IN THE UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

IN RE:	:	Case No. 1:17-bk-03078-HWV
ALCOIL USA, LLC	:	
	:	Chapter 11

DISCLOSURE STATEMENT IN SUPPORT OF DEBTOR'S PLAN OF REORGANIZATION

I. INTRODUCTION

1.1 Introduction.

The Debtor, Alcoil USA, LLC ("Alcoil" or "Debtor"), provides this Disclosure Statement (the "Disclosure Statement") for the Plan of Reorganization (the "Plan") filed by it contemporaneously with this Statement.

Any terms set forth herein, which are capitalized, and which are defined in the Plan, shall have the same meaning as in the Plan, unless inconsistent with the Plan or otherwise set forth in the Plan or in this Disclosure Statement.

THIS DISCLOSURE STATEMENT IS ONLY A PROPOSAL UNTIL SUCH TIME AS THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. CREDITORS AND PARTIES IN INTEREST (AS DESIGNATED BY THE COURT) WILL HAVE AN OPPORTUNITY TO OBJECT TO THE PROPOSED DISCLOSURE STATEMENT, AND SOLICITATION OF THE ACCEPTANCE OF THE PLAN OF REORGANIZATION CANNOT BE MADE UNTIL SUCH TIME AS THE PROPOSED DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT.

1.2 Purpose of Disclosure Statement.

As required by Section 1125 of the Bankruptcy Code, the Debtor has filed this Disclosure Statement for Court approval before circulation to holders of Claims and interests and before solicitations of acceptances of the Plan.

The purpose of this Disclosure Statement is to provide the holders of Claims in this case, and other parties in interest, with adequate information concerning the Debtor and the proposed Plan so that Claim holders can arrive at a reasonably informed decision so as to be able to exercise their right to vote on the Plan which has been filed with the Bankruptcy Court. A copy of the Plan will accompany this Disclosure Statement after the Disclosure Statement is approved by the Court and will be sent to those creditors and parties in interest as the Court directs. Those creditors whose Claims are not impaired (as defined in Section 1124 of the Bankruptcy Code) may not receive a copy of the Disclosure Statement and Plan.

ONLY THOSE CREDITORS WHO HAVE ALLOWED CLAIMS AND ARE ENTITLED TO VOTE ON THE PLAN UNDER THE BANKRUPTCY CODE WILL RECEIVE BALLOTS WHICH WILL ACCOMPANY THE APPROVED DISCLOSURE STATEMENT. LATE FILED CLAIM HOLDERS MAY NOT BE PERMITTED TO VOTE ON THE PLAN.

1.3 Plan Confirmation.

The Court will set a date for the hearing on the acceptance of the Plan and its confirmation. Prior to such hearing, those creditors eligible to vote on the Plan may so vote on the Plan by filling out and mailing the ballot which accompanies the approved Disclosure Statement. Ballots should be forwarded to: Robert E. Chernicoff, Esquire, Cunningham, Chernicoff & Warshawsky P.C., P. O. Box 60457, Harrisburg, Pennsylvania 17106-0457, in accordance with the Order setting the time for the filing of ballots. Ballots must be received on or before the date fixed by the Court. Any ballots received after the deadline may not be counted unless the Court orders otherwise. Any ballot which sets forth an amount of a Claim which differs from the amount which is scheduled, or as filed in a Proof of Claim, as allowed, may, at the option of the Plan proponent (the "Debtor"), be corrected to the allowed amount (as defined in the Plan). Further, any ballot which sets forth the wrong classification may be corrected by the Plan proponent, unless the Court orders otherwise.

As a creditor, your vote is important. The Plan can be confirmed by the Court if it is accepted by the holders of two-thirds in amount and more than half in number of the Claims of each of the affected, impaired classes voting on the Plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the Plan. To be confirmed, the Plan must be accepted by at least one (1) impaired class determined without considering acceptances of insiders. If at least one (1) impaired class accepts the Plan, the Plan may be confirmed by the Court, if the Court finds, after notice, among

other items, that the Plan accords fair and equitable treatment to any class rejecting the Plan, the Plan does not discriminate unfairly and the Plan meets the requirements of Section 1129(b) of the Code, including the requirement that creditors will receive as much as they would receive in a liquidation. Because the Plan provides for a liquidation, creditors are receiving what they would receive in a liquidation.

In the event a class of unsecured creditors fails to accept the Plan, the Plan may not be approved by the Court unless certain requirements are met as to classes of Claims or interests junior to the class which does not accept the Plan.

In this case, the last class of Claims is the Class 7, General Unsecured Claims. The only Class junior to the Class 7 Claims would be Class 8, Equity Holder. In order for the Plan to be confirmed without resorting to the cram down provisions of Section 1129 of the Code and to comply with what is known as the Absolute Priority Rule, the Debtor must secure sufficient votes from its Class 7 general unsecured creditors to cause such Class 7 to confirm the Plan. If insufficient votes occur from Class 7 Claim holders for such Class to confirm the Plan, the Debtor has certain additional provisions of the Code by which it can secure a confirmation of the Plan.

In the event insufficient votes occur from the Class 7 Claim holders to confirm the Plan, the Debtor believes the Plan can nonetheless be confirmed. The Plan is a Liquidation Plan. Under the Plan, the equity holder in Class 8 does not retain his equity interest in the Debtor once all assets of the Debtor are liquidated and distributed. Thus, even if the Class 7 unsecured creditors do not vote in sufficient numbers to confirm the

Plan as set forth in Section 1129 of the Code, this Plan can be confirmed without violation of what is known as the Absolute Priority Rule.

With respect to the secured creditors in this case, even if a class of secured creditor does not vote to confirm the Plan, the cram down provisions of Section 1129(b) of the Code could be utilized to cause confirmation of the Plan. The first secured creditor, M&T Bank, has been paid in full during the course of the Chapter 11 proceeding.

An additional secured creditor in the case, Ben Franklin Technology Center of Central and Northern Pennsylvania, Inc. is receiving an amount equal to the value of its collateral. Because it held a junior lien on the Intellectual Property of the Debtor and the Intellectual Property of the Debtor did not bring an amount greater than that necessary to pay M&T Bank, Ben Franklin is receiving zero under the Plan. Thus, the amount of the value of Ben Franklin's collateral is zero.

The additional secured creditor, Sandhurst Equity Partners, L.P., is receiving the Net Sale Proceeds (as set forth in the Plan) in the event that Sandhurst is determined to have a lien which, as of the Petition Date, is junior in priority to that lien held by M&T Bank. Sandhurst is receiving Assets of a value equal to the collateral which Sandhurst holds as of the Petition Date.

The Debtor believes that the Plan does meet the requirements of Section 1129(b) as to its secured creditors. Thus, the Plan can be confirmed even if both secured creditors accept the Plan so long as one impaired class of Claims does accept the Plan, as described and set forth above.

Because the Plan is a Liquidation Plan, no projections are included with this Disclosure Statement.

1.4 Disclaimers.

NO REPRESENTATIONS CONCERNING THE DEBTOR, PARTICULARLY AS TO FUTURE BUSINESS OPERATIONS, VALUE OF PROPERTY, OR THE VALUE OF ANY PROMISES TO BE MADE UNDER THE PLAN OR ANY AGREEMENTS INCORPORATED IN THE PLAN, OTHER THAN AS SET FORTH IN THIS STATEMENT, ARE AUTHORIZED BY THE DEBTOR. THE ATTORNEYS FOR THE DEBTOR MAKE NO REPRESENTATION OTHER THAN THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BASED, IN PART, UPON INFORMATION SUPPLIED BY THE DEBTOR AND THE DEBTOR BELIEVES SUCH INFORMATION TO BE CORRECT AT THE TIME OF THE FILING OF THIS DISCLOSURE STATEMENT. NOTHING CONTAINED HEREIN SHALL CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE THE DISCLOSURE STATEMENT WAS COMPILED. ANY REPRESENTATIONS OR INDUCEMENTS MADE TO SECURE THE VOTES OR ACCEPTANCES OF CREDITORS WHICH ARE OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY CREDITORS IN ARRIVING AT A DECISION, AND ANY SUCH

REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO THE COUNSEL FOR THE DEBTOR WHO, IN TURN, MAY DELIVER SUCH INFORMATION TO THE BANKRUPTCY COURT FOR SUCH ACTION AS DEEMED APPROPRIATE. THIS DISCLOSURE STATEMENT, WHEN APPROVED BY THE COURT, IS THE ONLY APPROVED STATEMENT CONCERNING THE MATTERS AND FACTS DEALING WITH THE SOLICITATION OF ACCEPTANCES FOR THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSES OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED IN IT SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE PROPONENT OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON THE DEBTOR, HOLDERS OF CLAIMS OR INTERESTS, OR THE REORGANIZED DEBTOR.

THIS DISCLOSURE STATEMENT AND THE ACCOMPANYING PLAN IS NOT AN OFFER TO SELL SECURITIES. ALL CREDITORS AND PARTIES IN INTEREST ARE DIRECTED TO CONSULT WITH THEIR TAX ADVISORS AND NO TAX ADVICE IS INTENDED TO BE GIVEN BY THE PLAN AND DISCLOSURE STATEMENT

THE STATEMENT AND REPRESENTATIONS CONTAINED HEREIN ARE MADE SOLELY BY OR AT THE INSTANCE OF THE PLAN PROPONENT AND NO OTHER PARTY IN INTEREST IS RESPONSIBLE FOR THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. THE PLAN PROPONENT DOES NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY.

CERTAIN OF THE INFORMATION, BY ITS NATURE, IS FORWARD LOOKING, CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY PROVE TO BE FALSE OR INACCURATE AND CONTAINS ESTIMATES WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE EXPERIENCES. SUCH ESTIMATES AND ASSUMPTIONS ARE MADE FOR INFORMATIONAL PURPOSES ONLY AND NO REPRESENTATION OR WARRANTY IS MADE WITH RESPECT THERETO. ALL PROJECTIONS CONTAINED HEREIN WERE PREPARED BY OR AT THE REQUEST OF THE DEBTOR.

1.5 Sources of Information.

Financial information contained in this Disclosure Statement has not been subject to a certified audit. The Debtor has had tax returns and financial statements prepared in the past, but has not had a recent audit prepared.

The financial information contained in this Disclosure Statement and in any Exhibits hereto have been prepared based upon information supplied by the Debtor. The principal of the Debtor has many years of experience in the industry in which the Debtor previously operated. The Debtor's values listed in the Schedules are based, in part, upon book value and upon prior valuations. Thus, the Debtor believes that any valuations contained in this Disclosure Statement are reasonable and accurate. Every reasonable effort has been made to present accurate figures.

Attached hereto and as referenced in this Disclosure Statement are various exhibits. These exhibits include a list and schedule of Pre-Petition debts as of the Petition Date (Exhibit "A"). While Claims have been filed which may differ in amount from those on the Schedules, the Debtor believes that the Schedules are reasonably accurate. Exhibit "A" is based upon information supplied by the Debtor. The Schedules of Pre-Petition Debt are intended to reflect amounts believed owed Pre-Petition by the Debtor. Attached hereto as Exhibit "B" is the Claims Register reflecting Claims as filed with the Court. A Bar Date Order has been entered by the Court. Thus, Claims filed after the date set by the Court for the filing of Claims may not be allowed.

The Debtor has prepared and filed with the Court a Statement of Financial Affairs, and Schedules of Liabilities and Assets, as required by the Bankruptcy Rules. The Debtor has filed monthly operating reports on a regular basis. The Statement of Financial Affairs, Schedules of Liabilities and Assets, and the monthly operating reports are on file with the Clerk in charge of Bankruptcy Operations, United States Bankruptcy Court for

the Middle District of Pennsylvania, 228 Walnut Street, Harrisburg, Pennsylvania 17110, or its electronic filing website, https://ecf.pamb.uscourts.gov. Further, all pleadings and Orders filed in this case are on file with the Bankruptcy Clerk at such address or online in the Court's ECF system. These documents are available for public inspection; all documents filed with the Court by the Debtor, and those attached to this Disclosure Statement, are believed to accurately reflect the Debtor's assets and liabilities at the date of filing, to the best of the Debtor's knowledge, information and belief, and the Debtor's cash receipts and expenditures since the date of filing. As set forth above, however, none of these documents have been subject to a certified audit, although the Debtor believes the information to be reasonably accurate.

II. BACKGROUND

2.1 General.

The Debtor is a Pennsylvania limited liability company which was formed in late 2007. The Debtor was formed to make high tech components for commercial and industrial HVAC systems. At its peak, the Debtor had approximately 100 customers.

During the period from 2008 to 2009, development of the product took place. The first orders did not occur until January, 2010. At various times, the Debtor gained additional capital for utilization for product development and expansion of the Debtor.

Approximately eighteen months prior to the Petition, various investors in the Debtor essentially stopped providing funding and support to the Debtor.

2.2 Pre-Petition Activities.

Unfortunately, the Debtor's activities were very cash intensive. The Debtor had approximately 27 employees. The Debtor found it could not continue to operate on a profitable basis and the Debtor began to seek purchasers for its business. Ultimately, prior to the Petition being filed, the Debtor did obtain one potential buyer.

III. PRE-PETITION OBLIGATIONS

Attached hereto as Exhibit "A" are Schedules D, E and F of the Bankruptcy Schedules as filed by the Debtor in this case. These Schedules set forth the secured and unsecured creditors of the Debtor, as the Debtor believes such exist as of the Chapter 11 Petition Date.

The Schedules of the Debtor, as set forth in Exhibit "A", list those creditors of the Debtor which the Debtor believes exist as of the date of the Chapter 11 Petition, together with the amounts which the Debtor believes it owed to these creditors as of the Petition date. Exhibit "B" is a copy of the claims register setting forth claims as filed in this case.

The Debtor has requested the Court set a bar date for the filing of Claims. The amounts set forth hereinafter assumes all Claims as scheduled will be allowed, unless set forth as disputed or contingent. If Creditors file any other Claims after the bar date, because the bar date is the final date by which all Claims against the Debtor had to be filed, any Claims filed after the bar date may not be allowed. The Debtor will examine all Claims as filed and the Debtor reserves the right under the Plan and under the Bankruptcy Code to object to any Claims which may be in error, including, those Claims

which are duplicative or contain improper amounts of interest. A summary of the various Claims of creditors is set forth hereinafter.

3.1 Secured Creditors.

3.1.1 M&T Bank

As of the Petition Date, M&T Bank was the holder of a first priority lien and security interest on all of the Debtor's Personal Property, excluding vehicles. The Debtor scheduled $580,717.27 as being owed to M&T Bank. During the course of the case, this debt has been paid in full.

3.1.2 Ben Franklin Technology Center of Central and Northern Pennsylvania, Inc.

Ben Franklin Technology Center of Central and Northern Pennsylvania, Inc. held a security interest and lien in the Debtor's Intellectual Property, junior in priority to M&T Bank. The sum of $552,701.84 is believed to have been owed to Ben Franklin as of the Petition Date.

3.1.3 Sandhurst Equity Partners, L.P.

The Debtor's landlord was Sandhurst Equity Partners, L.P. Pre-Petition, when the Debtor became delinquent in the payment of rent, the Debtor granted a note to Sandhurst and provided a security interest in the Debtor's Personal Property, excluding vehicles. As of the Petition Date, the Debtor believes it owed $180,240.00 to Sandhurst.

Donald C. Graham, an unsecured creditor and former director of the Debtor, has contested the validity of the security interest granted by the Debtor to Sandhurst claiming

the security interest was not properly authorized by the LLC. Such creditor, Donald C. Graham, may contest such security interest as part of the Plan confirmation proceeding.

3.2 Priority Tax Claims.

The Debtor did not schedule any priority tax claims as being owed. The Internal Revenue Service has filed a Claim, however, it sets forth that nothing is owed by the Debtor to the IRS.

3.3 Unsecured Claims.

The Debtor scheduled various unsecured debts as owed to various suppliers and vendors and certain other unsecured creditors. The total amount of such unsecured Claims is approximately $4,800,000.00.

Of the unsecured Claims, the single largest Claim is that of Donald C. Graham in an amount in excess of $3,000,000.00. There have been several Claims which are filed, a few of which are in different amounts from that which are listed on the Debtor's Schedules. None of the differences are material.

The Debtor will review all Claims. The Debtor will consider filing objections to those Claims which the Debtor believes are not proper to the extent an objection is expedient and necessary. The Debtor will also examine all Claims to determine whether they include any post-Petition interest or any other charges which are not proper.

IV. POST-PETITION ACTIVITIES

4.1 General.

The Debtor filed its Petition on July 26, 2017.

The Debtor filed the standard first day Motions, including a Motion to allow the approval of use of cash collateral. The Court entered Orders approving the various first day Motions.

Included in the various Motions filed by the Debtor was a Motion to obtain post-Petition financing. This financing was provided by the initial contract purchaser of the Debtor's Assets. Such financing was paid in full as part of the sale process, from the sale proceeds.

Pre-Petition, the Debtor had been negotiating with a party for the sale of essentially all of its Assets. On August 11, 2017, the Debtor filed a Motion for the sale of the Personal Property free and clear of all liens, claims and encumbrances. The Debtor had sought other bids following approval of the Court of a Motion to approve sale procedures. The Debtor also advertised the sale Motion and sought additional buyers. As a result, an additional purchaser, Evapco, came forward and submitted a bid which was higher than the bid submitted by the initial purchaser. Ultimately, the Court entered the Sale Order approving the sale to Evapco. Thereafter, closing was held on such sale following a Motion of the Debtor to approve the auction purchaser of assets (Evapco) and to approve distributions.

Because of a limited objection filed by Donald C. Graham to the sale Motion, the net proceeds from sale were escrowed in the amount of $145,997.32.

The Debtor thereafter filed a Motion to reject its lease of its business premises and such Motion was approved by the Court.

V. SUMMARY OF DEBTOR'S ASSETS

5.1 Personal Property

The Debtor has no real property. The only assets which it had, as of the Petition Date, consisted of receivables, equipment and various inventory. A summary of the various Assets are set forth below.

5.1.1 Receivables

The Debtor scheduled $345,841.00 in Receivables as of the Petition Date. These Receivables have almost entirely been utilized for post-Petition operations up until the time of closing on the sale.

5.1.2 Inventory

The Debtor scheduled $450,000.00 in inventory. This is book value. Such inventory was sold as part of the sale.

5.1.3 Office Furniture and Equipment

The Debtor scheduled miscellaneous office equipment having $6,000.00 in value.

5.1.4 Vehicles

The Debtor scheduled two trucks having a value of approximately $10,000.00. The vehicles are old and fair market value was considered to be negligible.

5.1.5 Equipment and Machinery

The Debtor scheduled equipment and machinery having a book value of approximately $300,000.00. Such equipment and machinery was sold as part of the sale process.

5.1.6 Intellectual Property

The Debtor scheduled Intellectual Property consisting of two U.S. Patents. The Debtor listed such Patents has having a value of $50,000.00. In actuality, the value is very low.

5.2. All of the Debtor's Assets have been sold under the Sale Order. The only Asset that remains are the Net Sale Proceeds of approximately $95,000.00.

VI. SUMMARY OF THE PLAN OF REORGANIZATION

6.1 Introduction.

INCLUDED WITH THIS DISCLOSURE STATEMENT, UPON APPROVAL OF THIS STATEMENT BY THE COURT, IS A COPY OF THE PLAN OF REORGANIZATION OF THE DEBTOR, WHICH HAS BEEN FILED WITH THE BANKRUPTCY COURT. FOLLOWING IS A BRIEF SUMMARY OF THE DEBTOR'S PLAN OF REORGANIZATION, AND CREDITORS ARE URGED TO READ THE FULL TEXT OF THE PLAN ITSELF. WHILE THE FOLLOWING IS A SUMMARY, CREDITORS SHOULD NOT RELY UPON THE SUMMARY AS CONTAINING ALL PARTS OF SUCH PLAN. FURTHER, OTHER PARTS OF THIS STATEMENT, INCLUDING PART IV RELATING TO POST-PETITION TRANSACTIONS, SET FORTH ADDITIONAL INFORMATION REGARDING THE PLAN. IF CONFIRMED, THE PLAN WILL BE BINDING UPON THE DEBTOR, ITS CREDITORS, ALL PARTIES IN

INTEREST, AS WELL AS ALL EQUITY INTEREST HOLDERS, ALL OF WHOM ARE URGED TO CAREFULLY READ THE PLAN.

The Plan divides Claims into seven (7) classes that consist of (1) expenses of administration for compensation of professionals; (2) other Administrative Claims; (3) Priority Tax Claims; (4) the allowed secured Claim of M&T Bank; (5) the allowed Claim of Ben Franklin Technology Center of Central and Northern Pennsylvania, Inc.; (6) the allowed Claim of Sandhurst Equity Partners, L.P.; and (7) the Claims of all other unsecured, non-priority Claim holders. Classes 1, 2 and 3 are unclassified and numbered and named as classes strictly for convenience purposes.

The seventh class is Class 8, the equity holder. The equity holder is Steven M Wand.

The first three classes are technically unclassified Claims and will not have the opportunity to vote.

The treatment of classes of Claims and interests is as set forth hereinafter. It should be noted, however, that the terms and conditions of the Plan control notwithstanding any statement contained in this Disclosure Statement.

6.2 Professional Administrative Claims and Administrative Claims.

The general bankruptcy counsel to the Debtor during the Chapter 11 case and Post-Confirmation is Cunningham, Chernicoff & Warshawsky P.C. Trout, Ebersole & Groff, LLP, is the accountant to the Debtor.

All professional Administrative Claims will be paid in cash on or before the Effective Date of the Plan, or as otherwise agreed in writing by the Claimant and the Debtor. If funds are owed to professionals and approval by the Court is necessary for payment, then a sum will be escrowed in an amount sufficient to fund such sums owed to professionals.

Class 2, Administrative Claim holders will be paid in the ordinary course of business, on or before the Effective Date of the Plan, on or before the Effective Date of the Plan, and as soon as reasonably practical thereafter, or as otherwise agreed by the Claimant and the Debtor, whichever of these dates are later. Fees owed to the Office of the U.S. Trustee will be paid in the regular course by thirty (30) days after the close of each calendar quarter. After confirmation, the Debtor must prepare and file quarterly reports in the format requested by the U.S. Trustee, and serve such reports on the U.S. Trustee. The payment of the U.S. Trustee fees and the filing of the quarterly reports will continue until the case is closed, dismissed or converted, which ever occurs first.

6.3 Priority Taxes.

Priority taxes are treated in Section 4.3 of the Plan. Priority Tax Claims, contain only that portion of a Claim which is granted priority pursuant to Section 507(a) of the Code, as such Claims may exist as of the Chapter 11 Petition Date. The Debtor does not believe it has any Priority Tax Claims.

6.4 M&T Bank.

6.4.1 As of the Petition Date, M&T Bank had a first priority security interest and lien on the Personal Property, except for motor vehicles, to secure a loan granted by M&T Bank to the Debtor.

6.4.2 During the course of the case, M&T Bank has been paid in full by the sale of the Debtor's Personal Property. Accordingly, M&T Bank will receive nothing further under the Plan and will not vote on the Plan. M&T Bank is unimpaired.

6.5. Ben Franklin Technology Center of Central and Northern Pennsylvania, Inc.

6.5.1 As of the Petition Date, Ben Franklin had a security interest in the Debtor's Intellectual Property, junior, however, in priority to the lien held by M&T Bank.

6.5.2 Because there were insufficient funds from the sale of the Debtor's Assets, Ben Franklin will receive nothing under the Plan as a secured creditor. In the event that it is determined that Ben Franklin determines is entitled to a deficiency Claim as an unsecured creditor, Ben Franklin will be paid as a Class 7 Claim holder.

6.6. Sandhurst Equity Partners, L.P.

6.6.1 As of the Petition Date, Sandhurst had a security interest in all of the Debtor's Personal Property, subsequent in priority, however, to the lien held by M&T Bank.

6.6.2 Under the Plan, Sandhurst will receive the Net Sale Proceeds (as defined in the Plan) unless Donald C. Graham is successful in challenging the Sandhurst lien. If Graham is successful in his challenge to the validity of the Sandhurst lien, then Sandhurst

will receive nothing further under the Plan as a secured creditor. If such occurs, Sandhurst retains the right to have a deficiency Claim as an unsecured creditor.

6.7. General Unsecured Creditors

6.7.1 The class 7 general unsecured creditors include all creditors not otherwise classified under the Plan. These Claims include all such creditors notwithstanding the nature of the categorization of any claim by a creditor. The only opportunity for unsecured creditors to receive a payment under the Plan is in the event that the Sandhurst lien is determined not to be valid as to the Net Sale Proceeds. If such is the case, then there will be a pro rata distribution to unsecured creditors of the remaining funds after payment of all administrative and administrative professional Claims and Priority Tax Claims, if any. The percentage of payment to unsecured creditors could be at most two percent (2%). In this event, there would be approximately $95,000.00 available for distribution to unsecured creditors under the Plan.

6.8 Equity Holder.

The equity holder is Steven M. Wand. His equity in the Debtor is being cancelled under the Plan. He will be the nominal Equity Holder only until such time as Final Distribution occurs. Upon Final Distribution occurring, the equity will be deemed canceled under the Plan.

6.9 Executory Contracts.

6.9.1 Independent Representative Contracts. The Debtor has various Independent Representative Contracts for sales representatives. Under the Plan, all of these contracts are rejected.

6.9.2 Prior Business Location Lease. The Debtor previously held a lease with Sandhurst Equity Partners, L.P. with respect to its business facility. Such lease has been rejected during the course of the Case. To the extent that such lease remains, the lease is rejected under the Plan.

6.9.3 Inertech IP. The Debtor previously had a license and manufacturing escrow agreement with Inertech IP. It is believed that this agreement terminated during the course of the Case. To the extent that such agreement is not terminated, such agreement is rejected.

6.9.4 Air Products. The Debtor had an agreement with Air Products for various tanks to be used for the storage of various products. Such agreement is rejected under the Plan.

6.9.5 Product Development Agreement. The Debtor had a product development agreement with Baltimore Air Coil. Under the Plan, such agreement is rejected.

6.9.6 Insurance Contracts. Any insurance contracts which exist as of the confirmation of the Plan shall be deemed assumed until the policy terminates on its own accord under the terms of such policy.

6.9.7 Miscellaneous. All miscellaneous contracts, leases for cell phones or utilities are to be deemed rejected as of the Effective Date of the Plan.

6.10 Means for Execution of the Plan.

6.10.1 All of the Debtor's Assets, including its Personal Property, have been sold pursuant to the Sale Order. The only remaining Assets are cash on hand resulting from the sale. The Plan provides for distribution of the remaining funds.

6.10.2 Robert E. Chernicoff, Esquire will be the Disbursing Agent under the Plan for purposes of making distributions as required by the Plan.

6.10.3 All receivables of the Debtor have been collected and all Assets of the Debtor have been liquidated. This Plan is a liquidation Plan only and provides for distribution. Because this is a Liquidation Plan the Debtor has not prepared projections. The Debtor is not going to be operating and projections would serve little purpose.

BECAUSE THE PAYMENT TO UNSECURED CREDITORS UNDER THE PLAN IS BASED, IN PART, UPON A RULING OF THE COURT AS TO THE SECURED STATUS OF A POSSIBLE SECURED CREDITOR, THERE IS UNCERTAINTY AS TO PAYMENTS TO CREDITORS UNDER THE PLAN.

VII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

7.1

BECAUSE THE TAX CONSEQUENCES TO CREDITORS AND DEBTOR ARE VARIED AND COMPLEX AND DEPEND, IN PART, ON PARTICULAR CIRCUMSTANCES AND BECAUSE NO RULING HAS BEEN REQUESTED OR

OBTAINED FROM THE INTERNAL REVENUE SERVICE AS TO ANY TAX ASPECTS OF THE PLAN, AND NO OPINION OF COUNSEL HAS BEEN OBTAINED WITH RESPECT THERETO, EACH Claim HOLDER AND INTEREST HOLDER IS STRONGLY URGED TO CONSULT WITH THEIR RESPECTIVE TAX ADVISOR OR ACCOUNTANT ABOUT THE POSSIBLE TAX CONSEQUENCES OF THE PLAN. ALL CLAIM HOLDERS AND INTEREST HOLDERS SHOULD CONSIDER THE POSSIBLE FEDERAL, STATE AND LOCAL INCOME TAX CONSEQUENCES OF THE PLAN. THE PLAN PROPONENTS ARE NOT MAKING ANY REPRESENTATION REGARDING THE PARTICULAR TAX CONSEQUENCES OF CONFIRMATION AND CONSUMMATION OF THE PLAN AS TO ANY CREDITOR, NOR ARE THE DEBTOR, THE COMMITTEE, OR THEIR RESPECTIVE COUNSEL RENDERING ANY FORM OF LEGAL OPINION AS TO SUCH TAX CONSEQUENCES.

7.2.

The following is a general summary of certain significant federal income tax consequences of the Plan for the Debtor's creditors. The following summary may assist the Debtor and its creditors in evaluating the effect U.S. federal income taxes may have if the Plan is consummated. This summary does not address the federal income tax consequences to creditors whose Claims are entitled to reinstatement or payment in full in cash, or are otherwise unimpaired under the Plan.

This summary does not discuss all aspects of federal income taxation that may be relevant to creditors, particularly to creditors subject to special treatment under the federal income tax laws, such as tax-exempt entities, governmental agencies or political subdivisions, broker-dealers, mutual funds, insurance companies, small business investment companies, regulated investment companies, foreign corporations or individuals who are not citizens or residents of the United States. Except as expressly stated below, this discussion does not address any state, local or foreign tax matters.

This discussion is based upon information received from various sources and has not been audited or verified. Any material inaccuracies in the information may affect the stated conclusions regarding the tax consequences of the Plan. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), the Treasury regulations (including temporary regulations) promulgated thereunder, judicial authorities and current administrative rulings, all as in effect on the date hereof and all of which are subject to change (possibly with retroactive effect) by legislation, administrative action or judicial decision.

This discussion is only an overview of significant tax issues that may change their application and results (e.g., we are not discussing the tax consequences from the distribution or liquidation of certain non-core assets). Moreover, the tax consequences of certain aspects of the Plan are uncertain because of the lack of applicable legal precedent.

Because of the complexity of the transactions contemplated by the Plan, the differences in the nature of the Claims of the various creditors, their taxpayer status and

methods of accounting and prior actions taken by creditors with respect to their Claims, the described tax consequences are subject to significant uncertainties and variations in their application. The Plan proponents have not received an opinion of counsel or a ruling from the IRS as to the consequences of the Plan and do not intend to seek a ruling from the IRS or opinion of counsel with respect thereto. There can be no assurance the treatment discussed below may be accepted by the IRS.

7.2.1 Federal Income Tax Consequences to Holders of Claims. The federal income tax consequences of the implementation of the Plan to a creditor may depend upon a number of factors, including whether the creditor is deemed to have participated in an exchange for federal income tax purposes, the type of consideration received by the creditor in exchange for its allowed Claim, and whether the creditor reports the income on the accrual basis.

In general, holders of Claims who receive cash should recognize gain or loss in an amount equal to the difference between (I) the cash received and (ii) its adjusted tax basis in the Claim.

Where gain or loss is recognized by a holder of a Claim, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the holder, whether the Claim constitutes a capital asset in the hands of the holder and how long it has been held, whether the Claim was acquired at a market discount or for the sale of inventory, and whether and to what extent the holder had previously Claimed a bad debt deduction.

To the extent that any amount received by a holder of a Claim under the Plan is attributable to accrued interest not previously included in the holder's gross income, such amount should be taxable to the holder as interest income. Conversely, a holder of a Claim may be able to recognize a deductible loss (or, possibly, a write-off against a reserve for bad debts) to the extent that any accrued interest on such holder's Claim was previously included in the holder's gross income but was not paid in full by the Debtor. Such loss may be ordinary, but the tax law is unclear on this point. The extent to which the consideration received by a holder of a Claim will be attributable to accrued interest on the obligations constituting such Claim is unclear.

VIII. DISPUTES

8.1 General.

Under the Plan, the Debtor reserves the right to dispute and object to any Claim as filed.

8.2 Lien Disputes.

As set forth above, Donald C. Graham has previously disputed that Sandhurst Equity Partners, L.P. had a valid lien as to the Debtor's Personal Property as of the Petition Date. This dispute may need to be resolved by the Court.

IX. RISK FACTORS

9.1

There is no guarantee that the Court will determine that the lien of Sandhurst Equity Partners, L.P. is invalid and thus, there may be no distribution to unsecured creditors.

X. ALTERNATIVES TO THE PLAN

10.1

Because the Plan is essentially a liquidation of all of the Debtor's Assets with any equity, there is no alternative to the Plan per se which is believed to provide any greater benefit to the Debtor.

Because there is only cash, there are very few costs of liquidation. The only alternative to the Plan would be distribution under a Chapter 7. In such case, there would most likely be less available for distribution to creditors as there may be unpaid Chapter 11 administrative costs as well as the necessity to pay a Trustee and the Trustee's professionals. Therefore, the liquidation analysis is as follows in the event Sandhurst does not have a lien:

Available Cash	$95,000.00
Chapter 11 Administrative Costs	$10,000.00
Chapter 7 Trustee's Costs and Administrative Fees	$10,000.00
Amount Available for Creditors In Chapter 7	$75,000.00

Given the fact that the Debtor is providing for a relatively quick liquidation and distribution, it is believed that the Plan will be a better option than a Chapter 7 liquidation.

XI. OWNERSHIP OF DEBTOR'S ASSETS SUBSEQUENT TO REORGANIZATION

11.1.

Subsequent to the Confirmation of the Plan, the Debtor will be revested with all of its property then existing, free and clear of all liens, Claims and encumbrances, except as set forth in Articles V and XIII of the Plan. Essentially, the lien of Sandhurst Equity Partners, L.P. as to the Net Sale Proceeds will remain in effect and until such creditor is paid in full as set forth under the Plan or the Court determines that the lien is not valid.

Because the Debtor is liquidating all of its Assets, ultimately, there will be no Assets owned by the Debtor.

11.2.

Any transfer of any assets by the Debtor, after Confirmation of the Plan, including the sale of any real property of the Debtor, will constitute a transfer under the Plan, and shall not be subject to a transfer, stamp or similar tax under any law, including those laws of the Commonwealth of Pennsylvania.

11.3.

The Debtor’s member will remain as a member until such time as Final Distribution is made under the Plan. At that point in time, the equity interest in the

Debtor will be canceled and the Debtor will become defunct. Steven M. Wand will remain as president of the Debtor until such time as the Plan is completed.

XII. MISCELLANEOUS PROVISIONS

12.1.

Under the Plan, the Debtor, his employees, or agents (including the professionals and any other professionals retained by such persons) are released from liability to any holder of a Claim for any act or omission in connection with, or arising out of the bankruptcy case of the Debtor, the formulation of the Plan, the pursuit of approval of the Disclosure Statement for the Plan, or the solicitation of votes for or confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and in all respects, each shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

As the Plan is a Liquidation Plan, pursuant to Section 1141(d)(3) of the Code, no discharge is being granted under the Plan.

Creditors are referred to Section 12.1 of the Plan, which provides for an injunction as to attempts by creditors to collect Claims from the Debtor as well as provides for certain default provisions. Such provision as provides as follows:

> **All creditors of the Debtor are limited, pursuant to Section 1141 of the Code, to the treatment provided by this Plan and the Code for all Claim holders and equity holders, including contingent and disputed Claims which**

are not otherwise Allowed Claims. Further, as of the Effective Date, this Plan shall act as an injunction against and shall enjoin all holders of a debt held by a Claim holder, whether or not (i) a proof of Claim based on such debt is filed or deemed filed under Section 501 of the Code; (ii) such Claim is allowed under Section 502 of the Code; or (iii) the holder of such Claim has accepted the Plan; from seeking payment of such Claim from the Debtor, other than as set forth in this Plan. The remedy for the breach of a provision of this Plan shall be an action in this Bankruptcy Court. The stay shall remain in effect as to any action against the Debtor through the Effective Date, when it is replaced by the injunction in this Section and Sections 524(a) and 1141 of the Code; and Claim holders are limited to the remedies set forth herein, under the Code and under applicable law. In the event that any Claim holder believes that a debt has not been paid as required under the Plan, such Claim holder is limited to remedies as provided under the Bankruptcy Code and applicable law.

Further, in the event of non-payment under this Plan, no default may occur until after the expiration of twenty-one (21) days after receipt of notice of such non-payment has been received by the Debtor and its counsel, Cunningham, Chernicoff & Warshawsky, P.C., Debtor's counsel, without cure of the non-payment. Such notice is to be forwarded to Debtor's counsel at the address set forth at the end of this Plan.

12.2.

This Disclosure Statement will be provided to creditors after it has been approved, after notice and a hearing, by an Order of the United States Bankruptcy Court. The Court will find, upon approving the Disclosure Statement, that the statement contains adequate information in accordance with the provisions of the Bankruptcy Code. It should be understood that the Court's approval of the Disclosure Statement in no way constitutes an

endorsement of the Plan by the Court or a guaranty of the accuracy or completeness of the information.

The information contained in this Disclosure Statement, and in the Plan, is based upon information developed by the Debtor. It has not been subject to a certified audit or independent review. Accordingly, neither the Debtor nor its counsel are able to warrant or represent that the information contained herein is complete, or is without any inaccuracy, although they have reasonably endeavored to obtain and supply all material information.

It is hoped that all creditors will join in to confirm the contents of the Plan so that creditors, as well as the Debtor, will receive the maximum results from the Plan.

Debtor: ALCOIL USA, LLC

By: _____
Steven M. Wand, President

Date: 5/14/2018

Debtor's Counsel:

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