

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

**In re: Bankruptcy Case No. 17-70032-JAD**

**Chapter 11**

**NORTHEAST ENERGY  
MANAGEMENT, INC.,**

**Debtor**

**DISCLOSURE STATEMENT IN SUPPORT OF  
PLAN OF REORGANIZATION FILED BY  
NORTHEAST ENERGY MANAGEMENT, INC.  
DATED MAY 30, 2017 (AS MODIFIED JULY 12, 2017)**

Northeast Energy Management, Inc. ("Debtor") herein, present this Disclosure Statement to Creditors in the above-captioned matter pursuant to 11 U.S.C. § 1125 to assist them in evaluating the Plan of Reorganization filed by Northeast Energy Management, Inc. dated May 30, 2017 (the "Plan"), a copy of which is attached hereto. Creditors may vote for or against the Plan. 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 said time. (The Court will schedule a hearing on the Plan pursuant to 11 U.S.C. § 1129). **ONLY the votes of Creditors that actually vote in favor of or against the Plan will be considered in determining whether the Plan is accepted or rejected.** Capitalized terms herein shall have the same meanings as those set forth in Article I of the Plan.

**ADDRESS FOR RETURN OF BALLOTS:**

**Michael J. Henny, Esquire  
Suite 2828 Gulf Tower  
707 Grant Street  
Pittsburgh, PA 15219  
412- 261-2640  
Counsel for Debtor**

- A. Creditors may vote to accept or reject the Plan. Only the votes of Creditors that actually vote in favor of or against the Plan will be considered in determining whether the Plan is accepted or rejected.
- B. A Class of Creditors shall be determined to have accepted the Plan if, in good faith, two-thirds (2/3) in amount and more than one half (1/2) in number of the voting members of the Class vote to accept the Plan. The Plan shall be confirmed if each impaired Class votes to accept the Plan.
- C. In the event an impaired Class of Creditors does not vote to accept the Plan, the Court may nevertheless confirm the Plan if it finds the Plan meets the requirements of Section 1129 of the Bankruptcy Code, specifically, that the Plan does not unfairly discriminate among Classes, that each holder of a non-accepting Class shall receive at least what it would have received in a Chapter 7 liquidation, and that no holder of a junior Claim or interest shall receive any distribution or retain any interest unless all senior Classes or interests are paid in full.
- D. Even if a junior Class or interest will receive a distribution or retain an interest despite non-payment in full of senior Claims or interests, and non-acceptance of the same, the Court may, under certain circumstances, confirm the Plan through the invocation of certain judicially created exceptions to the “absolute priority” rule set forth above.

## **I. Background**

### **A. *Name of Debtor:***

Northeast Energy Management, Inc., Debtor

### **B. *Type of Debtor:***

A Pennsylvania corporation

### **C. *Debtor's Work :***

Northeast Energy Management, Inc. is a Pennsylvania corporation which drills for and services the Marcellus shale gas industry in southwestern Pennsylvania and West Virginia.

### **D. *Shareholders of Debtor***

The Debtor's sole shareholder is Interstate Gas Marketing, Inc.

*History:*

Northeast Energy Management, Inc. was founded in 1988 by William Gregg, Paul Ruddy, Michael Melnick and John Pisarcik, the principal owners of its sole shareholder, Interstate Gas Marketing, Inc. It operated as a service company for the oil and natural gas industry in Southwestern Pennsylvania and the Appalachian region of West Virginia. In its early years, it drilled and serviced shallow formation traditional wells and eventually garnered the special expertise of drilling coal bed methane gas wells. Subsequently, with the discovery of shale gas in the Marcellus formation, the Company retooled and further developed its horizontal and top hole drilling of Marcellus shale as well as servicing same. However, a downturn in the overall industry brought about its financial difficulties.

*E. Date of Chapter 11 Petition:*

January 16, 2017

*E. Events that caused the Filing:*

Unfortunately, because of the rapid decline of natural gas prices in 2015 and 2016, many of the company's customers stopped their drilling programs which, in turn, idled the Company's drilling fleet. Despite cutbacks and best efforts to keep the Company afloat while it sought new sources of drilling, the drilling jobs were few and far between and the Debtor fell behind on its payables which resulted in certain creditors taking collection actions and obtaining judgments and one in particular, Elizabeth Gregg, executed on her judgment and a sheriff's sale of the Debtor's equipment was scheduled for mid-January which forced it to file its reorganization proceeding on the day prior to the scheduled sheriff's sale. The Debtor's reorganization proceeding was filed in order to stay the Gregg execution sale so that it could put together a plan that would benefit all creditors.

*F. Source of Information*

The Debtor is the source of this information and opinion.

*G. Present Status and Anticipated Future Income For Funding The Plan:*

The Debtor is not currently operating and is in the process of readying for a Court approved auction sale.

G. 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.

The Debtor did its best to get new drilling jobs but, due to the continued decline of the Marcellus shale industry, it was unable to do so. With Court approval, the Debtor sold two (2) pieces of equipment so that it could meet its bare minimum of monthly operating expenses in order to keep the doors open (the largest being an insurance expense of nearly \$16,500.00 per month in order to keep all of its equipment properly insured). When no business was forthcoming or foreseen after sixty (60) days of its reorganization proceeding, the Debtor changed its focus and, with the assistance of its counsel and input from the creditor's committee, sought bids from various auctioneers/liquidators. During this process the Debtor's representatives and counsel met with/negotiated with various auctioneers. Eventually, the Debtor decided to go with the proposal of the highest auction bidder (The PPL Group, - a joint venture of PPL Group, LLC and Gordon Brothers Commercial and Industrial, LLC) which will pay a guaranteed amount of \$3,350,000.00 and an additional return of eighty-percent (80%) of anything received over \$3,635,000.00. The Debtor filed Motions to Approve The PPL Group as auctioneer and to approve the auction sale which Motions were both duly approved by the court on June 2, 2017. This will provide funds sufficient to pay all allowed secured, administrative and priority claims in full. In addition, with the subordination of insider claims, the non-insider general, unsecured creditors will be paid ONE-HUNDRED PERCENT (100%) of their allowed claims.

### **SUMMARY OF PLAN**

Class 1 is the allowed secured claim The Dime Bank (POC #5) which is secured by a first lien on a drilling rig and accessory equipment which had a balance due of \$1,324,706 at the time of filing. During the reorganization proceeding, the Debtor negotiated a workout whereby this creditor was granted relief from stay and took back the equipment and waived any deficiency on this obligation. This class is not impaired by the plan.

Class 2 is the allowed secured claim of The Dime Bank (POC #8) which is secured by a first lien on two (2) 2012 Nuttall trailers which has a balance due of approximately \$43,000.00. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.

Class 3 is the allowed secured claim of S & T Bank (POC #33) which is a secured by a first lien on all of the Debtor's business assets which has a balance due of approximately \$629,300. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.

Class 4 is the allowed secured claim of S & T Bank which is a secured by a lien on all of the Debtor's business assets which has a balance due of approximately \$9,914. During the reorganization proceeding, the Debtor sold a piece of equipment and S & T was paid in full on this obligation. This class is not impaired by the plan.

Class 5 is the allowed secured claim of Ford Credit (POC #10) which is secured by a first lien on a 2014 Ford F350 truck and which had a balance due of \$19,304 at the time of filing. This vehicle was damaged by floodwaters on June 22, 2017. This debt will be paid in full from the insurance coverage on said vehicle. This Class is not impaired by the plan.

Class 6 is the allowed secured claim of Ford Credit (POC #12) which is secured by a first lien on a 2014 Ford F150 truck and which had a balance due of \$24,218 at the time of filing. This debt will be paid in full from the proceeds of the sale of the business assets. This Class is not impaired by the plan.

Class 7 is the allowed secured claim of Ford Credit (POC #6) which is secured by a first lien on a 2012 Ford F450 truck and which had a balance due of \$5,753 at the time of filing. This vehicle was damaged by floodwaters on June 22, 2017. This debt will be paid in full from the insurance coverage on said vehicle. This Class is not impaired by the plan.

Class 8 is the allowed secured claim of Ford Credit (POC #7) which is secured by a first lien on a 2014 Ford F250 truck and which had balances of \$26,553 at the time of filing. This debt will be paid in full from the proceeds of the sale of the business assets. This Class is not impaired by the plan.

Class 9 is the allowed secured claim of Ford Credit (POC #13) which is secured by a first lien on a 2014 Ford F250 truck and which had balances of \$27,604 at the time of filing. This debt will be paid in full from the proceeds of the sale of the business assets. This Class is not impaired by the plan.

Class 10 is the allowed secured claim of Ford Credit (POC #11) which is secured by a first lien on a 2014 Ford F150 truck and which had balances of \$19,846. at the time of filing. This debt will be paid in full from the proceeds of the sale of the business assets. This Class is not impaired by the plan.

Class 11 is the allowed secured claim of the Commonwealth of Pennsylvania, Department of Revenue (POC#24) for unpaid taxes in the amount of \$34,739. This debt will be paid in full from the proceeds of the sale of the business assets. This Class is not impaired by the plan.

Class 12 is the alleged secured claim of Penn View Equipment Co. in the amount of \$14,562 (POC#26). The Debtor disputes that this is secured as the execution sale of 11/22/16 did not take place. Further, said execution occurred within the preference period and is a voidable preference. The Debtor will bring a preference action against this creditor. This debt will be treated as a general, unsecured claim along with the other Class 18 creditors. This Class is impaired by the plan.

Class 13 is the allowed secured claim the Campbell County Treasurer (POC #29) for unpaid real estate taxes on the 109 Madison Street property which had a balance due of \$1,364. At the time of filing. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.

Class 14 is the allowed secured claim of Kimberly S. Coles, Tax Collector for unpaid real estate taxes on the 109 Madison Street property which had a balance due of \$3,639 at the time of filing. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.

Class 15 is the allowed priority claim of the John Hancock Life Ins. Co. (USA), Retirement Plan which had a balance due of \$3,454 at the time of filing. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.

Class 16 is the alleged priority and unsecured claim of the Commonwealth of Pennsylvania, Department of Revenue (POC #24) for unpaid motor fuel taxes in the amount of \$115,104. and \$32,526 respectively for a total of \$147,630. This debt is disputed by the Debtor and will be objected to by the Debtor. If the Debtor is successful in its objection, the Debt will receive nothing. If the claimant is successful, the debt will be treated as a general, unsecured claim together with the other Class 18 creditors. This Class is impaired by the plan.

Class 17 are the allowed administrative claims which will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.

Class 18 are the allowed general unsecured claims of unsecured creditors which consists of its general, unsecured trade creditors which total \$1,700,563. This debt will be paid in full from the proceeds of the sale of the business assets. This Class will receive a distribution of approximately of ONE HUNDRED PERCENT (100%) of their allowed claims. This Class is impaired by the Plan.

Class 19 are the insider claims of Elizabeth Gregg, Linda Melnick, Michael Melnick, John Picarcik, Paul Ruddy, Wildcat Developing and The Bit Shop, Inc. which total approximately \$3,154,544. For purposes of the plan and disclosure only, The Debtor recognizes these claims in the amount of \$2,585,273. These claims will be subordinated to the claims of all other classes and will share in a pro-rata share of all of the remaining proceeds of the sale of the business assets. This Class is impaired by the plan.

H. Are all Monthly Operating Statements Current and on File With The Clerk of Court?

The Debtor has filed monthly financial reports which detail its operations throughout the course of this Chapter 11 reorganization proceeding.

## **II. Summary of Assets**

- A. *Assets* – The value of the Estate as presented in the Plan is marginally higher than that contained in the Debtor's bankruptcy schedules because asset realizations reflect going-concern as opposed to "quick" liquidation amounts.

Monthly operating reports have been filed showing the status of the Debtor's financial condition, as well as other operating information. These reports have been electronically filed with the Court and are available for review by any party in interest either by accessing these documents electronically, reviewing them at the Court or requesting them from the Debtor's undersigned Counsel in writing. Written requests should be directed to Michael J. Henny, Esquire, Suite 2828 Gulf Tower, 707 Grant Street, Pittsburgh, PA 15219.

| <b>ASSETS</b>                      | <b>ESTIMATED<br/>VALUE</b> | <b>NAME OF LIEN HOLDER<br/>OR EXEMPTED</b>   |
|------------------------------------|----------------------------|--|
| <b>Real Property</b>               |                            |  |
| 109 Madison St.<br>Jefferson, PA   | 90,000.00                  | Campbell County Taxes<br>\$1,364. (POC#29) and<br>Kimberly Cole, Tax<br>Collector (\$3,639.) |
| <b>Personal Property</b>           |                            | EXEMPTED - NONE  |
| Bank accounts                      | 0.00                       |  |
| Inventory                          | 287,950.00                 |  |
| Office equipment                   | 500.00                     |  |
| Vehicles                           | 1,192,800.00               |  |
| Equipment                          | 4,046,500.00               |  |
| Household goods                    | 1,000.00                   |  |
| <b>Total Personal<br/>Property</b> | <b>\$5,528,750.00</b>      |  |
| <b>Total of all Assets</b>         | <b>\$5,618,750.00</b>      |  |

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

Yes, certain equipment that was turned over to Dime Bank (Schram TXD 200 drill rig, Tag Axle, pipe handler and Atlas-Copco Hurricane Booster) and a John Deer Tractor and 2012 Kenworth Wench Truck were sold during the reorganization proceeding.

**2. Are any assets listed above claimed as exempt?**

No, the Debtor is a corporation and is not entitled to claim any exemptions.



### III. Summary of Liabilities

A. Liabilities – Following are lists of the Debtor's outstanding obligations. The asserted amounts and classifications of these Claims are based on the Debtor's schedules and internal records and have been adjusted to reflect any and all proofs of claims that have been timely filed by creditors. Nothing herein shall limit the Debtor's ability to object to proofs of claim, but the Debtor does not believe that they will be filing any such objections. All amounts set forth in the Debtor's Plan and Disclosure Statement reflect the amounts due in either the Debtor's schedules, as adjusted by timely filed proofs of claims, or as agreed to by the parties.

#### Secured Creditors

| Name of Creditor      | Class | Asserted Amount Owed As of Filing Date | Type of Collateral/Priority of Lien  | Disputed (D) Liquidated (L) or Unliquidated (U) | Will Liens Be Retained Under the Plan?                           |
|-----------------------|-------|--|--|---|--|
| The Dime Bank (POC#5) | 1     | \$1,324,706.                           | Schram TXD 200 drill rig, Tag Axle, pipe handler and Atlas-Copco Hurricane Booster | L   | No, assets released to creditor during reorganization proceeding |
| The Dime Bank (POC#8) | 2     | \$43,000.                              | Two (2) 2012 Nuttal Trailers   | L   | Yes  |
| S & T Bank (POC #33)  | 3     | \$622,300.                             | All of Debtor's business assets  | L   | Yes  |
| S & T Bank            | 4     | \$9,914.                               | All of Debtor's business assets  | L   | No, paid in full during reorganization proceeding                |
| Ford Credit (POC #10) | 5     | \$19,304.                              | 2014 Ford F350 truck   | L   | Yes  |
| Ford Credit (POC#12)  | 6     | \$24,218.                              | 2014 Ford F150 truck   | L   | Yes  |
| Ford Credit (POC #6)  | 7     | \$ 5,753.                              | 2012 Ford F450 truck   | L   | Yes  |

|                                    |    |             |                                   |    |  |
|------------------------------------|----|-------------|-----------------------------------|----|--|
| Ford Credit (POC #7)               | 8  | \$26,553.   | 2014 Ford F250 truck              | L  | Yes  |
| Ford Credit (POC #13)              | 9  | \$27,604.   | 2014 Ford F250 truck              | L. | Yes  |
| Ford Credit (POC #11)              | 10 | \$19,846.   | 2014 Ford F150 truck              | L. | Yes  |
| PA Department of Revenue (POC #24) | 11 | \$ 34,739.  | All of debtor's assets            | L. | Yes  |
| Penn View Equipment (POC#26)       | 12 | \$14,463,   | Alleged security in Doosan DX 180 | L. | No, will be avoided as preference and treated as general, unsecured creditor |
| Campbell County Treas. (POC #29)   | 13 | \$ 2,139.   | Real estate taxes                 | L  | Yes  |
| Kimberly S. Coles, Tax Coll.       | 14 | \$ 3,639.00 | Real estate taxes                 | L  | Yes  |

**Priority Creditors**

| <b>Name of Creditor</b>            | <b>Class</b> | <b>Asserted Amount Owed</b> | <b>Priority Statute</b> |
|------------------------------------|--------------|-----------------------------|-------------------------|
| John Hancock Life Insur. Co. (USA) | 15           | \$3,454.                    | 11 USC §507 (a)(8)      |
| PA Dept. of Rev. (POC#24)          | 16           | \$147,630.                  | 11 USC §507 (a)(8)      |
| <b>TOTAL</b>                       |              | <b>\$151,084.</b>           |                         |

**Administrative Claims – Class 17 Claims**

| <b>Name of Creditor</b>                |    | <b>Amount Owed<br/>(Professional Fees &amp; Costs<br/>Subject To Court<br/>Approval)</b> | <b>Type of Claim</b>   |
|--|----|--|--|
| Final U.S. Trustee quarterly fee       | 17 | \$11,050.*   | Court fees   |
| Clerk Notice Fees                      | 17 | \$500.*  | Court fees   |
| Wildcat Developing                     | 17 | \$25,500.**  | Rent   |
| Panhandle Restoration                  | 17 | \$40,000.***   | Repairs to property  |
| Michael J. Henny, Esq.                 | 17 | \$50,000.00****  | Professional fees (legal) and expenses as counsel for Debtor pending Court approval                        |
| Robert S. Bernstein/Allison Carr, Esq. | 17 | \$45,000.00*   | Professional fees (legal) and expenses as counsel for Unsecured Creditors committee pending Court approval |
| Unknown                                | 17 | \$75,000*****.   | Estimated potential additional claims for professional fees  |
|  |    |  |  |
| <b>TOTAL</b>                           |    | <b>\$216,789.*</b>   |  |

**Note: \* - estimated amounts**

**\*\* - consent order entered on 5/19/2017**

**\*\*\*- court order approving same was entered on June 2, 2017**

**\*\*\*\*- estimated amount of \$55,000. LESS retainer paid of \$5,000.**

**\*\*\*\*\*- estimated amount of fees and costs that will be required to litigate the disputed claims of Elizabeth M. Gregg and Wildcat Developing. This litigation will be handled by the firm of Bernstein-Burkley, PC, counsel for the Official Committee of Unsecured Creditors**

**Unsecured Creditors – Class 18 Creditors**

| <b>Name of Creditor</b>                          | <b>Class</b> | <b>Asserted Amount Owed</b> | <b>Type of Claim</b>             |
|--|--------------|-----------------------------|----------------------------------|
| Advance Auto Parts                               | 18           | 315.00                      | Parts                            |
| Allied Seals, Inc.                               | 18           | 184.00                      | Misc. purchases for business use |
| Amerisafe Consulting & Safety Service (POC #3)   | 18           | 73,845.00                   | Consulting services              |
| Applied Industrial Tech.                         | 18           | 12,787.00                   | Business services                |
| B & B Oilfield Equipment c/o Brookville Advisory | 18           | 7,628.00                    | Misc. purchases for business use |
| Brickstreet Ins. Co. (POC #25)                   | 18           | 78,457.00                   | Misc. purchases for business use |
| C & K Industrial Equip.                          | 18           | 3,658.00                    | Misc. purchases for business use |
| Central Hydraulics                               | 18           | 2,380.00                    | Misc. purchases for business use |
| Charles Tool & Supply                            | 18           | 9,287.00                    | Misc. purchases for business use |
| Clarksburg Hose Co.                              | 18           | 3,195.00                    | Misc. purchases for business use |
| Cleveland Bros. Equip. (POC #17)                 | 18           | 35,580.00                   | Misc. purchases for business use |
| Comcast  | 18           | 484.00                      | Misc. purchases for business use |
| Comfort Inn-Waynesburg                           | 18           | 4,970.00                    | Employee lodging                 |
| Comfort Inn-Waynesburg II                        | 18           | 8,492.00                    | Employee lodging                 |
| Cross Instrumentation                            | 18           | 2,174.00                    | Misc. purchases for business use |
| Del's Pest Control                               | 18           | 360.00                      | Pest treatment                   |
| DNOW L.P. (POC #30)                              | 18           | 1,591.00                    | Misc. purchases for business use |
| Double Check Services c/o Fair Harbor Capital    | 16           | 7,650.00                    | Misc. purchases for business use |
| Fairmont Supply Co.                              | 18           | 586.00                      | Misc. purchases for business use |
| Fastenal (POC #31)                               | 18           | 1,242.00                    | Misc. purchases for business use |
| FleetMatics USA, LLC                             | 18           | 9,328.00                    | Misc. purchases for business use |
| Foster F. Wineland, Inc.                         | 18           | 1,777.00                    | Misc. purchases for business use |
| Highmark Blue Cross                              | 18           | 17,355.00                   | Medical services                 |
| ICMSA  | 18           | 240.00                      | Misc. purchases for business use |

|  |    |             |                                     |
|--|----|-------------|-------------------------------------|
| Indiana Reg. Med. Ctr.   | 18 | 176.00      | Misc. purchases for business use    |
| Integrated Power Service                                       | 18 | 2,945.00    | Misc. purchases for business use    |
| Johnstown Hydraulics, Inc                                      | 18 | 7,673.00    | Misc. purchases for business use    |
| Kencover Farm Fence  | 18 | 190.00      | Fencing                             |
| Kenworth of PA   | 18 | 418.00      | Repairs                             |
| Keystone Spring Service  | 18 | 1,177.00    | Misc. purchases for business use    |
| Lee Supply<br>(POC #34)  | 18 | 7,587.00    | Misc. purchases for business use    |
| Lias Tire Inc.<br>(POC #15)                                    | 18 | 604.00      | Tires for vehicles                  |
| Loss Prevention Services                                       | 18 | 600.00      | Misc. purchases for business use    |
| Marlin Business Bank<br>(POC#4)                                | 18 | \$25,540.00 | Misc. purchases for business use    |
| M.D. Cline Metal Fab.<br>c/o Brookville Advisory               | 18 | 1,142.00    | Misc. purchases for business use    |
| McCutcheon Enterprises<br>(POC #21)                            | 18 | 9,537.00    | Misc. purchases for business use    |
| McJunkin Red Man Corp.<br>c/o MRC Global<br>(POC #43)          | 18 | 10,957.00   | Misc. purchases for business use    |
| MedExpress Urgent Care   | 18 | 535.00      | Medical services for employee       |
| Michelin North America   | 18 | 5,714.00    | Tires for vehicles                  |
| Midway Parts & Service   | 18 | 7,624.00    | Parts for vehicles and equipment    |
| Northeastern Equip. &<br>Supply Co.<br>c/o Brookville Advisory | 18 | 16,563.00   | Misc. purchases for business use    |
| Paccar Financial Corp.<br>(POC #1-Amended)                     | 18 | 58,927.00   | Deficiency or repossessed equipment |
| Park Inn Indiana<br>c/o Fair Harbor Capital                    | 18 | 15,313.00   | Lodging for employees               |
| Penn Mechanical Group<br>(POC #35)                             | 18 | 105,749.00  | Misc. purchases for business use    |
| Penn View Equipment Co.<br>(POC #26-Amended)                   | 18 | 14,563.00   | Misc. purchases for business use    |
| Pennsylvania One Call<br>System Inc.                           | 18 | 125.00      | Misc. purchases for business use    |
| Peoples Natural Gas Co.<br>Acct. #xxxx0692<br>(POC #28)        | 18 | 519.00      | Gas service for property            |

|   |    |            |                                     |
|---|----|------------|-------------------------------------|
| Peoples Natural Gas Co.<br>Acct. #xxxx1328<br>(POC #28)   | 18 | 211.00     | Gas service<br>for property         |
| Peoples Natural Gas Co.<br>Acct. #xxxx1088<br>(POC #28)   | 18 | 614.00     | Gas service<br>for property         |
| Peoples Natural Gas Co.<br>Acct. #xxxx0841<br>(POC #28)   | 18 | 244.00     | Gas service<br>for property         |
| Peoples Township  | 18 | 767.00     | Services                            |
| PetroChoice<br>c/o Brookville Advisory<br>(POC #2)        | 18 | 85,492.00  | Fuel for vehicles                   |
| Portage Power Wash Inc.                                   | 18 | 371.00     | Washing of vehicles                 |
| Quail Tools<br>(POC #9)                                   | 18 | 301,941.00 | Tools, supplies for<br>business     |
| R & S Machine Co., Inc.                                   | 18 | 55,574.00  | Tools, supplies for<br>business     |
| Ridge Limestone, Inc.                                     | 18 | 1,283.00   | Misc. purchases for<br>business use |
| Safety Kleen Corp.<br>(POC #22)                           | 18 | 1,459.00   | Business<br>services                |
| Schramm, Inc.<br>c/o Brookville Advisory                  | 18 | 76,607.00  | Equipment repairs                   |
| Schroth Industries  | 18 | 325.00     | Misc. purchases for<br>business use |
| Sea Bright Insurance                                      | 18 | 55,823.00  | Insurance                           |
| Smith Trust Parts & Repr.                                 | 18 | 334.00     | Parts/repairs                       |
| SPWA  | 18 | 315.00     | Water bill                          |
| Stallion Oilfield<br>Construction                         | 18 | 19,239.00  | Supplies/<br>materials              |
| Stanton Dynamics  | 18 | 10,562.00  | Supplies/<br>materials              |
| Super 8 Motel-<br>Waynesburg                              | 18 | 763.00     | Lodging for<br>employees            |
| Swanson Industries aka<br>Morgantown Machine<br>(POC #19) | 18 | 45,494.00  | Supplies/<br>materials              |
| Ted Kuzemchak   | 18 | 1,614.00   | Personal services                   |
| Thomas Tools, Inc.  | 18 | 213,511.00 | Tools/supplies                      |
| Tire Express  | 18 | 490.00     | Tires for vehicles                  |
| Tom Paynter Mobile<br>Glass<br>c/o Brookville Advisory    | 18 | 950.00     | Glass repair<br>to vehicles         |
| Total Equipment Co.                                       | 18 | 44,860.00  | Equipment/supplies                  |
| Truck Electric Service                                    | 18 | 6,200.00   | Truck repairs                       |

|  |    |                       |                           |
|--|----|-----------------------|---------------------------|
| Truck Parts Unlimited Inc.                     | 18 | 19,017.00             | Truce parts/repairs       |
| ULINE  | 18 | 138.00                | Business services         |
| United Central Industrial Supply Co.           | 18 | 675.00                | Business services         |
| United Rentals (N. America), Inc. (POC #20)    | 18 | 5,238.00              | Equipment rentals         |
| Valco Machine Service                          | 18 | 3,610.00              | Service and repairs       |
| Vorys, Sater, Seymour & Pease LLP (POC #14)    | 18 | 7,263.00              | Legal services            |
| W. David Slomski, Esq. c/o Fair Harbor Capital | 18 | 18,704.00             | Legal services            |
| Warren Trucking                                | 18 | 13,755.00             | Trucking services         |
| Washington Rotating Control Heads (POC #18)    | 18 | 3,487.00              | Service/repairs           |
| Waste Management                               | 18 | 1,315.00              | Refuse collection         |
| Watson East Chevrolet                          | 18 | 1,136.00              | Vehicle repairs           |
| Weatherford US LP (POC #27)                    | 18 | 28,360.00             | Business services         |
| West Penn Hydraulics                           | 18 | 1,052.00              | Equipment repairs         |
| West Penn Power (POC #16)                      | 18 | 207.00                | Electric service          |
| White's Variety Village West Inc.              | 18 | 479.00                |                           |
| Wolf Pack Rentals LLC                          | 18 | 76,621.00             | Equipment rentals         |
| Young & Associates c/o Fair Harbor Capital     | 18 | 16,198.00             | Accounting services       |
| Zacherl Motor Truck Sales, Inc. (POC #44)      | 18 | 522.00                | Truck service and repairs |
| <b>TOTAL</b>                                   |    | <b>\$1,700,563.00</b> |                           |
|  |    |                       |                           |

**NOTE: The above amounts reflect all Proofs of Claims timely filed through June 8, 2017 which was the bar date for filing Proofs of Claims.**

**Insider Unsecured Claims – Class 19 Creditors**

| <b>Name of Creditor</b>         | <b>Class</b> | <b>Asserted Amount Owed</b> | <b>Type of Claim</b>   |
|---------------------------------|--------------|-----------------------------|------------------------|
| Elizabeth Gregg<br>(POC #36-40) | 19           | \$1,865,773.**              | Personal Money Loaned  |
| Linda Melnick                   | 19           | \$ 6,243.                   | Personal Money Loaned  |
| Michael Melnick                 | 19           | \$ 216,309.                 | Personal Money Loaned  |
| John Pisarcik                   | 19           | \$ 115,000.                 | Personal Money Loaned  |
| Paul Ruddy<br>(POC #32)         | 19           | \$ 599,000.                 | Personal Money Loaned  |
| The Bit Shop, Inc.<br>(POC #42) | 19           | \$ 8,966.                   | Personal Money Loaned  |
| Wildcat Developing<br>(POC #41) | 19           | \$ 343,253.**               | Alleged Claim for Rent |
| <b>TOTAL</b>                    |              | <b>\$3,154,544.</b>         |                        |
|                                 |              |                             |                        |

**NOTE: \*\* - These debts are DISPUTED and will be objected to by the Official Committee of Unsecured Creditors (The Committee reserves the right to object to any insider unsecured claims)**

General Unsecured Creditors:

|  |              |
|--|--------------|
| 1. Amount Debtor Scheduled (Disputed and Undisputed) | \$3,823,056. |
| 2. Amount of Unscheduled Claims                      | \$ .         |
| 3. Total Claims Scheduled or Filed                   | \$1,700,563. |
| 4. Amount Debtor Disputes                            |              |
| 5.. Estimated Allowable Class 18 Claims              | \$1,700,563. |

C. Other Classes of Creditors:

Insider Unsecured Claims – Class 19 Claims - (Itemized above) \$3,154,544.



D. Executory contracts and leases:

E.

The Debtor has worked out a Court approved agreement with Wildcat Developing for the use and occupancy of 2018 South 6<sup>th</sup> Street, Indiana, PA 15701 and 8789 Route 422, West Shelocta, PA 15774 for the period of January 16, 2017 through September 30, 2017 for a total consideration of \$25,500. which will be treated as an administrative expense and paid along with other allowed, administrative claims. Further, as part of this arrangement, the Court has approved a Premises Access agreement which allows the auctioneer (The PPL Group) full use of these properties during this period. There are not any other executory contracts that need to be assumed and therefore, all other executory contracts are deemed rejected.

#### **IV. Summary of Plan**

A. When is the Effective Date of the Plan?

Ten (10) days after the date of Confirmation.

B. Proposed Treatment of Creditors:

**Following are lists of the Creditors including the anticipated schedule of cash distribution(s) thereto.**

**Secured Claims**

| <b>Name of Creditor</b> | <b>Class</b> | <b>Asserted Amount Owed</b> | <b>Proposed Treatment</b>  |
|-------------------------|--------------|-----------------------------|--|
| The Dime Bank (POC#5)   | 1            | \$1,324,706.                | This class was paid in full by a turnover of the collateral to the creditor and a waiver of any deficiency claim. This Class is not impaired by the plan.  |
| The Dime Bank (POC#8)   | 2            | \$43,000.**                 | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.   |
| S & T Bank (POC #33)    | 3            | \$629,300.**                | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.   |
| S & T Bank              | 4            | \$9,914.                    | This class was paid in full by a sale of equipment during the reorganization proceeding. This Class is not impaired by the plan.   |
| Ford Credit (POC #10)   | 5            | \$19,304.                   | This vehicle was damaged by floodwaters on June 22, 2017. This debt will be paid in full from the insurance on said vehicle. Any insurance proceeds received in excess of the amount due to Ford Motor Company will be turned over to Michael J. Henny, Esquire to be held in the plan fund. This Class is not impaired by the plan. . |
| Ford Credit (POC#12)    | 6            | \$24,218.**                 | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.   |
| Ford Credit (POC #6)    | 7            | \$5,753.                    | This vehicle was damaged by floodwaters on June 22, 2017. This debt will be paid in full from the insurance on said vehicle. Any insurance proceeds received in excess of the amount due to Ford Motor Company will be turned over to Michael J. Henny, Esquire to be held in the plan fund. This Class is not impaired by the plan.   |
| Ford Credit (POC #7)    | 8            | \$26,553**.                 | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.   |

|  |    |                   |   |
|--|----|-------------------|---|
| Ford Credit<br>(POC #13)                 | 9  | \$27,604.**       | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.  |
| Ford Credit<br>(POC #11)                 | 10 | \$19,846.**       | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.  |
| PA Department<br>of Revenue<br>(POC #24) | 11 | \$ 34,739.***     | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.  |
|  |    |                   |   |
| Penn View<br>Equipment<br>(POC#26)       | 12 | \$14,463.****     | The Debtor disputes that this is secured as the execution sale of 11/22/16 did not take place. Further, said execution occurred within the preference period and is a voidable preference. The Debtor will bring a preference action against this creditor. This debt will be treated as a general, unsecured claim along with the other Class 18 creditors. This Class is impaired by the plan |
| Campbell<br>County Treas.<br>(POC #29)   | 13 | 2,139.*****       | This debt will be paid in full from the proceeds of the sale of the Madison Street property. assets. This class is not impaired by the plan.  |
| Kimberly S.<br>Coles, Tax<br>Coll.       | 14 | \$<br>3,639.***** | This debt will be paid in full from the proceeds of the sale of the Madison Street property. This class is not impaired by the plan.  |

**NOTE: \*\*- These Debts will be paid within fifteen (15) days of the receipt of the balance of the guaranteed amount from the PPL Group.**

**\*\*\*- These Debts will be paid within thirty (30) days of the receipt of the balance of the guaranteed amount from the PPL Group.**

**\*\*\*\*- This Debt will be paid at the time(s) of the distributions to general, unsecured creditors (Class 18)**

**\*\*\*\*\*- These Debts will be paid at the closing on the sale of the Madison Street property.**

**Priority Creditors**

| <b>Name of Creditor</b>            | <b>Class</b> | <b>Asserted Amount Owed</b> | <b>Proposed Treatment</b>   |
|------------------------------------|--------------|-----------------------------|---|
| John Hancock Life Insur. Co. (USA) | 15           | \$3,454.                    | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.  |
| PA Dept. of Rev. (POC#24)          | 16           | \$147,630.                  | This debt is disputed by the Debtor and will be objected to by the Debtor. If the Debtor is successful in its objection, the Debt will receive nothing. If the claimant is successful, the debt will be treated as a general, unsecured claim together with the other Class 18 creditors. This Class is impaired by the plan. |
| <b>TOTAL</b>                       |              | <b>\$151,084.</b>           |   |

**NOTE: These Debts will be paid in full within thirty (30) days of the date of the receipt of the balance of the guaranteed amount from the PPL Group or within fifteen (15) days of the effective date of the plan or within fifteen (days) of a final order on the Debtor's objection to said claim.**

**Administrative Claims – Class 17 Claims**

| <b>Name of Creditor</b>          |    | <b>Amount Owed (Professional Fees &amp; Costs Subject To Court Approval)</b> | <b>Proposed Treatment</b>  |
|----------------------------------|----|--|--|
| Final U.S. Trustee quarterly fee | 17 | \$11,050.*   | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan. |
| Clerk Notice Fees                | 17 | \$500.*  | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan. |

|  |    |                    |  |
|--|----|--------------------|--|
| Wildcat Developing                     | 17 | \$25,500.**        | This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan.   |
| Panhandle Restoration                  | 17 | \$40,000.***       | This debt is subject to Court approval. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan. |
| Michael J. Henny, Esq.                 | 17 | \$50,000.00****    | This debt is subject to Court approval. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan  |
| Robert S. Bernstein/Allison Carr, Esq. | 17 | \$45,000.00*       | This debt is subject to Court approval. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan  |
| Unknown                                | 17 | \$75,000.****      | This debt is subject to Court approval. This debt will be paid in full from the proceeds of the sale of the business assets. This class is not impaired by the plan  |
| <b>TOTAL</b>                           |    | <b>\$216,789.*</b> |  |

**Note: \* - estimated amounts**

**\*\* - consent order entered on 5/19/2017**

**\*\*\*- pending Court approval**

**\*\*\*\*- estimated amount of \$55,000. LESS retainer paid of \$5,000.**

**\*\*\*\*\*- estimated amount of fees and costs that will be required to litigate the disputed claims of Elizabeth M. Gregg and Wildcat Developing. This litigation will be handled by the firm of Bernstein-Burkley, PC, counsel for the Official Committee of Unsecured Creditors**

**NOTE: These Debts will be paid in full within thirty (30) days of the date of the receipt of the balance of the guaranteed amount from the PPL Group or within fifteen (days) of a final order approving same.**

## Unsecured Creditors – Class 18 Creditors

### Treatment of General Unsecured Creditors

The General Unsecured Creditors total approximately \$4,855,107. which includes the claims of insiders in the amount of \$3,154,544. which will be subordinated to the other general, unsecured creditors. As a result, the general, unsecured creditors total \$1,700,563. These general, unsecured creditors will receive ONE-HUNDRED PERCENT (100%) of their allowed claims. These creditors will be paid out of the proceeds of the sale of the business assets. This class is impaired by the plan.

### Unsecured Creditors – Class 18 Creditors

| <b>Name of Creditor</b>                          | <b>Class</b> | <b>Asserted Amount Owed</b> | <b>Amount to be paid</b> |
|--|--------------|-----------------------------|--------------------------|
| Advance Auto Parts                               | 18           | 315.00                      | 100%                     |
| Allied Seals, Inc.                               | 18           | 184.00                      | 100%                     |
| Amerisafe Consulting & Safety Service (POC #3)   | 18           | 73,845.00                   | 100%                     |
| Applied Industrial Tech.                         | 18           | 12,787.00                   | 100%                     |
| B & B Oilfield Equipment c/o Brookville Advisory | 18           | 7,628.00                    | 100%                     |
| Brickstreet Ins. Co. (POC #25)                   | 18           | 78,457.00                   | 100%                     |
| C & K Industrial Equip.                          | 18           | 3,658.00                    | 100%                     |
| Central Hydraulics                               | 18           | 2,380.00                    | 100%                     |
| Charles Tool & Supply                            | 18           | 9,287.00                    | 100%                     |
| Clarksburg Hose Co.                              | 18           | 3,195.00                    | 100%                     |
| Cleveland Bros. Equip. (POC #17)                 | 18           | 35,580.00                   | 100%                     |
| Comcast  | 18           | 484.00                      | 100%                     |
| Comfort Inn-Waynesburg                           | 18           | 4,970.00                    | 100%                     |
| Comfort Inn-Waynesburg II                        | 18           | 8,492.00                    | 100%                     |
| Cross Instrumentation                            | 18           | 2,174.00                    | 100%                     |
| Del's Pest Control                               | 18           | 360.00                      | 100%                     |
| DNOW L.P. (POC#30)                               | 18           | 1,591.00                    | 100%                     |
| Double Check Services c/o Fair Harbor Capital    | 16           | 7,650.00                    | 100%                     |
| Fairmont Supply Co.                              | 18           | 586.00                      | 100%                     |
| Fastenal (POC #31)                               | 18           | 1,242.00                    | 100%                     |
| FleetMatics USA, LLC                             | 18           | 9,328.00                    | 100%                     |
| Foster F. Wineland, Inc.                         | 18           | 1,777.00                    | 100%                     |
| Highmark Blue Cross                              | 18           | 17,355.00                   | 100%                     |
| ICMSA  | 18           | 240.00                      | 100%                     |
| Indiana Reg. Med. Ctr.                           | 18           | 176.00                      | 100%                     |

|  |    |             |      |
|--|----|-------------|------|
| Integrated Power Service                                       | 18 | 2,945.00    | 100% |
| Johnstown Hydraulics, Inc                                      | 18 | 7,673.00    | 100% |
| Kencover Farm Fence  | 18 | 190.00      | 100% |
| Kenworth of PA   | 18 | 418.00      | 100% |
| Keystone Spring Service  | 18 | 1,177.00    | 100% |
| Lee Supply<br>(POC #34)  | 18 | 7,587.00    | 100% |
| Lias Tire Inc.<br>(POC #15)                                    | 18 | 604.00      | 100% |
| Loss Prevention Services                                       | 18 | 600.00      | 100% |
| Marlin Business Bank<br>(POC#4)                                | 18 | \$25,540.00 | 100% |
| M.D. Cline Metal Fab.<br>c/o Brookville Advisory               | 18 | 1,142.00    | 100% |
| McCutcheon Enterprises<br>(POC #21)                            | 18 | 9,537.00    | 100% |
| McJunkin Red Man Corp.<br>c/o MRC Global<br>(POC #43)          | 18 | 10,957.00   | 100% |
| MedExpress Urgent Care   | 18 | 535.00      | 100% |
| Michelin North America   | 18 | 5,714.00    | 100% |
| Midway Parts & Service   | 18 | 7,624.00    | 100% |
| Northeastern Equip. &<br>Supply Co.<br>c/o Brookville Advisory | 18 | 16,563.00   | 100% |
| Paccar Financial Corp.<br>(POC #1-Amended)                     | 18 | 58,927.00   | 100% |
| Park Inn Indiana<br>c/o Fair Harbor Capital                    | 18 | 15,313.00   | 100% |
| Penn Mechanical Group<br>(POC #35)                             | 18 | 105,749.00  | 100% |
| Penn View Equipment Co.<br>(POC #26-Amended)                   | 18 | 14,563.00   | 100% |
| Pennsylvania One Call<br>System Inc.                           | 18 | 125.00      | 100% |
| Peoples Natural Gas Co.<br>Acct. #xxxx0692<br>(POC #28)        | 18 | 519.00      | 100% |
| Peoples Natural Gas Co.<br>Acct. #xxxx1328<br>(POC #28)        | 18 | 211.00      | 100% |
| Peoples Natural Gas Co.<br>Acct. #xxxx1088<br>(POC #28)        | 18 | 614.00      | 100% |
| Peoples Natural Gas Co.<br>Acct. #xxxx0841(POC28)              | 18 | 244.00      | 100% |

|   |    |            |      |
|---|----|------------|------|
| Peoples Township  | 18 | 767.00     | 100% |
| PetroChoice<br>c/o Brookville Advisory<br>(POC #2)        | 18 | 85,492.00  | 100% |
| Portage Power Wash Inc.                                   | 18 | 371.00     | 100% |
| Quail Tools<br>(POC #9)                                   | 18 | 301,941.00 | 100% |
| R & S Machine Co., Inc.                                   | 18 | 55,574.00  | 100% |
| Ridge Limestone, Inc.                                     | 18 | 1,283.00   | 100% |
| Safety Kleen Corp.<br>(POC #22)                           | 18 | 1,459.00   | 100% |
| Schramm, Inc.<br>c/o Brookville Advisory                  | 18 | 76,607.00  | 100% |
| Schroth Industries  | 18 | 325.00     | 100% |
| Sea Bright Insurance                                      | 18 | 55,823.00  | 100% |
| Smith Trust Parts & Repr.                                 | 18 | 334.00     | 100% |
| SPWA  | 18 | 315.00     | 100% |
| Stallion Oilfield<br>Construction                         | 18 | 19,239.00  | 100% |
| Stanton Dynamics  | 18 | 10,562.00  | 100% |
| Super 8 Motel-<br>Waynesburg                              | 18 | 763.00     | 100% |
| Swanson Industries aka<br>Morgantown Machine<br>(POC #19) | 18 | 45,494.00  | 100% |
| Ted Kuzemchak   | 18 | 1,614.00   | 100% |
| Thomas Tools, Inc.  | 18 | 213,511.00 | 100% |
| Tire Express  | 18 | 490.00     | 100% |
| Tom Paynter Mobile<br>Glass<br>c/o Brookville Advisory    | 18 | 950.00     | 100% |
| Total Equipment Co.                                       | 18 | 44,860.00  | 100% |
| Truck Electric Service                                    | 18 | 6,200.00   | 100% |
| Truck Parts Unlimited Inc.                                | 18 | 19,017.00  | 100% |
| ULINE   | 18 | 138.00     | 100% |
| United Central Industrail<br>Supply Co.                   | 18 | 675.00     | 100% |
| United Rentals (N.<br>America), Inc.<br>(POC #20)         | 18 | 5,238.00   | 100% |
| Valco Machine Service                                     | 18 | 3,610.00   | 100% |
| Vorys, Sater, Seymour &<br>Pease LLP<br>(POC #14)         | 18 | 7,263.00   | 100% |
| W. David Slomski, Esq.                                    | 18 | 18,704.00  | 100% |



|   |    |                       |      |
|---|----|-----------------------|------|
| c/o Fair harbor Capital                     |    |                       |      |
| Warren Trucking                             | 18 | 13,755.00             | 100% |
| Washington Rotating Control Heads (POC #18) | 18 | 3,487.00              | 100% |
| Waste Management                            | 18 | 1,315.00              | 100% |
| Watson East Chevrolet                       | 18 | 1,136.00              | 100% |
| Weatherford US LP (POC #27)                 | 18 | 28,360.00             | 100% |
| West Penn Hydraulics                        | 18 | 1,052.00              | 100% |
| West Penn Power (POC #16)                   | 18 | 207.00                | 100% |
| White's Variety Village West Inc.           | 18 | 479.00                | 100% |
| Wolf Pack Rentals LLC                       | 18 | 76,621.00             | 100% |
| Young & Associates c/o Fair Harbor Capital  | 18 | 16,198.00             | 100% |
| Zacherl Motor Truck Sales, Inc. (POC #44)   | 18 | 522.00                | 100% |
| <b>TOTAL</b>                                |    | <b>\$1,700,563.00</b> |      |
|   |    |                       |      |

**Insider Unsecured Claims – Class 19**

| <b>Name of Creditor</b>      | <b>Class</b> | <b>Asserted Amount Owed</b> | <b>Amount to be Paid</b>                     |
|------------------------------|--------------|-----------------------------|--|
| Elizabeth Gregg (POC #39-40) | 19           | \$1,865,773.**              | These creditors                              |
| Linda Melnick                | 19           | 6,243.                      | will be paid a                               |
| Michael Melnick              | 19           | 216,309.                    | pro-rata share                               |
| John Pisarcik                | 19           | 115,000.                    | of the remaining proceeds                    |
| Paul Ruddy (POC #32)         | 19           | 599,000.                    | of the sale of the business assets           |
| The Bit Shop (POC #42)       | 19           | 8,966.                      | and the real estate. (It is anticipated that |
| Wildcat (POC #41)            | 19           | 343,253.**                  | this will amount to between 20% and 26%)     |
| <b>TOTAL</b>                 |              | <b>\$3,154,544.</b>         | This Class is impaired by the plan           |
|                              |              |                             |  |

**NOTE: \*\* - These debts are DISPUTED and will be objected to by the Official Committee of Unsecured Creditors (The Committee reserves the right to object to any insider unsecured claims)**

**NOTE: For purposes of the plan and disclosure statement only, the Debtor recognizes the subordinated insider unsecured claim of Elizabeth M. Gregg in the amount of \$1,639,755. and no claim for Wildcat Developing other than the agreed to administrative claim. As a result, the Debtor recognizes insider unsecured claims in the amount of \$2,585,273.**

Note: Based on the estimated amounts, this Class will receive a pro-rata share of the funds remaining from the auction sale of the business assets as well as the property located at 109 Madison Street, Jefferson, PA which will be approximately TWENTY-PERCENT (20%) if the Debtor is not successful in its objection to the Class 16 claim of the PA Department of Revenue and which will be approximately TWENTY-SIX PERCENT (26 %) if the Debtor is successful in its objection to the Class 16 claim of the PA Department of Revenue.

Note: This will increase with the additional amount of 80% of any sales proceeds in excess of \$3,635,000.00 obtained through the auction sale.

C. Will periodic payments be made to unsecured creditors?

No, the general, unsecured creditors will be paid from the proceeds of the sale of the businesses. Said payment should occur within ninety (90) days of the date that the lump-sum payment is made by the auctioneer to the Disbursing Agent.

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

The source of funding for the Debtor's Plan is the auction sale by The PPL Group which was approved by the Court on June 2, 2017 and should take place sometime between August 1, 2017 and September 30, 2017.

E. Other significant features of the Plan: -Disbursing Agent//Plan Administrator

Michael J. Henny, Esquire, Debtor's counsel will receive the payments due from the auctioneer, The PPL Group, and shall serve as Disbursing Agent. For all creditors as set forth in the proposed plan. However, if the plan is not confirmed as it presently stands, the allowed secured claims, allowed priority claims and approved administrative claims will be paid by Michael J. Henny, Esquire as Disbursing Agent. Then, Mr. Henny will turn over the balance of the sale proceeds to Robert S. Bernstein, Esquire who will serve as the Plan Administrator and will pursue the litigation against Elizabeth M. Gregg and Wildcat Developing and he will administer all remaining payments due under the plan.

F. 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 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 assets. In this event, all secured claims (to the value of the collateral) all priority claims and all expenses of administration (both Chapter 7 and Chapter 11) must be paid in full before any distribution is made to unsecured creditors.

Total value of Chapter 7 estate

| <u>ASSET</u>  | <u>ACTUAL VALUE</u> | <u>LIQUIDATION VALUE</u> |
|---|---------------------|--------------------------|
| 109 Madison Street  | \$90,000.00         | \$67,500.00*             |
| LESS: Real Estate Taxes   |                     | <u>(5,778.00)</u>        |
| Sub-Total   |                     | \$ 61,722.00             |
| Inventory, vehicles and equipment   | \$5,528,750.00      | \$3,317,250.00           |
| Sub-total   |                     | \$3,378,972.00           |
| LESS: Secured claims  |                     | <u>(\$822,713.00)</u>    |
| Sub-total   |                     | \$2,556,259.00           |
| LESS Chapter 11 Administrative expenses                                     |                     | \$ <u>(216,789.00)</u>   |
| Sub-Total   |                     | \$ 2,339,470.00          |
| LESS Chapter 7 Administrative expenses and fees (assume three percent (3%)) |                     | \$ <u>(101,369.00)</u>   |
| Sub-Total   |                     | \$ 2,238,101.00          |

|   |                        |
|---|------------------------|
| Sub-Total                                   | \$ 2,238,101.00        |
| Less: Priority Creditors                    | \$ <u>(151,084.00)</u> |
| Sub-Total                                   | \$ 2,087,017.00        |
| Total amount available for Unsecured claims | \$2,087,017.00         |

Amount available (\$2,087,017.) divided by  
All Unsecured Claims (\$4,855,107)

$$\frac{2,087,017.}{4,855,107} = 43\%$$

**Notes:**

- \* assume 75% recovery
- \*\* assume 60% recovery

A. *Will the Creditors fare better under the Plan than they would in Chapter 7 liquidation?*

Yes   X                      No

**Explain:**

It is clear that all creditors will benefit from the Plan of Reorganization. In a liquidation, although secured creditors would be paid in full, administrative creditors would be paid in full, priority creditors would be paid in full, the debtor would receive its full exemptions, and non-insider unsecured creditors would receive a pro rata distribution which would result in a distribution of approximately 43% of their allowed claims.

In the Plan, the secured creditors would be paid in full at interest, the administrative creditors will be paid in full, the priority creditors will be paid in full, and the non-insider general, unsecured creditors will be paid in full. This will result in a pay-out of ONE-HUNDRED PERCENT (100%) of all allowed, non-insider unsecured claims. As a result, ALL non-insider creditors will get more pursuant to the Plan than they would pursuant to a liquidation. In fact, in the plan, the non-insider general, unsecured creditors will receive approximately two-and-one-half times (2 1/2X) the amount that they would receive in a liquidation proceeding. (100% vs. 43%)

## VI. Feasibility

The Plan proposes payment from the auction sale to be conducted by The PPL Group as follows:

Total value of Chapter 11 estate

| <u>ASSET</u>                            | <u>ACTUAL VALUE</u> | <u>PLAN VALUE</u>       |
|---|---------------------|-------------------------|
| 109 Madison Street                      | \$90,000.00         | \$85,500.00*            |
| LESS: Real estate Taxes                 |                     | <u>(5,778.00)</u>       |
| Sub-Total                               |                     | \$ 79,722.00            |
| Guaranteed Amount<br>From Auction Sale  | \$3,350,000.00      | <u>\$3,350,000.00**</u> |
| Sub-total                               |                     | \$3,429,722.00          |
| LESS: Secured claims                    |                     | <u>(\$822,713.00)</u>   |
| Sub-total                               |                     | \$2,607,009.00          |
| LESS Chapter 11 Administrative expenses |                     | \$ <u>(216,789.00)</u>  |
| Sub-Total                               |                     | \$ 2,390,220.00         |

|   |                        |
|---|------------------------|
| Sub-Total   | \$ 2,390,220.00        |
| Less: Priority Creditors  | \$ <u>(151,084.00)</u> |
| Sub-Total   | \$ 2,152,017.00        |
| Total amount available for Unsecured claims                                 | \$2,239,136.00         |
| LESS: Non-insider unsecured claims<br>(to be paid 100% of their claims)     | <u>\$1,700,563.00</u>  |
| Sub-total   | \$ 538,573.00          |
| Amount available for Insider unsecured claims                               | \$538.573.00           |
| Divided by<br>Insider Unsecured Claims Acknowledged by Debtor (\$2,585,273) |                        |

$$\frac{\$538,573.}{2,585,273} = 20.8\%$$

If the Debtor is successful in objection to priority unsecured claim of the PA Department of Revenue (\$147,630), there would be a total of \$686,283. available for distribution which would result in a distribution of approximately TWENTY-SIX AND-ONE-HALF-PERCENT (26 1/2%) PLUS 80% of any sale proceeds in excess of \$3,635,000.00

**Notes:**

- \* assume 95% recovery
- \*\* guaranteed recovery amount (with an additional 80% of any and all amounts received in excess of \$3,635,000.00

The financial data provided concerns the total existing assets of the Debtor, the secured claims against the Debtor, administrative claims. the Priority claims against the Debtor and the total of all allowed non-insider unsecured claims and insider unsecured claims.

The Plan will be funded from the sale of the real estate, the auction sale to be conducted by The PPL Group with a guaranteed payment of \$3,350,000.00 with an additional Eighty-percent (80%) of any amount of sales proceeds in excess of \$3,635,000.

In addition, the Debtor has paid all U. S. Trustee quarterly fees when due during the Plan.

Through the Plan, the secured creditors will be paid in full at interest, the administrative creditors will be paid in full, the priority creditors will be paid in full and the non-insider general, unsecured creditors will receive a pro-rata distribution of the sale proceeds which will pay them ONE-HUNDRED PERCENT (100%) of their claim. Further, the insider, unsecured claims will receive approximately TWENTY-PERCENT (20%) to TWENTY-SIX PERCENT (26%) of their allowed claims.

In analyzing the Debtor's assets and liabilities and the eventual distribution to all creditors, it must be remembered that the Debtor's assets have a much greater value in regard to its Plan of Reorganization than in a liquidation basis. In the Plan of Reorganization, administrative claims will be paid in full, secured and priority claims will be paid in full at interest and the non-insider general unsecured creditors will be paid in full. In a liquidation basis the value of the assets will be much less to the estate and there would be additional Chapter 7 administrative claims to be paid and the general, unsecured creditors would receive only approximately 43% on their allowed claims.

Since the filing of its reorganization proceeding, the Debtor has paid all current expenses as well as the additional costs associated with operating under Chapter 11 including all U. S. Trustee quarterly fees

Therefore, since the creditors will receive more under a Plan than they would in a liquidation, it appears that the proposed Plan of Reorganization is certainly in the best interest of the creditors of the estate.

Periodic financial statements (Monthly Financial Reports) have being filed with the Bankruptcy Court during the course of this Chapter 11 reorganization proceeding. These are available for inspection at the Clerk's Office of the United States Bankruptcy Court for the Western District of Pennsylvania at 5414 U. S. Steel Tower, 600 Grant Street, Pittsburgh, PA 15219 during normal business hours. These statements, along with the Debtor's Schedules and Statement of Affairs, may be inspected by all interested parties.

Will funds be available in the full amount for administrative expenses on the effective date of the Plan? From what source?

Yes. The Debtor will have this amount available from the sale proceeds.

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

1. What, if any, litigation or litigation claims are pending?

None

2. What, if any, litigation or litigation of claims are proposed or contemplated?

The Debtor will file objections to claims and Motions to Avoid Liens where necessary. (notably, Penn View Equipment (Class 14), PA Department of Revenue (Class 16), and the Bit Shop, Inc. (Class 19).

If the general, unsecured creditors are not paid in full as contemplated by this Plan, the Debtor or counsel for the Official Committee of Unsecured Creditors will have the right to pursue estate litigation, including but not limited to, adversary proceedings brought under Chapter 5 of the Bankruptcy Code.

Further, counsel for the Official Committee of Unsecured Creditors will handle the objections to the claims of Elizabeth M. Gregg and Wildcat Developing.



**VIII. Additional Information and Comments**

All capitalized terms in this Disclosure Statement shall have the same meanings as ascribed in the Plan of Reorganization.

**IX. Certification**

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

Respectfully submitted,

July 12, 2017

Northeast Energy Management, Inc., Debtor

By: */s/ Paul Ruddy, Secretary-Treasurer*  
Paul Ruddy, Secretary-Treasurer

July 12, 2017

*/s/ Michael J. Henny, Esquire*

Michael J. Henny, Esquire

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Debtor and Debtor-In-Possession