

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

IN RE:)
) Bankruptcy No. 16-21164
KIPIN INDUSTRIES, INC.)
) Chapter 11
Debtor-in-Possession)

**DISCLOSURE STATEMENT
TO ACCOMPANY PLAN DATED SEPTEMBER 25, 2016**

☐ Chapter 11 Small Business (Check box only if debtor has elected to be considered a small business under 11 U.S.C. §1121(e))

Debtor furnishes this disclosure statement to creditors in the above-captioned matter pursuant to Bankruptcy Code §1125 to assist them in evaluating debtor's proposed Chapter 11 plan, a copy of which is attached hereto. Creditors may vote for or against the plan of reorganization. Creditors who wish to vote must complete their ballots and return them to the following address before the deadline noted in the order approving the disclosure statement and fixing time. The Court will schedule a hearing on the plan pursuant to 11 U.S.C. §1129.

Address for return of ballots:

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I. Background

1. Name of Debtor-in-Possession

KIPIN INDUSTRIES, INC.

2. Type of Debtor (individual, partnership, corporation)

Corporation

3. Debtor's Business or Employment

Kipin Industries, Inc. (KII) was incorporated in 1978, and is headquartered on 135 acres approximately ten miles from the Greater Pittsburgh International Airport. KII initially worked in active coke plants using a proprietary chemical to dissolve and clean tar sludges from pipes, tanks and equipment. This process solved an age old problem of the removal of solidified tar sludges. KII's services have expanded to include:

Demolition/Asset Recovery/Dismantling

- Site Rehabilitation/Restoration
- Recycling of Wastes
- Fuel Production from Waste
- Products from Waste
- Various Environmental Services for Remediation of Soils, Lagoons, Water, Tanks, Asbestos and Lead

Since 1978, KII has processed over 1,500,000 cubic yards of coal and petroleum tars for recycling/reuse. KII has recycling centers in several areas nationally as well as mobile units for recycling and remediation.

KII has an established track record in remediating idled coke plants and manufactured gas plant (MGP) sites, many of which were in sensitive residential areas. These sites included:

- demolition,
- water treatment,
- decontamination, and
- soil remediation.

KII offers a thorough knowledge of coal and petroleum tars and their characteristics. KII's knowledge can be utilized to insure a safe project in spite of the many variables of the waste streams and site conditions. Coal tars can vary widely in composition, consistency and degree of contamination. KII has the experience and equipment to adapt to these variables.

KII has remediated and demolished major steel mill facilities and entire plants. Many facilities were surrounded by active operating facilities. Many had utilities passing through. The knowledge and techniques can be used in any industrial facility.

The experiences and knowledge of KII in successfully performing work in some of the most difficult conditions, and its in-house capabilities in many service areas is used to our client's benefit to safely, expeditiously and economically perform its projects.

Demolition Projects

KII has performed some of the largest industrial plant demolition projects. Many process lines and projects were located within active operating areas of a plant with live utilities.

KII's experience in remediation and environment issues such as lead, asbestos and hazardous chemicals have assured our clients of a successful completion without shut-downs or injuries.

Typical projects are:

- **AK Steel**
 - Ashland, KY: Many idled buildings and structures of the integrated steel mill were demolished.
 - Hamilton, OH: The entire plant was demolished.
 - Middletown, OH: Many idled buildings and structures of the integrated steel mill were demolished.
 - **Consolidated Coal; Lime Island, MI:** A former ocean vessel fueling depot including asbestos, oil and other environmental issues; as well as, sensitive demolition of coal handling facilities along a pier were required. The island was converted into a state park after the work was completed.
 - **Terre Haute Coke and Chemical; Terre Haute, IN:** Extremely contaminated and corroded with imminent dangers of explosion, fire and falling structures in a residential area. The project was completed without incident. Portions are now residential.
 - **Gulf States Steel; Gadsden, AL:** A sinter plant and blast furnace were demolished surrounded by operating facilities and explosive gas lines.
 - **Keystone Coke; Philadelphia, PA:** A high profile facility in a congested area. The property was sold at a profit after work completion.
 - **Caparo Steel; Farrell, PA:** Demolition of portions of an active steel including Open Hearth Furnaces, an EAF and shut down rolling mills. Project included utility relocations and asbestos abatement. 30,000 tons of scrap were used to cover the cost of the project.
 - **LTV Tin Mill; Aliquippa, PA:** Removal of shut down pickle line and other processing lines. Clean up of tanks and piping and disposal of waste products.
 - **Intermet; Ironton, OH:** Demolition of a 25 acre foundry.
 - **Foundation Coal; Labelle, PA:** Coal Prep Plant. Demolition of most structures, including conveyor systems, barge loading facilities, blending bins and silos.

Demolition projects are all unique to each building structure, process or component. KII provides an “**Engineering Survey**” of each project to ensure a safe, successful project, free of injury and damage. These include:

- **Environmental Surveys:**
 - Asbestos
 - Lead
 - Mercury
 - Hazardous/Non-hazardous Waste
- **Hazardous Conditions:**
 - Structural Weaknesses
 - Fire, Explosion
 - Existing Utilities

- **Engineering Plan:** Before work starts in any area or component, an Engineering Plan is developed and reviewed with all personnel on the project before the “first cut” is made. Escape routes, emergency planning and procedures are in-place before work starts.
- **Equipment:** KII uses mechanical shears and devices, which minimize manpower and exposure to risk. These solve most problems of lead paint.
- **Environmental:** KII’s experience with asbestos abatement, remediation and recycling services provide our clients with a “single source” to perform the work avoiding involvement of possible inexperienced subcontractors.

KII has performed both small and large dismantling projects. KII has developed a unique computer program for cataloging components. Subparts are linked with imaging photographs to trace each item from existing location to new location.

KII provides packaging as required for domestic or foreign shipping points.

Typical projects are:

- **AK Steel; Ashland, KY:** Dismantled a five stand, tandem cold mill and package for relocation to Brazil. Included thousands of pieces, parts and spares. Value was approximately \$2,000,000.
- **Damascus Bishop:** Dismantle multiple steel sheet welding units for shipment to Italy

KII has the personnel, equipment, tools and experience to meet your need for plant or component dismantling. Other typical plants include:

- Boiler Equipment
- Coal Preparation Plants
- Steel Mill Equipment
- Chemical Plants
- Petroleum Plants

These can be performed in either active or inactive plants.

KII performs dismantling of plants, process lines and components as part of its demolition services or separately to meet customer’s needs.

During demolition, KII will always seek to bring value to our customers by attempting to market equipment prior to demolition. Often customers will have developed its own market for components or wish to salvage components, equipment and parts for themselves. KII is prepared on each project to meet the best needs of our customers. Components or entire assemblies are dismantled with caution, care, engineering quality assurance and necessary packaging to meet our customers’ or purchasers’ needs.

During dismantling, components are inspected and those which are identified as structurally weak, in need of repair or maintenance are immediately recorded and brought to attention to ensure action to avoid reassembly delays.

Note: Many demolition projects are in operating plants which are congested, operational and in conditions which do not allow conventional demolition techniques. Dismantling is required by conditions and associated hazards. KII has the experience to perform under these conditions.

Remediation Projects

KII has remediated many sites, many being sold by the owners after KII remediation. These include the following:

- **Morgantown Ordinance Works; Morgantown, WV:** Former coke plant with by-products plant. Project cost: \$1,400,000. The project included:

- Identification of recycling options.
- Selection of end user.
- Pilot demonstration of recycling technology viability.
- Coordinate agency-monitored stack test by end user.
- Selective excavation of coal tar and tar impacted soil.
- Process and recycle tar/soil at nearby power plant.
- Consolidate clean soil for on-site capping.

- **Keystone Coke; Conshohocken, PA:** Abandoned coke plant with by-products plant. The property sold to Philadelphia Enquirer. The project included:

- Asbestos Removal
- Partial Demolition
- Tank, Vessel, Pipe Purging/Cleaning
- Waste Processing and Sale
- Water Treatment
- Contaminated Soil Processing and Removal (+30,000 cubic yards)

Buffalo Tank; Baltimore, MD: Former ship cleaning and repair facility. Value \$800,000. The property sold after clean-up. The project included:

- Asbestos Removal
- Demolition
- Tank, Vessel, Piping Cleaning
- Concrete Removal
- Waste Disposal
- Lagoon Removal and Recycling at Near-by Coke Plant

- **Terre Haute Coke and Chemical; Terre Haute, IN:** Former coke and chemical plant. Valued at +\$4,000,000. Project included:

- Asbestos Removal
- Partial Demolition
- Tank, Vessel, Pipe Cleaning

- Waste Removal
- Lagoon Removal [High benzene, low pH (-1)]
- Ground Remediation

Chesapeake Utilities; Smyrna, DE: Former MGP located in a residential area. Project included:

- Removal and on-site treatment of benzene/tar contaminated soils.
- The work was performed in a high profile, sensitive area at high ambient temperatures of +100° F.
- No complaints were received from the residences.

- **Chattanooga Coke; Chattanooga, TN:** Former coke plant with severe ground contamination including extensive tar in the Chattanooga Creek

- Approximate Volume: 40,000 Cubic Yards
- Agencies Involved: US Corp of Engineers, U.S. EPA, and the State of Tennessee
- Process and render materials non-hazardous on-site for shipping to reuse facilities, such as cement plants.

● **GATX; Saegertown, PA:** Former railcar cleaning facility that disposed of coal tars in unlined pits.

- Approximate Volume: 15,000 Cubic Yards
- Material processed and shipped to Baldwin Thermal Treatment plant in IL

- **Exxon Mobil; Fairmont, WV;** Former coke plant landfill with severe ground contamination including coal tar and oxide box material.

- Approximate Volume: 400,000 Cubic Yards
- Agencies Involved: U.S. EPA, and the State of West Virginia
- Selective excavation of waste material and impacted soil.
- Process and recycle tar/soil at nearby power plant.

- **New Boston Coke; New Boston, OH;** Former Coke plant clean up of 7 above ground tar storage tanks and below ground sumps and containments.

- Recycled 2,500 cubic yards of tar heel material using waste to fuel technology. Sent the blended product to a power plant to generate electricity.

KII has performed many major asbestos removal projects. These include:

- **Keystone Coke; Conshohocken, PA:** Abandoned coke plant, power house and one mile steam transmission line. Turnkey as part of demolition/remediation. Valued at \$800,000.
- **Terre Haute Coke and Chemical; Terre Haute, IN:** Abandoned coke and chemical plant. Valued at \$400,000.

- **AK Steel:**
 - Ashland, KY: Asbestos removal as part of KII demolition of major portions of the plant. Valued at +\$500,000.
 - Hamilton, OH: Asbestos removal as part of KII demolition of entire plant. Valued at +\$1,000,000.
- Middletown, OH: Asbestos removal as part of KII demolition project. Multiple buildings and structures. Valued at +\$1,000,000.
- **Buffalo Tank, Baltimore, MD:** Former ship repair facility. Included boiler, oil, and steam piping. Valued at +\$200,000.

Tanks/Vessels Cleaning

KII has been cleaning tanks and vessels since 1978. These include coal tars, benzene, acids, caustics, hydraulic oils, petroleum products, paints and a variety of other services. The projects included active and idled facilities as well as above ground and below ground tanks.

KII performs all work in compliance with applicable codes and regulations such as OSHA, API, and AWWA. Health and safety and confined space regulations are strictly adhered to. Tank openings, repairs and modifications can be performed. Tank linings or coatings can also be provided.

KII has cleaned over 1,000 tanks, vessels and gas holders in sizes from 200 gallons to 3,000,000 gallons since 1978.

A proprietary chemical developed by KII to liquefy tar sludges has minimized the effort to clean and remove the solids.

KII is licensed for underground tank removal in many states.

Cleaning is performed for many reasons:

Repair/Modifications

- Sludge/Residue Removal
- Inspection
- Lining
- Contamination
- Demolition/Removal
- Process Changes

Cleaning techniques and methods are dictated by intended needs. KII's recycling and remediation service capabilities can be used for disposal/recycle/recovery of the residues.

Pipe Cleaning

KII has cleaned approximately **500,000 lineal feet** of coke oven gas lines in sizes from 2 inches to 72 inches converting these high sulfur, high cyanide, pyrophoric deposits into a harmless product for charging back to active coke plants.

These pipes are sensitive to corrosion and many other hazards. KII crews have the experience to remove these without incident.

KII is well known for cleaning pipes in-place. Typical projects include:

- Water Lines
- City Water Systems
- Industrial Water
- Oil and Gas Transmission Lines
- Hydraulic and Lube Systems
- Steel Mills
- Power Plants
- Paper Mills
- Manufacturing

Coal Tar Site Remediation

Both operating and idled coke plants, some of which still operate as MGP sites, require clean-up and remediation. At those locations where KII has recycling centers, KII would perform clean-up and remediation on an on-going basis as required or budgeted by the plant. In most cases, a long-term program is established and performed on a planned basis annually. Idled facilities will also be on a planned or contracted basis.

The degree of clean-up varies with each site, each having its own degree of contamination. Potential dangers to surrounding areas, agency involvement and potential use of the property are factors in determination of the work scope.

Coke Plant Recycling Centers Operated by KII

KII recycles coke plant waste streams at various coke plants.

Coal tar wastes produced by each of these plants are processed for recycling back to the coke ovens. Wastes from idled facilities or facilities without recycling centers are shipped to these locations as well. EPA regulations exempt these facilities for transportation, storage and processing. It has been concluded by the coke plants that the KII processed material improves the strength and quality of the coke, hence, it is a valuable commodity.

A wide variety of wastes are recycled at these locations.

Some former MGP sites have been classified as coke plants. These wastes are also recycled at these facilities.

KII's Recycling Center is located at:

- Birmingham, AL

Thermal Treatment Experience

KII has been involved in the thermal treatment or reuse of wastes as fuel since 1980. Some of the early experiences are evidenced by the letters (see Appendix C) from the US EPA and the State of Pennsylvania.

KII has processed hundreds of thousands of cubic yards for thermal treatment or fuel use. Some typical projects are:

- **Chesapeake Utilities; Dover DE**

- MGP Site
- Excavated soils then rendered them non-hazardous on-site.
- Shipped to Clean Earth in New Castle, DE.
- Extremely sensitive area in residential community.
- Project completed without incident or odors.

- 1. **Supertane Gas; Charlestown, WV**

- MGP Site
- Removed contents of gas holder. Processed in solid fuel *for sale* to coal brokers. Ultimately used as fuel to a cement plant.

- **Wrigley Tar Site; Wrigley, TN:**

- Wood Tar
- Removed tar from lagoon and processed into solid fuel for use as fuel in Jack Daniels' Distiller.

- **Rochester Gas and Electric; Rochester, NY:**

- MGP Site
- Used KII material, equipment and process to prepare soils for recycling at New York State Electric Gas.

- **Baldwin Thermal Treatment Facility; Baldwin, IL:**

- KII built and operated this facility located at the Illinois Power Baldwin Power Plant prior to selling its interest.
- Soils from MGP sites were shipped to this facility. KII prepared the soil for use in the boiler.
- KII assists other contractors in minimizing on-site work to reduce exposure at sites.

- KII is conducting discussions with other boiler facilities and cement plants to expand the capabilities and to reduce transportation costs.

Technical Papers

KII has presented many papers over the years in regards to coal tars, waste oils and contaminated soils.

These include:

- **National Association of Attorney Generals and US EPA, 1996:** Presented seminar on “Waste Oil” to state and federal agencies in Washington DC; Boston, MA; Atlanta, GA; San Francisco, CA and Denver, CO.
- **American Coke and Coal Chemicals Institute, 1992:** “Recycle, Reuse and Remediation of Coke Plant and Steel Mill Wastes”
- **American Iron & Steel Engineers, 1992:** “Recycle, Reuse and Remediation of Coke Plant and Steel Mill Wastes”
- **American Iron and Steel Engineers, Pittsburgh Annual Convention, 1993:** “Coke Plant Demolition and Clean-up”
- **American Chemical Society; Atlanta, GA; 1993;** “Recycling and Remediation of Coal Tar and Steel Mill Wastes”
- **MGP ‘95; Prague, Czech Republic; 1995;** Two papers, “Recycling and Remediation Coal Tar Wastes” and “Demolition of Coke and MGP Plants”
- **American Coke & Coal Chemicals Association; Point Clear, AL; 1996;** “Recycling of Coal Tar Contaminated Soils”
- **The Western States Blast Furnace and Coke Plant Association; Merrillville, IN; March 1997;** “Recycling and Remediation of Organic Contaminated Soils”
- **Iron and Steel Society; Chicago, IL; April 1997;** “Recycle/Reuse of Contaminated MGP and Coke Plant Soils”

Permits

KII has the following permits.

- A Pennsylvania state wide permit for the mobile treatment of coal tar wastes and oils.
- A California state wide permit for treatment of coal tars and oils. This is no longer required in the State.
- The various recycling centers that KII maintains in coke plants are exempt from regulation for transportation storage and processing due to on-site recycling.
- Mobile projects nationally require permits as dictated by the state/local or site specific conditions.

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4. Date of Chapter 11 Petition

The bankruptcy was initiated by the filing of a Voluntary Petition under Chapter 11 on March 30, 2016.

5. Events that Caused the Filing:

The Debtor-in-Possession initiated the instant filing as a result of a Complaint filed by Heights Plaza Materials Inc. filed on February 19, 2016 in Beaver County. The Complaint seeks damages for an alleged breach of a Material Processing Agreement and a Rental Agreement entered by the parties on or about August 13, 2014.

The facts which surround the parties dispute arose from the following (according to the Debtor-in-Possession):

“In May of 2014 we had just ended a very large demolition project in Koppel, PA and began to demobilize from the site. We didn’t have many other potential projects lined up because our VP of demolition had been working on this project and hadn’t been able to do much sales work to find new projects.

In June 2014 however, a project came up to tear down what we considered to be a smaller steel mill type building. The owner required the bidder to pay \$38,000 up front for the project, saying that was his percentage of the scrap value of the property. Since there wasn’t much work available, we did our due diligence and figured that the project would be roughly a break even project and would keep the guys working and keep cash flow coming in. In the end, the project ended up losing \$80,000 due to the fact that there wasn’t as much scrap as originally expected and we had more disposal costs.

In late July 2014, we met with an acquaintance named John Boyle who we had worked with to try and develop other projects, none of which had worked out however. John already owned and operated a sand and gravel operation and was looking at another sand and gravel and slag operation in Natrona Heights, PA. The previous operator at the site had left and the current owner of the property was looking for a new group to come in and continue screening and crushing the slag that was sitting on the property. John Boyle decided his company was too busy to operate it directly, so he brought us in to operate it and he would take a small fee for helping us.

We had all of the necessary equipment available in order to operate the site, and since the equipment was paid for from past projects, there wouldn’t be much overhead other than labor. Since we didn’t know much about the slag industry, we brought in a few people, including John Boyle, who knew the slag business and the scrap steel end of it to get an idea of the monies that would be involved. Mr. Marino provided us with some hand written sheets of paper that supposedly showed what the previous operator had sold and made.

One of the things we would need in order to make the project viable, was that we would have to get new slag coming in to the site and get paid for it. During one of the meetings, Mr. Marino told us there were some politics involved with the plant that supplied it, but he assured us that he

knew the purchasing manager personally and said “within a month or two, things will die down and we’ll be able to get the material coming back here”. We sat down in his office along with John Boyle and did some math on how we would split the fees that we would charge the plant for taking the material.

Over the next week or so, we continued to get phone calls from Mr. Marino who repeatedly told us that if we didn’t sign a contract by Monday August 1st, he would give the project over to another group that he had been meeting with. So on Monday, we decided to go ahead and sign the contract, relying on Mr. Marino’s assurances since we didn’t have time to do the necessary due diligence.

We began to mobilize equipment to the site but quickly found out that a number of things that Mr. Marino told us about the project weren’t truthful, correct, or as easy to obtain as he made it seem during our discussions. The first thing we tried to do was contact PENNDOT to see if the material could be DOT approved. Mr. Marino at one time did have DOT approval when he operated the site years ago, but that approval was no longer valid, and we would have to go through an expensive and exhaustive round of testing in order to be approved. We would also have to purchase testing equipment and have an office on site for an inspector. At the time we weren’t selling anything and no new slag was arriving, so we decided not to go about obtaining the certification and instead focus on setting up and starting to make product to sell to others that didn’t need the approval.

We also started getting word out to potential buyers that the site was in operation again, and used another hand written sheet provided by Mr. Marino of companies that he used to sell to, but most were either out of business or didn’t answer. So we had to go about building a new clientele.

Mr. Marino had an office and work shop on the site and began pressuring us to rent the buildings from him. Although I didn’t see the need, my operations manager thought it would be more professional if we used the office instead of bringing in a job trailer. So we signed the agreement for \$4,500 a month, knowing that the monies we received from the new incoming slag would cover that cost, as well as the minimum \$10,000 in royalties Mr. Marino asked for in the materials agreement.

The next problem that arose was that the Allegheny County air quality permit and the DEP operating permit for the site could not be simply transferred into our name as he said. So we had to spend extra time and effort to go through the very long and lengthy process of applying for both permits. The DEP agreed to let us operate as long as we were continuing with the application process.

As we continued to operate well into the winter months and into spring, clients were few and far between. It was also clear that there was little to no scrap steel in the front pile where Mr. Marino told us we had to process first. So we had almost no revenue coming in. Nor was there any scrap steel in the large pile either. It had already been picked clean before we got there, and Mr. Marino failed to inform us of that.

In April of 2015 we were informed by our client ABC Coke, where we had a processing facility for taking coke plant wastes, that they no longer were going to allow us to bring in outside material due to an EPA audit of the area surrounding the plant. They felt it was in their best interest to halt it while the audit was going on. We had been doing quite well there, having a few

large customers at the time, but that income came to an end.

Through the summer of 2015, we continued to talk with folks at the steel plant regarding the silicone slag material and it became quite clear that they didn't have an interest at resuming the shipments to the Natrona site. The material was being handled by another firm that was taking it to another location. We didn't find out until later that the reason for that was because of environmental issues with our site. We talked with the last operator at the site and they said they left because the DEP wouldn't allow new material to be brought up unless they received a Waste Water permit because the slag had a high pH reading. Mr. Marino failed to tell us that.

We began talking with the DEP about applying for a water permit, and developed a plan to isolate the storage area instead of getting the entire property under the permit, and build a retention pond to capture the storm water. Talks bogged down after we found out that they required us to do a full engineering study and apply for the full permit, which would have run into tens of thousands of dollars.

During this time, the steel plant went on strike and the people we had been talking to said nothing would move forward until that was resolved, and they cautioned us that the plant was planning on stopping the production of the silicone slag in December of 2015 anyway. It wasn't worth it to pursue the water permit if we wouldn't be getting the slag anyway.

We had another project going on in Yorkville, OH, which was paying the bills, but it wasn't enough to pay back the old debt we had accumulated and also keep up with the payments to Mr. Marino. We paid what we could to him instead of paying back the old debt, but the amount owed to Mr. Marino continued to grow. We were lucky enough to have the faith and understanding of our largest vendors, who were all willing to take payments or wait it out until our situation improved.

Around October of 2015, the price of scrap steel plummeted to levels not seen since the 1990's, which made the project in Yorkville, OH pretty much non-viable. We continued to work for a reduced amount of money to keep cash flow going but the project ended in December.

We had been lucky with the weather during November and December and did quite well selling the slag. We were able to pay Mr. Marino roughly \$13,000 during that time and figured if we could increase the sales when the better months came, we would be able to come close to break even with him on a monthly basis.

As of January 1st, Mr. Marino apparently wasn't happy with the amount of money he was getting, and as was frequently brought up to us, he had a contract and wanted it honored. He also decided that we could no longer ship material off the site unless we either brought in an outside scale, or fixed the one on site.

During negotiations before we signed with him, Mr. Marino told us we could use the scale. What he failed to disclose was that the scale was basically rusted through and was junk underneath, however we continued to use it because it was giving the correct weights, although it wasn't certified. We informed all of our clients that the scale wasn't certified.

Because we didn't have the financial resources to rent or buy a new scale, we decided to rebuild the scale for Mr. Marino and continue to use it. We did this in good faith thinking that Mr. Marino would begin the process of renegotiating the contract which was obviously heavily biased in his favor at this point, knowing there was zero chance of bringing in the outside material.

After crunching numbers, we determined that we would have to ship at least 3,400 tons of material from the site per month just to break even. We would remove the minimum royalty Mr. Marino would get and only pay him the \$2 / ton that was in the contract and also reduce the rent on the buildings to \$2,200/ month. Even with that, if we sold 3,400 tons of material, he would receive \$9,000 a month. During November and December we had sold nearly that much and had a long list of clients that were now interested. We more or less wanted to be partners with Mr. Marino and share in the risk and reward, instead of taking all the risk and loss and him getting a steady pay check at our expense.

We presented the new figures to Mr. Marino, with no minimum royalties, and he came back and said that he would wipe out the past royalties, but that we would have to pay him a minimum of \$8000/month and also pay him back roughly \$56,000 in back rent by the end of February.

Obviously by this point we didn't have the wherewithal to do that. We were in debt by nearly \$600,000. None of the vendors we owed money to was related to the Natrona project. We had lost nearly \$450,000 by this point on the project, from labor, permits, and money to Mr. Marino. That money could have gone to paying back our vendors instead of being wasted on this project.

Mr. Marino did not inform us as to whether or not he would accept our offer as we continued to work on the scales with no income coming from this project. What Mr. Marino did instead was to have his attorney draft paperwork and file a lawsuit against us demanding all the back monies supposedly owed, plus advance rents and future money owed in the contract(s).

There is obviously no way we can continue to operate the project under these circumstances or hope to recuperate enough money to satisfy the current contract with Mr. Marino and hope to also pay back the past due amounts to our vendors.

It's with a heavy heart that I am forced to file for reorganization. It's a shame that those vendors that have stuck by us through this dark time will also suffer. Most of them are still willing to work with us even in light of the situation, except Mr. Marino, whom we would not be willing to deal with going forward."

The Debtor-in-Possession did not receive the value of the agreement as promised by Heights Plaza as a result of deceptive information supplied by Heights Plaza. As a result of said agreement, Debtor-in-Possession was "bleeding" financially. The Chapter 11 bankruptcy gave the DIP to reject the Executory Contract and stop the "bleeding". The Debtor believes that it will be able to effectively reorganize by not increasing its debt to Heights Plaza.

6. Anticipated Future of the Company & Source of this Information and Opinion

Kipin Industries intends to move forward after filing for reorganization by using both cost cutting methods and an increased effort on sales. Even though we have experienced a few set backs on a few projects recently that caused the reorganization (see Reasons for Reorganization letter), the majority of the projects we have worked on have in fact made money.

Our main focus on moving forward will be to increase our sales by developing additional projects. In the past, we would land medium to large sized projects and then focus exclusively on those projects instead of continuing to develop new leads. This lead to a see saw effect where at the end of the last project we would be scrambling to find new work. This often would drain our cash reserves until the next project came.

As we land new projects, we will hire new staff to man those projects while continuing to follow new sales leads. Our current Vice President of Demolition will no longer be exclusively used in the field to manage those jobs, but will continue to seek out new prospects. We will replace him with competent field managers with him as oversight.

Once the reorganization happens, we will be able to have a bit of money available to also enlist in organizations and websites that offer job leads and put your company on bidders lists for large corporations. We will also update our website and social media exposure as well.

As for environmental work, we are currently working to find another location to build a recycling center that will be permitted to take the kinds of material that we had been taking at our location in Birmingham. After it was shut down, there is a great need in the industrial sector for a new low cost recycling center as the only options in the eastern US is landfilling, which is extremely costly.

One aspect we will make sure to avoid is getting into projects that are outside of our expertise or comfort zone, and make sure that all due diligence is performed before taking on projects moving forward.

As far as cost cutting goes, even though we are operating at a near bare minimum as it is on personnel and expenses, we will revise how purchasing is done in the field by our managers and employees to see where we can make further cuts.

It is anticipated that some employees will retire, as such, the company will obtain savings through attrition . As future projects begin to increase , the company will investigate the hiring of new employees and train them accordingly.

We will begin to do more rent to own or lease to own agreements with our heavy equipment to replace our aging fleet instead of doing strict rental.

Lastly, we will have contract attorneys review all agreements prior to signing to ensure that we are not getting involved in high risk situations.

In addition to the above, the Debtor-in-Possession has rejected the Executory Contract between it and Heights Plaza Materials, Inc. As such, the Debtor believes that the cost savings relating to the former Heights Plaza location and increase in new projects, will allow its operations to be profitable and provide for the necessary funding of the within plan of reorganization.

[UPDATE]

The Debtor-in-Possession includes, as an Exhibit, the prior five (5) years of Profit & Loss Statements and a five (5) year Cash Flow Projections for review by creditors and parties in interest.

Additionally, the Debtor states that during the pendency of the Chapter 11 case, it had a potential contract with Murray Energy cutting up a huge dragline crane. The Debtor lost making about \$75K profit on the job. The Debtor believed it had the contract until the negotiations began and Murray Energy inquired whether the Debtor was in bankruptcy. The Debtor answered truthfully and explained the reasons for filing but, Murray Energy refused to enter into a contract due to the bankruptcy status. The Debtor also lost out on the ability to put in a bid with them on tearing down a large coal preparation plant, that would have been much more, maybe 3 to 4 times that amount.

As such, it is important for the Debtor-in-Possession to emerge from bankruptcy in order to obtain new contracts without future companies/parties being concerned of the bankruptcy status. This benefits all interested parties.

7. *Summarize all Significant Features of the Plan Including When and How Each Class of Creditor Will Be Paid and What, If Any, Liens Will Be Retained By Secured Creditors or Granted to Any Creditor Under the Plan*

Class I administrative claims shall remain unimpaired and be paid in full on or before the 30th day after the entry of the Confirmation Order. Debtor's Counsel fees and Counsel for the Unsecured Creditors Committee shall be paid within six (6) months of the Order Confirming the Plan, or in the ordinary course of business or as otherwise agreed to by the parties and approved by the Court. Claims of the professionals engaged by the Debtors, Counsel for the Unsecured Creditors Committee, or claims in this class disputed by the Debtors are subject to Bankruptcy Court approval.

The Class II consist of the creditors holding allowed secured tax claims or secured municipal claims against the Debtor-in-Possession's property located in Beaver County, Pennsylvania. These creditors include Connie T. Javens, Treasurer, with a Claim in the amount of \$1,621.63 (representing 2015 county taxes); William A. Laughlin, Jr., with a Claim in the amount of \$3,016.27 (representing Greene Township & South Side Area School District taxes); and, Beaver County Tax Claim Bureau,

with a Claim in the amount of \$2,783.63, having filed Proofs of Claim Nos. 4-1, 5-1 & 6-1 (representing delinquent real estate taxes). This class includes estimated total claims of \$7,421.53 at the time of the Petition for Relief. The Debtor-in-Possession shall pay these claims in full over a period of 60 months, along with statutory interest beginning 30 days after confirmation of the Plan. The Debtor-in-Possession reserves the right to payoff these creditors early if funds become available to accomplish same.

The Class III creditor is impaired. This class includes Heights Plaza Materials, Inc., with a disputed, scheduled, unsecured claim totaling \$189,605.55 consists of an Executory Contract with the Debtor-in-Possession. The Debtor-in-Possession rejects said contract pursuant to 11 U.S.C. §§ 365(a) and 1123(b)(2).

The Debtor and Heights Plaza entered into a Stipulation and Consent Order of Court on or about August 23, 2016. Said Stipulation will be attached to a Motion to Approve Same for the Court's approval, the contents of same are incorporated into the Debtor's Amended Chapter 11 Plan as outlined below:

- (a) Heights Plaza filed a Claim at Claim #8, on June 9, 2016 in the amount of \$125,556.91 relating to a Breach of Rental Agreement. The amount of the prepetition default was \$70,556.91.*
- (b) Heights Plaza filed a Claim at Claim #9, on June 9, 2016 in the amount of \$318,948.76 relating to a Breach of Material Processing Agreement.*
- (c) Debtor had scheduled Heights Plaza claim at \$189,605.55 at the time of the bankruptcy filing.*
- (d) The Debtor filed an Objections to the Claims of Heights Plaza on July 29, 2016.*
- (e) Additionally, Heights Plaza had filed an Objection to Confirmation of the Debtor's Plan on June 17, 2016.*
- (f) On June 29, 2016, this Court entered a Bench order requiring Counsel for the Debtor and Heights Plaza to meet and attempt a global settlement of the parties' respective objections and claims.*
- (g) The Debtor, through its counsel, Edgardo D. Santillan, Esquire and Heights Plaza, through its counsel, Anthony E. Patterson, Esquire, conferred in person on July 8, 2016 for the*

two hour period mandated by this Court to determine the parties' legal positions prior to an Evidentiary Hearing(s).

(h) The Debtor and Heights Plaza , (collectively "the parties") desire to resolve all issues raised with respect to the Objection to Claims and Objection to Confirmation of Plan in accordance with the terms set forth below.

(i) Respondent, Heights Plaza Materials, Inc., shall possess a total unsecured claim in the amount of \$207,132.81.

(j) The Debtor shall not possess a right of set-off against said amount, nor file an Adversary Complaint attacking said amount.

*(k) The Heights Plaza claim of \$207,132.81 shall be paid forty-eight point two-eight (48.28%) percent of its unsecured claim within the Debtor's Plan (**this amount equals \$100,000.00**). This amount shall be paid over a period of twenty-four (24) months. This creditor shall receive its prorated share from these monthly payments. The Debtor shall make payments in monthly distributions. The Debtor-in-Possession reserves the right to payoff this creditor early if funds become available to accomplish same. Payments shall commence no earlier than thirty days but nor greater than twelve months following confirmation of the Debtor's Plan of Reorganization.*

(l) Heights Plaza agrees to resign from the Committee of Unsecured Creditors.

(m) Heights Plaza shall withdraw its objection to confirmation of the Debtor's Small Business Chapter 11 Plan of Reorganization.

(n) Heights Plaza shall cast a vote in favor of the Debtor's Chapter 11 Plan of Reorganization, as amended herein.

(o) The Debtor's Small Business Chapter 11 Plan of Reorganization shall be amended, by entry of this Order, Approving the within Stipulation to provide for the treatment of the Class III claim as provided above.

(p) This Stipulation for Settlement is an integrated agreement, containing the entire understanding of the parties regarding the matters addressed herein and, except as set forth in this Stipulation for Settlement, no representations, warranties, or promises have been made or relied upon by the parties to this Stipulation for Settlement. This Stipulation for Settlement shall prevail over prior communications between the parties or their representatives regarding the matters contained herein.

(q) Each of the parties shall bear their own costs and legal expenses, including attorney fees incurred in connection with the issues raised herein, except as provided herein.

(r) *The parties and their counsel have cooperated in the preparation and drafting of this Stipulation for Settlement and therefore, in interpreting this Stipulation for Settlement the principle of construing language against the drafting party shall not apply.*

(s) *Both parties hereby certify and confirm that they have reviewed the terms of this Stipulation with their respective attorneys and that both parties understand and are in agreement with the terms of the Stipulation for Settlement.*

(t) *Each party further covenants and agrees that this Stipulation for Settlement shall not be subject to any claim of fraud, duress, deception, or mistake of fact or law.*

(u) *The Debtor and Heights Plaza hereby agree that the electronic signatures of their respective counsel on this Stipulation shall be binding on the parties and treated by the Court the same as if such signatures were an original, and that the Stipulation shall be binding once it has been signed by Debtor's Counsel or authorized representative, Heights Plaza's Counsel or authorized representative and the Court, regardless of whether all of the signatures appear on the same copy of the document or on counterparts of the same document.*

(v) *This Stipulation for Settlement shall be governed, in all respects, under the laws of the Commonwealth of Pennsylvania and any action related to this Agreement shall be instituted in the Commonwealth of Pennsylvania.*

The Class IV claim is unimpaired and shall consist of the priority claim of Rick's Rentals, LLC in the amount of \$23,984.30 relating to West Virginia Sales Tax reimbursement pursuant to 11 USC 507(a)(8) & 523(a)(14A). The Debtor-in-Possession shall pay the amount of \$23,984.30 over 60 months, along with statutory interest (3%). Payments shall begin 30 days after receipt of confirmation of the Debtor's Plan of Reorganization. The Debtor-in-Possession reserves the right to payoff this creditor early if funds become available to accomplish same.

*The Class V de minimis unsecured claims are unimpaired. This class includes timely filed, undisputed, allowed, de minimis, unsecured claims of unsecured creditors with claims under \$2,500.00. This class totals \$13,806.69 consisting of 28 creditors at the time of the Petition for Relief. Class V creditors shall be paid one hundred percent (100%) of their prepetition claims over a period of sixty (60) months. The amount of \$13,806.69 shall be paid at an annual distribution of twenty percent (\$2,761.34) will be paid in the first through fifth years of the Plan. These creditors shall receive their **prorated share** from these annual payments. The Debtor-in-Possession reserves the right to payoff these*

creditors sooner if funds become available to accomplish same. As a result of payment of 100% of the prepetition claims, this class shall be deemed to vote in favor of confirmation of Debtor's plan of Reorganization. Payments shall commence no earlier than thirty days but nor greater than twelve months following confirmation of the Debtor's Plan of Reorganization.

*The Class VI class shall consist of the timely filed, undisputed, allowed claims of unsecured creditors with claims over \$2,500.00. This class approximates total claims in the amount of \$379,322.76 consisting of 10 creditors at the time of the Petition for Relief. Class V creditors shall be paid twenty eight percent (28%) of their prepetition claims over a period of sixty (60) months. The amount of \$106,210.37 (representing 28%) shall be paid at an annual distribution of twenty percent (\$21,242.07) will be paid in the first through fifth years of the plan. These creditors shall receive their **prorated share** from these annual payments. The Debtor-in-Possession reserves the right to payoff these creditors sooner if funds become available to accomplish same. Payments shall commence no earlier than thirty days but nor greater than twelve months following confirmation of the Debtor's Plan of Reorganization.*

The Plan does not provide for release of the debtors or any non-debtor parties.

8. *Are All Monthly Operating Statements Current and on File With The Clerk of Court?*

Yes ✓ No

If Not, Explain:

9. *Does the plan provided for releases of nondebtor parties? Specify which parties and terms of release. **No. There are no guarantors of the Debtor.***

10. *Identify all executory contracts that are to be assumed or assumed and assigned.*

The Debtor-in-Possession rejects said contract pursuant to 11 U.S.C. §§ 365(a) and 1123(b)(2).

11. Has a bar date been set? Yes ☒ No ☐

(If not, a motion to set the bar date has been filed simultaneously with the filing of this disclosure statement.)

*“Bar Date” for filing Proofs of Claim has been fixed as August 16, 2016
Governmental Units must file their claims by September 26, 2016*

12. Has an election under 11 U.S.C. §1121(e) been filed with the Court to be treated as a small business?

Yes ☒ No ☐

13. Specify property that will be transferred subject to 11 U.S.C. §1146(c).

NONE.

14. Has the Debtor make any payments to Insiders of the Debtor within the past four (4) years?

NO.

Pursuant to 11 U.S.C. § 101(31) the term “insider” includes—

(A) if the debtor is an individual—

(i) relative of the debtor or of a general partner of the debtor;

(ii) partnership in which the debtor is a general partner;

(iii) general partner of the debtor; or

(iv) corporation of which the debtor is a director, officer, or person in control;

(B) if the debtor is a corporation—

(i) director of the debtor;

(ii) officer of the debtor;

(iii) person in control of the debtor;

(iv) *partnership in which the debtor is a general partner;*

(v) *general partner of the debtor; or*

(vi) *relative of a general partner, director, officer, or person in control of the debtor;*

(C) *if the debtor is a partnership—*

(i) *general partner in the debtor;*

(ii) *relative of a general partner in, general partner of, or person in control of the debtor;*

(iii) *partnership in which the debtor is a general partner;*

(iv) *general partner of the debtor; or*

(v) *person in control of the debtor;*

(D) *if the debtor is a municipality, elected official of the debtor or relative of an elected official of the debtor;*

(E) *affiliate, or insider of an affiliate as if such affiliate were the debtor; and*

(F) *managing agent of the debtor.*

15. *Basis for the Valuations of Real and/or Personal Property listed within the Debtor's schedules and Disclosure Statement:*

Liquidation values. *The real property listed as Peg's Run includes marsh land and a run down building located on a former old coal mill. The Debtor also attaches a copy of the list of business assets.*

[REMAINING PAGE IS BLANK]

II. Creditors

A. Secured Claims

SECURED CLAIMS

<i>Creditor</i>	<i>Total Amount Owed</i>	<i>Arrearages</i>	<i>Type of Collateral Priority of Lien (1, 2, 3)</i>	<i>Disputed (D) Liquidated (L) Unliquidated (U)</i>	<i>Will Liens Be Retained Under the Plan? (Y) or (N)</i>
<i>William A. Laughlin, Jr., T.C.</i>	<i>3,016.27</i>	<i>n/a</i>	<i>Parcel # 62-191-0191.003-01-1</i>	<i>L</i>	<i>Y</i>
<i>Connie T. Javens, Treasurer</i>	<i>1,621.63</i>	<i>n/a</i>	<i>Parcel # 62-191-0191.003-01-1</i>	<i>L</i>	<i>Y</i>
<i>Beaver County Tax Claim Bureau</i>	<i>2,783.63</i>	<i>n/a</i>	<i>Parcel # 62-191-0191.003-01-1</i>	<i>L</i>	<i>Y</i>
<i>TOTAL</i>	<i>\$7,421.53</i>	<i>7,421.53</i>			

B. Priority Claims

PRIORITY CLAIMS

<i>Creditor</i>	<i>Total Amount Owed</i>	<i>Type of Collateral</i>	<i>(D) (L) (U) *</i>
<i>Rick's Rentals, LLC</i>	<i>\$23,984.30</i>	<i>WV Sales Tax reimbursement pursuant to 11 USC 507(a)(8) & 523(a)(14A)</i>	<i>L</i>
<i>TOTAL</i>	<i>\$23,984.30</i>		

** Disputed (D), Liquidated (L), or Unliquidated (U)*

1.	<i>Amount Debtor Scheduled (Disputed and Undisputed)</i>	\$585,536.08
2.	<i>Amount of Unscheduled Unsecured Claims¹</i>	\$ 0.00
3.	<i>Total Claims Scheduled or Filed</i>	\$ 395,930.53
4.	<i>Amount Debtor Disputes</i>	\$189,605.55 *
5.	<i>Estimated Allowable Unsecured Claims</i>	\$395,930.53

** Despite the Debtor's prepetition dispute with Heights Plaza Materials, Inc., the parties have executed a Settlement Stipulation as to the claim and treatment of Heights Plaza.*

D. Other Classes of Creditors

1.	<i>Amount Debtor Scheduled (Disputed and Undisputed)</i>	\$ N/A
2.	<i>Amount of Unscheduled Claims¹</i>	\$ N/A
3.	<i>Total Claims Scheduled or Filed</i>	\$ N/A
4.	<i>Amount Debtor Disputes</i>	\$ N/A
5.	<i>Estimated Allowable Claims</i>	\$ N/A

E. Other Classes of Interest Holders

1.	<i>Amount Debtor Scheduled (Disputed and Undisputed)</i>	\$ N/A
2.	<i>Amount of Unscheduled Claims¹</i>	\$ N/A
3.	<i>Total Claims Scheduled or Filed</i>	\$ N/A
4.	<i>Amount Debtor Disputes</i>	\$ N/A
5.	<i>Estimated Allowable Claims</i>	\$ N/A

The claims docket in this case is a public record and may be viewed by any creditor. Debtor's counsel will provide a copy of the claims docket to any creditor upon request.

¹ Includes (a.) unsecured claims filed by unscheduled creditors; (b.) that portion of any unsecured claim filed by a scheduled creditor that exceeds the amount debtor scheduled; and (c.) any unsecured portion of any secured debt not previously scheduled.

III. Assets

<i>Assets</i>	<i>Value</i>	<i>Basis for Value Priority of Lien</i>	<i>Name of Lien Holder (if any) (Fair Market Value/ Book Value)</i>	<i>Amount of Debtor's Equity (Value Minus Liens)</i>
Various Checking accounts held at S&T Bank and Citizens Bank	\$5,300.00	Actual		\$5,300.00
Prepaid Insurance	\$2,500.00	Actual		\$2,500.00
Accounts Receivable	\$40,000.00	Actual		\$40,000.00
Office furniture	\$2,700.00	Depreciated		\$2,700.00
(3) 2008 Dodge trucks with 250k+ miles each	\$9,000.00	Liquidation		\$9,000.00
2001 Dodge truck with 380K+ miles	\$500.00	Liquidation		\$500.00
1999 Dodge truck with 400k+ miles	\$100.00	Liquidation		\$100.00
(2) small trailers	\$500.00	Liquidation		\$500.00
Misc. Equipment (see attached)	\$64,200.00	Liquidation		\$64,200.00
Peg's Run, Parcel 62-191-0191.003-01-1	\$12,000.00	Comparable Sales		\$12,000.00
	\$136,800.00 TOTAL			\$ 136,800.00

1. *Are any assets which appear on Schedule A or B of the bankruptcy petition not listed above?*

NO.

If so, identify asset and explain why asset is not in estate:

2. *Are any assets listed above claimed as exempt? If so attach a copy of Schedule C and any amendments.*

NO.

1. *Effective Date of Plan:*

2. *Will cramdown be sought?* ☒ Yes ☐ No
If Yes, state bar date: _____

3. *Treatment of Secured **Non-Tax** Claims*

SECURED NON-TAX CLAIMS

<i>Name of Creditor</i>	<i>Class</i>	<i>Amount Owed</i>	<i>Summary of Proposed Treatment</i>
N/A			
<i>TOTAL</i>		\$0.00	

4. *Treatment of Secured Tax Claims*

SECURED TAX CLAIMS

<i>Name of Creditor</i>	<i>Class</i>	<i>Amount Owed</i>	<i>Summary of Proposed Treatment</i>
Connie T. Javens, Treasurer	2	1,621.63	Payment in full over 5 years with statutory interest
William A. Laughlin, Jr. , T.C.	2	3,016.27	Payment in full over 5 years with statutory interest
Beaver County Tax Claim Bureau	2	2,783.63	Payment in full over 5 years with statutory interest
<i>TOTAL</i>		\$7,421.53	

5. *Treatment of Administrative **Non-Tax** Claims^P**ADMINISTRATIVE NON-TAX CLAIMS*

<i>Name of Creditor*</i>	<i>Amount Owed</i>	<i>Type of Debt**</i>	<i>Summary of Proposed Treatment and Date of First Payment</i>
<i>Edgardo D. Santillan, Esq</i>	<i>\$15,000.00 - 25,000.00 Est.</i>	<i>P</i>	<i>Payment of Balance of Administrative Claim over 6 months following confirmation of the Confirmation Order, or in the ordinary course of business or as otherwise agreed to by the parties and approved by the Court. Claims of the professionals engaged by the Debtor, or claims in this class disputed by the Debtor are subject to Bankruptcy Court approval.</i>
<i>Counsel for Unsecured Creditors Committee</i>	<i>unknown</i>	<i>P</i>	<i>See above</i>

6. *Treatment of Administrative Tax Claims**ADMINISTRATIVE TAX CLAIMS*

<i>Name of Creditor*</i>	<i>Amount Owed</i>	<i>Type of Debt**</i>	<i>Summary of Proposed Treatment and Date of First Payment</i>
<i>NONE</i>			

* *Identify and Use Separate Line for Each Professional and Estimated Amount of Payment*** *Type of Debt (P=Professional, TD=Trade, TX=Taxes)*² Include all §503(b) administrative claims.

7. *Treatment of Priority Non-Tax Claims*

PRIORITY NON-TAX CLAIMS

<i>Name of Creditor</i>	<i>Class</i>	<i>Amount Owed</i>	<i>Date of Assessment</i>	<i>Summary of Proposed Treatment</i>
NONE				

8. *Treatment of Priority Tax Claims*^{PP}

PRIORITY TAX CLAIMS

<i>Name of Creditor</i>	<i>Class</i>	<i>Amount Owed</i>	<i>Date of Assessment</i>	<i>Summary of Proposed Treatment</i>
<i>Rick's Rentals, LLC *</i>	<i>4</i>	<i>\$23,984.30</i>	<i>n/a</i>	<i>Payment in full over 5 years with statutory interest, if applicable</i>

*** *West Virginia Sales Tax reimbursement pursuant to 11 USC 507(a)(8) & 523(a)(14A)***

11 USC 507(a)(8) states: “(8) Eighth, allowed unsecured claims of governmental units, only to the extent that such claims are for—

(A) a tax on or measured by income or gross receipts for a taxable year ending on or before the date of the filing of the petition—

(i) for which a return, if required, is last due, including extensions, after three years before the date of the filing of the petition;

(ii) assessed within 240 days before the date of the filing of the petition, exclusive of—

(I) any time during which an offer in compromise with respect to that tax was pending or in effect during that 240-day period, plus 30 days; and

(II) any time during which a stay of proceedings against collections was in effect in a prior case under this title during that 240-day period, plus 90 days; or

(iii) other than a tax of a kind specified in section 523(a)(1)(B) or 523(a)(1)(C) of this title, not assessed before, but assessable, under applicable law or by agreement, after, the commencement of the case;”

11 USC 523(a)(14A) states: “(a) A discharge under section 727, 1141, 1228(a), 1228(b), or 1328(b) of this title does not discharge an individual debtor from any debt—(14A) incurred to pay a tax to a governmental unit, other than the United States, that would be nondischargeable under paragraph (1);”

^{PP}

Include dates when any §507(a)(7) taxes were assessed.

9. *Treatment of General Unsecured Non-Tax Claims**GENERAL UNSECURED NON-TAX CLAIMS*

<i>Creditor</i>	<i>Class</i>	<i>Total Amount Owed</i>	<i>Percent of Dividend</i>
<i>Airgas USA, LLC</i>	5	<i>\$31,753.88</i>	<i>28%</i>
<i>Allegheny County Health Dept</i>	5	<i>\$375.00</i>	<i>100%</i>
<i>Allegheny Raw Metals, Inc.</i>	5	<i>\$604.00</i>	<i>100%</i>
<i>American Contracting Enterprises, Inc.</i>	5	<i>\$3,812.00</i>	<i>28%</i>
<i>Annie's Alternators</i>	5	<i>\$220.00</i>	<i>100%</i>
<i>AT&T Mobility</i>	5	<i>\$759.65</i>	<i>100%</i>
<i>BCRC</i>	5	<i>\$71.76</i>	<i>100%</i>
<i>Blue Line Rental</i>	5	<i>\$6,538.20</i>	<i>28%</i>
<i>City of Latrobe</i>	5	<i>\$1,653.85</i>	<i>100%</i>
<i>Comcast</i>	5	<i>\$340.32</i>	<i>100%</i>
<i>Cypress Employment Service, LLC</i>	5	<i>\$4,389.00</i>	<i>28%</i>
<i>Duquesne Light</i>	5	<i>\$131.13</i>	<i>100%</i>
<i>EMP of Belmont County, Ltd</i>	5	<i>\$855.00</i>	<i>100%</i>
<i>Heights Plaza Materials, Inc.</i>	5	<i>\$207,132.81</i>	<i>48.28%</i>
<i>HHH Sanitation, Inc.</i>	5	<i>\$65.00</i>	<i>100%</i>
<i>IN Construction Advancement Foundation</i>	5	<i>\$107.64</i>	<i>100%</i>

<i>IUOE Local 150</i>	5	\$191.74	100%
<i>Jackson Welding Supply Co., Inc.</i>	5	\$319.55	100%
<i>James R. Shope, MD, LLC</i>	5	\$410.00	100%
<i>Knickerbocker Russell Co. Inc.</i>	5	\$2,214.90	100%
<i>Leech Tishman Fuscaldo & Lampl</i>	5	\$664.50	100%
<i>Midwest Operating Engineers Fringe Benefit</i>	5	\$24,828.98	28%
<i>Neville Terminal Services, LLC</i>	5	\$991.47	100%
<i>Ohio Valley Health Services</i>	5	\$767.89	100%
<i>Ohio Valley Septic, Inc.</i>	5	\$433.04	100%
<i>Philips Brothers Electrical Contractors</i>	5	\$16,364.00	28%
<i>Phoenix CPA's & Consultants, LLC</i>	5	\$31,612.77	28%
<i>Prism Response, Inc.</i>	5	\$26,000.00	28%
<i>R. Nesbit Portable Toilets</i>	5	\$657.20	100%
<i>Rick's Rentals, LLC</i>	5	\$226,486.79	28%
<i>Robbie D. Wood, Inc.</i>	5	\$14,885.15	28%
<i>Shirey Overhead Doors, Inc.</i>	5	\$195.00	100%
<i>Smalis, Inc.</i>	5	\$995.43	100%
<i>Terminix</i>	5	\$114.48	100%
<i>Top Septic Service, Inc.</i>	5	\$132.50	100%
<i>Tri State Waters</i>	5	\$26.14	100%

<i>US Bancorp Equipment Finance, Inc.</i>	5	\$269.72	100%
<i>Verizon</i>	5	\$82.72	100%
<i>Waste Management</i>	5	\$157.06	100%
<i>TOTAL</i>		\$607,610.27	

10. *Treatment of General Unsecured Tax Claims**GENERAL UNSECURED TAX CLAIMS*

<i>Creditor</i>	<i>Class</i>	<i>Total Amount Owed</i>	<i>Percent of Dividend</i>
<i>NONE</i>			
<i>TOTAL</i>		\$ 0.00	

11. Will periodic payments be made to unsecured creditors?

Yes ☒ No ☐ First payment to begin: 30 days following confirmation of plan

If so:

Amount of each payment (aggregate to all unsecured claimants)

Estimated date of first payment: n/a

Time period between payments: n/a

Estimated date of last payment: n/a

Contingencies, if any:

State source of funds for planned payments, including funds necessary for capital replacement, repairs, or improvements:

Debtor-in-Possession income.

Other significant features of the plan:

None, other than stated above.

Include any other information necessary to explain this plan:

None.

V. Comparison of Plan with Chapter 7 Liquidation

If debtor's proposed plan is not confirmed, the potential alternatives would include proposal of a different plan, dismissal of the case or conversion of the case to Chapter 7. If this case is converted to Chapter 7, a trustee will be appointed to liquidate the debtor's non-exempt assets. In this event, all secured claims and priority claims, including all expenses of administration, must be paid in full before any distribution is made to unsecured claimants.

Total value of Chapter 7 estate (See Section III)

\$136,800.00

1. Less secured claims (See Section A) \$7,421.53

2. Less administrative claims (See Section IV-5-6
and include approximate Chapter 7 expenses) \$25,000.00 Est

3. Less other priority claims (See Section II B) \$23,984.30

Total Amount Available for Distribution to Unsecured Creditors \$80,394.17

Divided by total allowable unsecured claims of (See Section II C) \$607,610.27

Percentage of Dividend to Unsecured Creditors: **28% to general, unsecured creditors with
claims over \$2,500.00**

**100% to general, unsecured creditors with
De Minimis claims under \$2,500.00**

Will the creditors fare better under the plan than they would in a Chapter 7 liquidation?

Yes ✓ No

Explain:

The Debtor-in-Possession is proposing a higher percentage distribution than what is realistically expected to obtain by a Chapter 7 liquidation in Beaver County, PA (a depressed, lower-income Class 3 County). **13.2% distribution vs. 28% (General) & 100.0% (De minimis)** ($\$80,394.17 \div \$607,610.27 = 13.2\%$)

VI. Feasibility

A. Attach Income Statement for Prior 12 Months.

B. Attach Cash Flow Statement for Prior 12 Months.

C. Attach Cash Flow Projections for Next 12 Months.

\$ 7,382.27

Show how this amount was calculated.

\$ 0.00	Administrative Class
\$ 0.00	Secured Mortgage Creditors
\$ 0.00	Secured Auto Creditors
\$161.35	Real Estate Taxes
\$430.96	Priority Taxes
\$4,166.67	Compromised Unsecured Claim of Heights Plaza
\$ 203.11	De Minimis Unsecured Creditors (below \$2,500.00)
\$1,770.17	Unsecured Creditors
<u>\$ 650.00</u>	UST Fees
<u><u>\$7,382.27</u></u>	TOTAL

What assumptions are made to justify the increase in cash available for the funding of the plan?

The Debtor-in-Possession will continue to obtain new projects, coupled with the savings in the rejected executory contract, will be in a cash positive position.

*Will funds be available in the full amount for administrative expenses on the effective date of the plan?
From what source? If not available, why not and when will payments be made?*

NO. It is anticipated that the Debtor will make periodic payments toward administrative expenses over a 12 month period unless agreed by the parties and approved by the Court otherwise.

Cash on hand \$ unavailable (Current). Attach current bank statement. (WILL SUPPLEMENT)

Cash on hand \$ 10,000.00 (Estimated amount available on date of confirmation)

If this amount is less than the amount necessary at confirmation, how will debtor make up the

VII. Management Salaries

MANAGEMENT SALARIES

<i>Position/Name of Person</i> <i>Holding Position</i>	<i>Salary at Time of Filing</i>	<i>Proposed Salary</i> <i>(Post-Confirmation)</i>
Peter Kipin	\$66,600.	\$66,600

VIII. Identify the Effect on Plan Payments and Specify Each of the Following:

1. What, if any, litigation is pending?

NONE.

2. What, if any, litigation is proposed or contemplated?

NONE. Motion to Approve Settlement Stipulation and Order of Court with Heights Plaza Materials, Inc.

IX. Additional Information and Comments

X. Certification

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

If Debtor is a corporation, attach a copy of corporate resolution authorizing the filing of this Disclosure Statement and Plan.

If Debtor is a general partnership, attach a copy of the consent agreement of all general partners to the filing of the bankruptcy.

<u>/s/ Peter E. Kipin Jr.</u>	<u>9/25/2016</u>
Peter E. Kipin, Jr. President	Date

<u>/s/ Edgardo D. Santillan</u>	<u>9/25/2016</u>
Debtor's Counsel	Date
Santillan Law Firm, P.C.	
775 Fourth Street	
Beaver, PA 15009	
724-770-1040	
412-774-2266 fax	
eds@debtlaw.com	

OPTIONAL TABLE

6. *Treatment of Other Claims*

N/A

OTHER CLASSES OF CREDITORS

<i>Creditor</i>	<i>Class</i>	<i>Total Amount Owed</i>	<i>Percent of Dividend</i>
NONE			

A. *Will periodic payments be made?*

Yes _____ No _____

If so:

Amount of each payment (aggregate to all claimants)

\$ _____

Estimated date of first payment

Time period between payments

Estimated date of last payment

Contingencies, if any:

OPTIONAL TABLE

7. *Treatment of Interest Holders (Other Than Equity Holders)*

OTHER CLASSES OF INTEREST HOLDERS

<i>Creditor</i>	<i>Class</i>	<i>Total Amount Owed</i>	<i>Percent of Dividend</i>
NONE			

8. *Treatment of Equity Holders (Specify how the market test of Bank of America National Trust and Savings Association v. 203 North LaSalle Street Partnership, 526 U.S. 434, 110 S.Ct. 1411 (1999), is met)*

EQUITY HOLDERS

<i>Creditor</i>	<i>Class</i>	<i>Total Amount Owed</i>	<i>Percent of Dividend</i>
Peter E. Kipin, Jr.		\$0.00	

A. *Will periodic payments be made?*

Yes ____ No ____

If so:

Amount of each payment (aggregate to all claimants)

\$ _____

Estimated date of first payment

Time period between payments

Estimated date of last payment

Contingencies, if any:

HISTORIC SUMMARY

<i>POST PETITION PERIODS</i>	<i>MONTH ONE</i>	<i>MONTH TWO</i>	<i>MONTH THREE</i>	<i>MONTH FOUR</i>	<i>MONTH FIVE</i>	<i>MONTH SIX</i>	<i>MONTH SEVEN</i>	<i>MONTH EIGHT</i>	<i>MONTH NINE</i>	<i>MONTH TEN</i>	<i>MONTH ELEVEN</i>	<i>MONTH TWELVE</i>
1. TOTAL CASH FLOW FROM OPERATIONS:	\$8,206.50	\$53,865.56	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. LESS TOTAL DISBURSEMENTS EXCLUDING PAYMENTS TO CREDITORS IN A PLAN:	\$6,027.23	\$60,509.88	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
3. TOTAL NET CASH FLOW:	2,179.27	-6,644.32	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>DEFINITIONS</i>												
TOTAL CASH FLOW FROM OPERATIONS:	THE TOTAL AMOUNT OF FUNDS COLLECTED IN A SPECIFIC PERIOD FROM CASH SALES, COLLECTION OF ACCOUNTS RECEIVABLE, AND OTHER INCOME, EXCLUDING LOANS PROCEEDS, CASH CONTRIBUTIONS FROM INSIDERS, AND SALES TAXES COLLECTED.											
TOTAL DISBURSEMENTS EXCLUDING PAYMENTS TO CREDITORS IN A PLAN:	THE TOTAL DISBURSEMENTS IN A SPECIFIC PERIOD FOR PRODUCTION COSTS, GENERAL AND ADMINISTRATIVE COSTS, EXCLUDING PAYMENTS TO CREDITORS TO BE PAID UNDER THE TERMS OF THE PLAN.											

PROJECTED SUMMARY (2016 Income based upon Monthly Operating Reports)

<i>POST PETITION PERIODS</i>	<i>MONTH ONE</i>	<i>MONTH TWO</i>	<i>MONTH THREE</i>	<i>MONTH FOUR</i>	<i>MONTH FIVE</i>	<i>MONTH SIX</i>	<i>MONTH SEVEN</i>	<i>MONTH EIGHT</i>	<i>MONTH NINE</i>	<i>MONTH TEN</i>	<i>MONTH ELEVEN</i>	<i>MONTH TWELVE</i>
<i>4. TOTAL PROJECTED CASH FLOW FROM OPERATIONS:</i>	<i>\$85,000</i>	<i>75,000</i>	<i>\$75,000</i>	<i>\$75,000</i>	<i>75,000</i>	<i>75000</i>	<i>75000</i>	<i>75000</i>	<i>75000</i>	<i>75000</i>	<i>75000</i>	<i>75000</i>
<i>5. LESS TOTAL PROJECTED DISBURSEMENTS EXCLUDING PMTS TO CREDITORS IN A PLAN:</i>	<i>\$73,000</i>	<i>\$72,000</i>	<i>\$72,000</i>	<i>\$72,000</i>	<i>72,000</i>	<i>72000</i>	<i>72000</i>	<i>72000</i>	<i>72000</i>	<i>72000</i>	<i>72000</i>	<i>72000</i>
<i>6. ANTICIPATED CASH FLOW AVAILABLE FOR PLAN:</i>	<i>12,000</i>	<i>3,000</i>	<i>3,000</i>	<i>3,000</i>	<i>3000</i>	<i>3000</i>	<i>3000</i>	<i>300</i>	<i>3000</i>	<i>3000</i>	<i>3000</i>	<i>3000</i>
<i>DEFINITIONS</i>												
<i>TOTAL PROJECTED CASH FLOW FROM OPERATIONS:</i>	<i>TOTAL AMOUNT OF PROJECTED FUNDS COLLECTED IN A SPECIFIC PERIOD FROM CASH SALES, COLLECTION OF ACCOUNTS RECEIVABLE, AND OTHER INCOME, EXCLUDING LOANS PROCEEDS, CASH CONTRIBUTIONS FROM INSIDERS, AND SALES TAXES COLLECTED.</i>											
<i>TOTAL DISBURSEMENTS EXCLUDING PAYMENTS TO CREDITORS IN A PLAN:</i>	<i>TOTAL PROJECTED DISBURSEMENTS IN A SPECIFIC PERIOD FOR PRODUCTION COSTS, GENERAL AND ADMINISTRATIVE COSTS, EXCLUDING PAYMENTS TO CREDITORS TO BE PAID UNDER THE TERMS OF THE PROPOSED PLAN.</i>											

PLAN FEASIBILITY

<i>POST PETITION PERIODS</i>	<i>MONTH ONE</i>	<i>MONTH TWO</i>	<i>MONTH THREE</i>	<i>MONTH FOUR</i>	<i>MONTH FIVE</i>	<i>MONTH SIX</i>	<i>MONTH SEVEN</i>	<i>MONTH EIGHT</i>	<i>MONTH NINE</i>	<i>MONTH TEN</i>	<i>MONTH ELEVEN</i>	<i>MONTH TWELVE</i>
<i>ANTICIPATED RECEIPTS AVAILABLE FOR PLAN (SEE LINE 6, ABOVE):</i>	\$3,000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000
<i>LESS PROPOSED PLAN PAYMENTS (SEE SECTION IV):</i>	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000	\$3000
<i>OVERAGE/(SHORTAGE)OF CASH FLOW AVAILABLE TO FUND PLAN:</i>	0	0	0	0	0	0	0	0	0	0	0	0