breached the Agreements in Principle.

All executory contracts and unexpired leases will be assumed by Debtor.

XIV. COMPARISON OF PLAN WITH CHAPTER 7 LIQUIDATION

If the Plan of the Debtor is not confirmed, the potential alternatives would include dismissal of the case or conversion of the case to a proceeding under Chapter 7 of the Bankruptcy Code. 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 following Table set forth Debtor's analysis:

Item	Proceeds from Plan of Reorganization	Forced Liquidation Value	Approach Utilized in Arriving at Proceeds or Value
Net Scrap Proceeds	\$1,450,400.00	\$833,000.00	<p>The Debtor will have approximately 9,800 tons of scrap as of the confirmation date, all of which will be ferrous scrap. Current ferrous scrap prices are at about \$213 a ton and average transportation and processing costs totaling about \$65 a ton for a net value for the Debtor to process the scrap of \$148 a ton. The 9,800 tons of scrap at \$148 a ton equals \$1,450,400, when processed by the Debtor. Under forced liquidation, it is presumed that the scrap is sold in bulk, with the buyer incurring the processing costs and looking to earn a profit. Under this scenario, we have assumed a net sales price of \$85 a ton.</p>
Allied Gator Inventory	\$4,030,298.00	\$82,940.00	<p>Plan amount includes only net proceeds for inventory sold in 2017 and 2018. There is a substantial amount of additional inventory, with net book value of approximately \$7.5 million as of the petition date. The sales for 2017 are assumed to be at the same order rate as the first 23 weeks of the bankruptcy, arguably the most difficult time for an equipment manufacture to make sales. The sales for 2018 are assumed to be 10% higher than those for 2017. The out-of-pocket cash costs for producing these sales is greatly reduced for Allied Gator due to the extensive amount of inventory on hand. During the first 23 weeks of the bankruptcy, the costs to fulfill sales has been approximately 18%. It is expected that this percentage will be 25% in 2017 and 35% in 2018. The forced liquidation amount assumes that the inventory is sold as scrap given the assumption that the business will be shut down. There is approximately 580 tons of ferrous material that can be sold at \$85 a ton, plus additional components that can obtain a higher value. As a point for comparison, during the first 23 weeks of the bankruptcy, the Debtor had inventory orders (not including repairs and parts) totaling slightly over \$1 million with a sales price per ton of over \$33,000; the scrap value of these</p>

			items would have been \$85 a ton. U.S. Steel has offered sworn expert testimony that the company is deeply troubled and that net value of this inventory is effectively zero.
Excess Equipment	\$1,200,000.00	\$1,200,000.00	As presented in the initial Disclosure Statement, the total liquidation value of all of the Debtor's equipment, including CNC equipment, shoring towers, high tension towers and cranes is \$4.9 million. This total amount is based on a written minimum guarantee auction value for most of the equipment from a reputable auctioneer that was supplemented by a verbal amendment to include all of the equipment. This among is supported by conversations that we had with an addition four other auctioneers. Of this total, this \$1.2 million of excess equipment that will be auctioned in late 2016. Since the equipment is being sold at auction, the proceeds from the plan are equal to forced liquidation value.
PC 1100 Package	\$1,300,000.00	\$1,100,000.00	The Debtor has four PC 1100's that have extensive attachments and enhancements to better suit its demolition and scrap operations, along with certain transportation equipment to move the PC 1100's. New comparable units would cost potentially over \$2 million each. Two auctioneers have stated that we would lose a substantial portion of the value of the attachments and enhancements if all of these units are placed in the initial auction. If this approach was taken, the PC 1100's might be sold for as little as \$150,000 to \$250,000 each. The current plan is to place these units in a special marketing plan run by a reputable auctioneer, but then sold at auction if not sold within a reasonable time.
Equipment Used in Scrap Processing	\$1,300,000.00	\$1,300,000.00	Represents equipment that is being used in the scrap operation and that will be auctioned in early 2018. Certain equipment may be held a little longer if it is needed to scrap items like the shoring towers, structural steel, etc. Since the equipment is being sold at auction, the proceeds from the plan are equal to forced liquidation value.

<p>Manufacturing Building, Office Building and Equipment and Structural Steel</p>	<p>\$10,000,000.00</p>	<p>\$4,200,900.00</p>	<p>A CBRE appraisal, dated October 2013, valued the manufacturing building and office building at approximately \$7.3 million using an "as is" value, <u>not</u> a forced liquidation value. Based on discussions with two industrial speculative buyers, they would offer approximately \$3 million for the two buildings under a forced liquidation. The plan of reorganization includes only the sale of the manufacturing building as the office building will be used by the reorganized Debtor unless a sale of the manufacturing building would necessitate a sale of the office building. Based on a review of recent sales of large industrial buildings in the region, it is believed that the manufacturing building can be sold, using a 12 to 24 month marketing period, for approximately \$32 a square foot or \$7 million. The net book value of the CNC equipment in the manufacturing building is approximately \$5.5 million as of the petition date. A Gordon Brothers forced liquidation appraisal, dated May 2015, placed a \$3.5 million value on this same equipment with at least one unit not yet installed. At this point, all of the equipment has been installed, which will require costs to uninstall and dismantle the equipment. Given the uniqueness and special use of the equipment, the range of potential forced Liquidation value is wide, with the highest value being for the building and equipment in place as a package. A reputable auctioneer has indicated that the forced liquidation value of the equipment could be less than \$1 million, especially given that the equipment was purchased in 2006. There is an additional 3,500 tons of uninstalled structural steel that at an \$85 processed scrap value, would have a forced liquidation value of \$300,000. It is believed, however, that if the right buyer can be identified, the plan value of \$10 million for the manufacturing building with the equipment installed is conservative. U.S. Steel has offered sworn expert testimony that the net value of the real estate is effectively zero, the net value of the manufacturing building and additional structural steel \$403,000, and the forced liquidation value of the CNC</p>
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			equipment installed in the manufacturing building is \$3.6 million, for a total of \$4,003,000, which approximates this estimate of forced liquidation value.
Light Rail	\$70,000.00	\$65,000.00	There are approximately 393 tons of light rail, which is the 85 lb variety and not the standard 130 lb for main rail lines. Given the nature of the scrap, it is believed that it can be sold at \$165 a ton as is. There is a potential buyer that has indicated that he will pay more than scrap value, but has not stated a specific price. An estimate of \$178 a ton has be utilized for the plan proceeds.
Real Estate (Excluding Manufacturing Building)	\$1,500,000.00	\$300,000.00	This includes the real estate owned by non-debtor entities. This real estate includes approximately 300 acres of primarily industrial land, with various buildings, including a 500,000 square foot former steel mill building. The assessed value of this real estate is almost \$7 million. The Debtor self-remediated large portions of the land and reportedly has the necessary EPA filings, although they have not been independently reviewed. Further, no phase 1 or phase 2 environmental reports have been obtained nor has title work been performed. There likely will be a negative impact on the title due to the Norfolk Southern easement lawsuit. For forced liquidation, a substantial discount has been taken from the sales prices of large parcels of industrial land in the Youngstown area. It is believed that with proper market positioning of these properties for sale, that the \$1.5 million proceeds from the plan could be conservative. U.S. Steel has offered sworn expert testimony that the net value of this real estate is effectively zero.

Bridge Cranes	\$1,500,000.00	\$250,000.00	Debtor owns nearly 60 bridge cranes that have been listed with a reputable crane seller for a total sales list price of nearly \$3.5 million. To date six cranes have been sold at approximately 95% of the list price. A reputable auctioneer has estimated that the auction value of this many cranes being auctioned at one time would approximate \$250,000. The plan of reorganization includes an effort to maximize proceeds over a reasonable period of time. As such, some cranes may be placed in the initial auction, some would continue to be marketed for ad hoc sale, with the potential of lowering the list price, and some older, lower value cranes would be scrapped.
Shoring and High Tension Towers	\$1,100,000.00	\$150,000.00	The shoring towers are specialized equipment used to build, demolish or repair large bridges. For the right buyer who is seeking or has a contract for such work, the shoring towers could be sold for somewhere under \$1 million. If they were to be scrapped, the approximate 750 tons could be sold at about \$158 a ton, or just under \$120,000. U.S. Steel has offered sworn expert testimony that the forced liquidation value of the shoring towers is \$340,000. The high tension towers are used to distribute power and are corten steel construction (low scrap value) and are ACSR (aluminum-conductor steel reinforced) cabling, which makes scrapping inefficient. A reputable auctioneer estimated that these two items may obtain \$150,000 at auction. For the plan of reorganization, it is intended to include these items in the initial auction with a reserve and, if not sold, to list with the appropriate seller for a period of twelve months and scrapping them if not sold after that time period.
Aggregate	-	-	The Debtor owns a substantial amount of aggregate, however, the cost to process and size the aggregate is equal to or in excess of the potential sales price of the processed aggregate.
Gross Proceeds	\$23,450,698.00	\$9,481,840.00	

Payroll Costs	(1,783,170)		Represents payroll incurred during the two year plan of reorganization. For 2018, the payroll run rate is assumed to equal that of the first 23 weeks of the bankruptcy. In 2018, the payroll will be reduced as the scrap operations will have been completed.
Payroll Taxes and Benefits	(1,469,297)		This represents payroll taxes and benefits pertaining to the payroll incurred during the two year plan of reorganization. It is assumed that the ratio of these costs to payroll during the first 23 weeks of the bankruptcy will continue during the two year plan of reorganization.
Plan Legal and Advisor Fees	(361,080)		Represents legal and advisor fees during the two year plan of reorganization, including as disbursing agent.
Other Chapter 11 Administrative Expenses	(223,920)		Represents the estimated fees of special counsel and counsel for the unsecured creditors committee.
Forced Liquidation Sale Costs		(1,185,230)	Calculated based on 12.5% of gross proceeds for non-Trustee administrative expenses. Of this amount, 10% is assumed as the fee for selling the assets and 2.5% is assumed to be the costs for administration of the trusteeship, including legal counsel and potentially other advisors.
Trustee's Fees		(307,705)	Calculated based on 11 USC 326(a).
		<u>\$ 19,613,231</u>	<u>\$ 7,988,905</u>

Note: The above proceeds from the plan of reorganization and the forced liquidation was prepared through the joint efforts of Debtor management and Inglewood Associates.

XV. FEASIBILITY

The operating report for the period ended August 31, 2016 filed by the Debtor (Docket No. 153) provides financial information concerning the operations and income over the five (5) months since the commencement of this case. (The “Monthly Operating Report” is attached hereto as “Appendix 8” and fully incorporated herein by reference.)

The Debtor states that said financial information shows that the Plan is feasible.

XVI. COMPLIANCE WITH APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtor has considered each of these issues in the development of the Plan and believes that the Plan complies with all provisions of the Bankruptcy Code, including the “new value exception” to the “absolute priority rule” set forth in Section 1129(b)(2)(B)(ii). The “new value exception” allows equity holders to keep their ownership interests even though unsecured creditors do not receive payment in full of their Claims, provided that the equity holders contribute new capital, in the form of money or money’s worth, necessary to the reorganization of the debtor.

To the extent that the “New Value Exception” needs to be addressed in as much as some of the equity holders of the Reorganized Debtor were also equity holders in the Debtor, the new value provided from the capital contribution in the amount of \$100,000.00 to be paid to the Reorganized Debtor on the Effective Date is to satisfy the exception to the absolute priority rule.⁷

XVII. MEANS OF EXECUTION OF PLAN

The key employees of the Reorganized Debtor shall remain in place. Pursuant to Bankruptcy Rule 3020, Inglewood Associates, LLC will act as the Disbursing Agent under this Plan. The Disbursing Agent shall receive separate compensation for carrying forth these duties.

XVIII. LITIGATION

The Debtor was involved in litigation prepetition. All matters are set forth below.

a. Judgment was rendered against Debtor Allied Erecting and Dismantling, Inc. and in favor of the plaintiff, United States Steel Corporation, in the amount of \$10,684,754.52 in the United States District Court for the Northern District of Ohio, Case No. 4:12-CV-01390. This matter stemmed from a contract dispute concerning discounted manufacturing/demolition services.

That judgment is on appeal to the United States Court of Appeals for the Sixth Circuit as appellate case number 15-4182 (the “Appeal”). The Appeal also includes various breach of contract claims, delay and impacts claims alleged against U.S. Steel and the resulting inefficiency and additional costs incurred by

⁷ John R. Ramun has filed a proof of claim on August 12, 2016 in the amount of \$450,000.00. (Claim #35 in the Claims Register) The amount of that claim relates to multiple personal loans to Debtor. John R. Ramun has agreed to voluntarily offset his proof of claim in the amount of \$100,000.00 as payment or payment worth of new value to the Reorganized Debtor.

In this regard, the Debtor intends to establish at the confirmation hearing that: (i) the continued participation of current equity holder John R. Ramun is vital to the reorganization effort; and (ii) the Reorganized Debtor proposes to pay all creditors in full. Therefore, the applicability of the Absolute Priority Rule is questionable.

Notwithstanding, the voluntary reduction of John R. Ramun’s claim by \$100,000.00 is a substantial and essential contribution in exchange for continued ownership of the Reorganized Debtor. The contribution represents a present contribution and represents a reduction in the total amount of claims which directly relates to and benefits the Reorganized Debtor.

Debtor and the reinstatement of verdict against U.S. Steel in which the Debtor is appealing the trial court's award of an oral motion for directed verdict (which dismissed counts III, IV, and V (partial) of the Debtor's second amended complaint against U.S. Steel; the trial court's granting of U.S. Steel's motion to alter or amend judgment; the trial court's denial of Debtor's request for declaratory judgment on count I; and the trial court's granting of U.S. Steel's partial motion to dismiss – which dismissed count VIII – all of which the Debtor estimates the value to be nearly \$40 million.⁸ The law firm of ESCM has been employed as special counsel for the appeal. Legal fees for the appeal have been capped at \$150,000.00 by agreement. Special counsel sought reactivation of the appeal and a briefing schedule. The Sixth Circuit issued a briefing schedule based on that request. On September 14, 2016, U.S. Steel filed a Motion to Hold the Briefing Schedule in Abeyance Pursuant to the Automatic Stay. ESCM responded Objecting to U.S. Steel's Motion to Hold the Briefing Schedule.

b. Judgment was rendered against Debtor Allied Erecting and Dismantling, Inc. and in favor of the plaintiff, Norfolk & Southern Railway Company, on January 4, 2016 in the amount of \$223,424.30 in the United States District Court for the Northern District of Ohio, Case No. 3:13-CV-00313. The dispute arose over the use and maintenance of an easement between Allied and Norfolk Southern.

The monetary portion of the 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.

On or about February 1, 2016, Debtor filed a motion for judgment notwithstanding the verdict and motion for new trial. On or about March 29, 2016, Norfolk Southern sought appointment of a custodian to execute on its judgment. On or about April 15, 2016, counsel for Allied Erecting and Dismantling, Inc. filed a suggestion of bankruptcy with the district court. On or about September 8, 2016, the district court judge stayed ruling on all pending motions and instructed counsel to file a notice with the district court notifying it of when the bankruptcy proceedings have been discharged

To the extent, if any, that the claim of an easement affects the property of Debtor's estate, Norfolk Southern can carry forth its declaratory judgment through the filing of an affidavit of fact. Any affected real estate will be sold subject to Norfolk Southern's disputed claim.

c. Debtor Allied Erecting and Dismantling, Inc. commenced suit on October 1, 2014 against Say Security Group USA, LLC in the court of common pleas,

⁸ These claims are more specifically described in the Application to Employ ESCM as Special Counsel for the Debtor filed on May 31, 2016 (Docket No. 82).

Mahoning County, Ohio, Case No. 14 CV 2442. This matter stemmed from a contract dispute over a security system and Allied's allegations that Say Security failed to meet the technical standards of the contract.

The complaint seeks \$21,734.95 in compensatory damages, statutory damages in an amount equal to three times compensatory damages, and unspecified punitive damages based on allegations of conversion and fraud.

The case was scheduled for mediation but the matter is now stayed due to the bankruptcy filing.

d. Debtors Allied Erecting and Dismantling, Inc., and Allied Industrial Development Corporation, Inc. commenced suit against the defendant, Ohio Central Railroad, Inc. and its various subsidiaries, including the Mahoning Valley Railroad Yard. The cases were originally commenced in the court of common pleas for Mahoning County, Ohio, as case numbers 2006 CV 181 and 2009 CV 2835. The cases alleged violations of the terms of an easement and trespass. Both matters were referred to the Surface Transportation Board.

Decisions in both cases went against the plaintiffs. The plaintiffs challenged the decisions of the Surface Transportation Board in the United States District Court, Northern District of Ohio, Case Nos. 15-CV-04020 and 15-CV-4021. The district court did not rule in favor of the plaintiffs in either case. 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.

e. On August 3, 2016, the Unsecured Creditors Committee served Debtor's counsel with a demand letter. The demand related to a Consideration and Security Agreement covering all assets granted to professionals on August 24, 2015. That Agreement was accompanied by an Open-End Mortgage, Security Agreement and Assignment of Rents and Profits that was recorded with the Mahoning County Recorder on August 25, 2015 along with a UCC Financing Statement. The Unsecured Creditors Committee demanded that the liens and security interest be avoided.

It is Debtor's intention to defer to the Committee in any challenge of the validity, priority, or extent of the liens and security interest. On October 18, 2016 (Docket No. 184), an order was entered granting the Committee authority to file and prosecute an adversary proceeding on behalf of the estate, seeking to avoid and/or determine the extent validity and priority of the mortgage and security interest of the Professionals Lender lien. Such adversary proceeding must be filed by November 17, 2016.

f. Debtor, as plaintiff, commenced an action on September 6, 2016 in the United States District Court for the Western District of Pennsylvania. The action was assigned case number 2:05-mc-02025. The action asserts various claims against the defendant, United States Steel Corporation, related to the alleged breach of

“last look” and other contractual rights. The prayer in the complaint seeks damages “in excess of \$75,000.00, plus costs, interest, attorney’s fees, and other relief.”

The firm of ESCM is serving as special counsel and has accepted employment on a contingency fee basis.

The claims are valued by Debtor at approximately \$10 million. Any net awards realized as a result of the claims would be utilized to fund the Plan.

g. Michael D. Ramun commenced litigation against John R. Ramun and Allied Consolidated Industries 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 Allied Consolidated Industries to be used to begin his own, competing business.

The trial court denied injunctive relief and rendered summary judgment in favor of the defendants, John R. Ramun and Allied Consolidated Industries. That decision was affirmed on appeal by the Ohio Seventh District Court of Appeals in case number 12 MA 61. Those counterclaims remain open.

XIX. BANKRUPTCY CLAIMS

With respect to any avoidance actions and/or bankruptcy claims under sections 544, 545, 547, 548 or 553 of the Bankruptcy Code (“Bankruptcy Claims”), the Debtor shall evaluate such claims.

To the extent that the Debtor does not pursue any Bankruptcy Claims, any such actions may be deferred to the Committee and the Debtor hereby consents to any request that may be necessary for the Committee to obtain standing to pursue any Bankruptcy Claims, including any challenge to the validity, priority or extent of the Professionals’ lien and any claims and/or valuation related to Intellectual Property.

XX. DISCHARGE

Confirmation of the Plan shall discharge the Debtor from any debt that arose before the Confirmation Date and any debt of a kind specified as capable of being discharged under the Bankruptcy Code, whether or not:

- (a) a proof of claim based upon such debt is filed or deemed filed under Section 501 of the Bankruptcy Code;
- (b) a claim based upon such debt is allowed under Section 502 of the Bankruptcy Code; or,

(c) the holder of a Claim based upon such debt has accepted the Plan.

Default - If the Reorganized Debtor defaults in payments to creditors under the Plan at any time before the issuance of a final decree, along with any other remedies available to creditors, the creditors of the Debtor shall have the right to request conversion of this case to a proceeding under Chapter 7 of the Bankruptcy Code, or request dismissal of this proceeding.

XXI. QUARTERLY FEES TO THE UNITED STATES TRUSTEE AND POST-CONFIRMATION DATE REPORTING

The Debtor may request the Court enter a final decree after Substantial Consummation of the Plan. Until a final decree is entered in this case, the Reorganized Debtor shall be liable for payment of quarterly fees to the U.S. Trustee payable under Section 1930 of Title 28 of the United States Code, and shall file quarterly post-confirmation reports.

The Reorganized Debtor shall also file with the Court and serve on the U.S. Trustee, a post-confirmation report for each quarter (or portion thereof), until a final decree is entered. A final decree will be entered as soon as practicable after distributions have commenced under the Plan. Notice of application for a final decree need be given only to those holders of Claims and other parties in interest that have specifically requested such notice.

XXII. RETENTION OF JURISDICTION OF THE COURT

Whether or not a Final Order closing the case has been entered pursuant to Section 350 of the Bankruptcy Code, the Court shall retain exclusive jurisdiction for the following purposes:

1. To determine any and all objections to the allowance of Claims and interests;
2. To determine any and all applications for allowance of compensation and reimbursement of expenses;
3. To determine any and all controversies and disputes arising under or in connection with the Plan and such other matters as may be provided for in the Confirmation Order;
4. To determine any and all pending applications, adversary proceedings and contested and litigated matters;
5. To determine any and all applications for modification of obligations under the Plan;
6. To determine any other matter not inconsistent with Title 11 of the United States Code; and

7. All bankruptcy causes of action, of any kind and nature, including but not limited to, preference claims, fraudulent transfer claims, and any claims involving insiders, principals, directors, or equity holders shall be preserved for the benefit of the bankruptcy estate and shall remain available subsequent to the Confirmation Date; and
8. To effectuate enforcement of the Plan which may be brought by any party in interest.

XXIII. TAX CONSEQUENCES

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 Debtors 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 Debtors 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 Debtors, 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.

XXIV. CONCLUSION AND RECOMMENDATION

The Debtor believes that confirmation and implementation of the Plan is preferable to other alternatives because it will result in the greatest recoveries to holders of Claims. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs.

CERTIFICATION

The undersigned hereby certifies that the information herein is true and correct to the best of his knowledge and belief formed after reasonable inquiry.

ALLIED CONSOLIDATED INDUSTRIES, INC.,
Substantively Consolidated Debtor and Debtor-in-Possession

Dated: October 18, 2016

By: /s/ John R. Ramun
John R. Ramun, its President

Respectfully submitted,

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