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**IN THE UNITED STATES BANKRUPTCY COURT**
**FOR THE WESTERN DISTRICT OF TEXAS**
**WACO DIVISION**

| | | |
|---|---|---|
| In re: | § | |
| | § | Case No. 19-60863 |
| **Ameritube LLC**, | § | |
| | § | Chapter 11 |
| Debtor in Possession. | § | |

**SECOND AMENDED DISCLOSURE STATEMENT IN CONNECTION WITH DEBTOR'S PLAN OF REORGANIZATION**

TO: ALL PARTIES-IN-INTEREST, THEIR ATTORNEYS OF RECORD AND TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Ameritube, LLC [the "**Debtor**"], as Debtor and Debtor-in- possession in the above-captioned Chapter 11 Case submits this Second Amended Disclosure Statement [the "**Disclosure Statement**"] pursuant to Section 1125 of the Bankruptcy Code[1] for the purpose of disclosing that information which the Bankruptcy Court has determined is material, important, and necessary for parties entitled to vote on the Debtor's First Amended Plan of Reorganization dated July 20, 2020 [the "**Plan**"] in order to arrive at an intelligent, reasonably informed decision in exercising the right to vote for acceptance or rejection of the Plan. This Disclosure Statement describes transactions contemplated under the Plan. You are urged to study the Plan in full and to consult with your counsel about the Plan and its impact upon your legal rights.

Exhibits to Disclosure Statement:

- Exhibit A – Plan of Reorganization
- Exhibit B – Projections
- Exhibit C – Historical Financial Data
- Exhibit D – Summary of Operations During Bankruptcy
- Exhibit E – Claims Chart
- Exhibit F – Liquidation Analysis

[1] Unless otherwise defined herein, capitalized terms have the meaning ascribed to such term in the Plan.

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### *A. Explanation of Chapter 11 and the Confirmation Process.*

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Upon the commencement of these chapter 11 Case, or case under any other chapter, Section 362 of the Bankruptcy Code provides for an automatic stay of all attempts to collect upon claims against a debtor that arose prior to the bankruptcy filing. Generally speaking, the automatic stay prohibits interference with a debtor's property or business.

Under chapter 11, a debtor attempts to reorganize for the benefit of the debtor and its creditors. A plan of reorganization sets forth the means for satisfying all claims against a debtor. Generally, a claim against a debtor arises from a normal debtor/creditor transaction, such as a promissory note or a trade credit relationship, but may also arise from other contractual arrangements or from alleged torts.

After a plan of reorganization has been filed with a bankruptcy court, it must be accepted by holders of impaired claims and interests against the debtor. Section 1125 of the Bankruptcy Code requires that a plan debtor fully disclose sufficient information about the debtor, its assets and the plan of reorganization to creditors before acceptances of that plan may be solicited. This Disclosure Statement is being provided to satisfy such requirements of Section 1125 of the Bankruptcy Code.

The Bankruptcy Code provides that creditors and interests are to be grouped into "classes" under a plan and that they are to vote to accept or reject a plan by class. While courts have disagreed on the proper method to be used in classifying creditors, a general rule of thumb is that creditors with similar legal rights are placed together in the same class. For example, all creditors entitled to priority under the Bankruptcy Code might be placed in one class, while all creditors holding subordinated unsecured claims might be placed in a separate class. Generally, each secured creditor will be placed in a class by itself because each such creditor usually has a lien on distinct property and therefore has distinct legal rights. Holders of Equity Interests are also placed in their own class.

The Bankruptcy Code does not require that each claimant vote in favor of the Plan for the Bankruptcy Court to confirm the plan. Rather, the plan must be accepted by each class of claimants [subject to an exception discussed below]. A class of claimants accepts the plan if, of the claimants in the class who actually vote on the plan, such claimants holding at least two-thirds in dollar amount and more than one-half in number of allowed claims vote to accept the plan. For example, if a hypothetical class has ten creditors that vote and the total dollar amount of those ten creditors' claims is $1,000,000, then for such class to have accepted the plan, six or more of those creditors must have voted to accept the plan [a simple majority], and the claims of the creditors voting to accept the plan must total at least $666,667 [a two-thirds majority].

The Court may confirm a plan even though fewer than all classes of claims or interests accept it. In this instance, the Plan must be accepted by the holder of the Equity Interests in the debtor, or debtor is entitled to request that the Bankruptcy Court confirm the plan pursuant to the "cramdown" provisions of Section 1129[b] of the Bankruptcy Code. These "cramdown" provisions permit the plan to be confirmed over the dissenting votes of classes of claims or interests if the Bankruptcy Court determines that the plan does not discriminate unfairly and is fair and equitable with respect to each impaired, dissenting class of interests.

Independent of the acceptance of the plan as described above, to confirm the plan, the Bankruptcy Court must determine that the requirements of Section 1129[a] of the Bankruptcy Code have been satisfied.

The Court has set a hearing on confirmation of the Plan for **September 15, 2020 at 1:45 p.m. Central Time** in the courtroom of the **Honorable Ronald B. King, United States Bankruptcy Court, 800 Franklin Avenue, Waco, Texas**. The confirmation hearing may be adjourned by the Bankruptcy Court from time to time without further notice except for an announcement made in open court at the confirmation hearing or any continued hearing thereon.

Section 1128[b] of the Bankruptcy Code provides that any party in interest may object, in writing, to confirmation of a plan of reorganization or the Disclosure Statement. Written objections to confirmation of the Plan or the Disclosure Statement, if any, must be filed with the Bankruptcy Court *and* a copy of such written objections must be *actually* received by counsel for the Debtor at the following address on or before **September 8, 2020**:

SPECTOR & COX PLLC
12770 COIT ROAD
BANNER PLACE, SUITE 1100
DALLAS, TEXAS 75251

*B. Voting Procedures.*

1. Designation of Impaired and Unimpaired Classes.

All classes are impaired.

2. Ballots.

**IT IS IMPORTANT THAT HOLDERS OF IMPAIRED CLAIMS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN**. All known holders of Claims entitled to vote on the Plan have been sent a ballot, together with instructions for voting, with this Disclosure Statement. In voting for or against the Plan, use only the ballot sent with this Disclosure Statement.

**THE VOTING DEADLINE IS SEPTEMBER 8, 2020. ALL BALLOTS MUST BE RETURNED SO THAT THEY ARE *RECEIVED* BY THE BALLOTING AGENT PRIOR TO THE VOTING DEADLINE. THE NAME AND ADDRESS OF THE BALLOTING AGENT IS SET FORTH ON THE BALLOT.**

*C. Approval of Disclosure Statement.*

This Disclosure Statement is provided pursuant to Section 1125 of the Bankruptcy Code in connection with the solicitation of acceptance of the Plan, as it may be amended or modified. The purpose of this Disclosure Statement is to provide such information as will enable a hypothetical, reasonable investor, typical of the holders of Claims, to make an informed judgment in exercising its rights either to accept or reject the Plan. A copy of the Plan is attached hereto as **"Exhibit A."**

The Bankruptcy Court approved this Disclosure Statement as containing information of the kind and in sufficient detail adequate to enable a hypothetical, reasonable investor typical of the classes being solicited to make an informed judgment about the Plan.

NO REPRESENTATIONS CONCERNING THE PLAN ARE AUTHORIZED OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT. THE DEBTOR RECOMMEND THAT ANY REPRESENTATION OR INDUCEMENT MADE TO SECURE YOUR ACCEPTANCE OR REJECTION OF THE PLAN WHICH IS NOT CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN REACHING YOUR DECISION ON HOW TO VOTE ON THE PLAN. ANY REPRESENTATION OR INDUCEMENT MADE TO YOU NOT CONTAINED HEREIN SHOULD BE REPORTED TO THE ATTORNEY FOR THE DEBTOR WHO SHALL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE APPROPRIATE.

THE DEBTOR DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS CORRECT, ALTHOUGH GREAT EFFORT HAS BEEN MADE TO BE ACCURATE. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THIS DISCLOSURE STATEMENT CONTAINS ONLY A SUMMARY OF THE PLAN. THE PLAN WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT, AND HOLDER OF AN IMPAIRED CLAIM OR EQUITY INTEREST IS URGED TO CAREFULLY REVIEW THE PLAN PRIOR TO VOTING ON IT.

### *D. Nature and History of the Debtor's Business.*

Located in Hillsboro, Texas, Ameritube began operations in 2004. It is a manufacturer and distributor of specialty tubing, such as copper, nickel alloy, stainless, and steel alloy tubing for heat transfer equipment typically found in chemical plants, oil and gas refineries, power plants, large industrial and apartment buildings, and defense and container ships. Ameritube is managed by three of its four members, Joseph Ravitsky, Khariton Ravitsky, and Cherunya Ravitsky. Ameritube is essentially the Ravitsky family business, and much of its success relies upon the relationships built by the Ravitskys over the years.

The demand for Ameritube's tubing typically coincides with a maintenance cycle and project cycle for large chemical, power, oil, gas, and defense companies. The maintenance cycle for most of these industries primarily extends from mid-February to mid-May and begins again in August continuing through November. While there is project work throughout the year, the shutdowns of oil refineries, chemical plants, and power plants coincide with change from heating oil to gasoline at some refineries, or before higher power requirements in the summer months. While in some years project work goes through the summer and at times through December and January, traditionally, December and January are slow months with slower demand patterns. Ameritube has recently procured business in the HVAC space to offset this slower demand pattern.

*E. Recent Financial History of the Debtor*

On or about October 16, 2017, the Debtor and TBK Bank, SSB ("TBK") entered into (1) a Loan and Security Agreement, (the "Loan Agreement") and (2) a Factoring and Security Agreement (the "Factoring Agreement").

Pursuant to the terms of the Loan Agreement, TBK provided secured credit to the Debtor in the form of (a) a revolving line of credit (the "Revolving Loans") and (b) a term loan (the "Term Loan", collectively with the Revolving Loans, the "Prepetition Loans"). As of the Petition Date, the Debtor was obligated to TBK on the Revolving Loan in the amount of approximately $260,000.00. The Term Loan was repaid prior to the Petition Date.

The Debtor's obligations under the Prepetition Loans are secured by a first lien on all or substantially all of the assets of the Debtor, including, but not limited to, all present and future Accounts, Chattel Paper, Deposits Accounts, Instruments, Documents, Letter of Credit Rights, Commercial Tort Claims, Equipment, Inventory and other Goods, General Intangibles, Investment Property, cash and cash equivalents, books and records and all substitutions, replacements, products and proceeds of any of the foregoing (the "Collateral"). To perfect its security interests in the Collateral, on or about September 15, 2017 TBK filed a UCC-1 financing statement with the Texas Secretary of State.

Pursuant to the terms of the Factoring Agreement, and from time to time, TBK has provided additional liquidity to the Debtor by purchasing, with full recourse, certain accounts receivables from the Debtor.

Prior to the Petition Date, Ameritube, as borrower, and Newtek Small Business Finance, LLC, as lender, entered into a certain U.S. Small Business Administration Note dated February 14, 2017 in the original principal amount of $740,000.00. Subsequent to the February 14, 2017 Note, Ameritube, LLC as borrower, and Newtek as lender entered into a certain U.S. Small Business Administration Note dated July 18, 2019 in the original principal amount of $475,000.00 (the "Newtek Notes"). As of the Petition Date, the Debtor was obligated to Newtek on each of the notes in an amount no less than $726,618.59 and $471,038.29 respectively.

Newtek has a valid, perfected and unavoidable lien and security interest in all personal property of Debtor now owned and hereafter acquired, of every kind and description wherever located, including, without limitation: all accounts and accounts receivable, general intangibles, chattel paper whether tangible or electronic, instruments including promissory notes, documents, goods including raw materials, work-in-process and finished goods including embedded software and all accessions to any goods; machinery, furniture, inventory, equipment and fixtures, intellectual property of any kind or nature including trademarks, servicemarks, patents and copyrights whether or not recorded or registered, liquor licenses, business licenses, letter of credit rights whether or not the letter of credit is evidenced by a writing, financial assets and investment property, deposit accounts whether or not maintained at Newtek, commercial tort claims, supporting obligations, and any and all products and proceeds of any of the foregoing, whether now existing or hereafter arising or acquired in and to any and all items of personal property, together with all attachments, accessions and equipment now or hereafter affixed hereto or used in connection therewith, all substitutions and replacements hereof and any products and proceeds thereof. To perfect its security interests in the Collateral, on or about November 8, 2016, Newtek filed a UCC-1 financing statement with the Texas Secretary of State. In

addition, Newtek is secured on the real estate owned by Ravone Properties, LLC, a related entity. Ameritube is a co-obligor on that note and not merely a guarantor.

Prior to the Petition Date, the Debtor, Khariton Gary Ravitsky, Joseph Ravitsky, Newtek Small Business Finance, LLC ("Newtek"), and TBK Bank SSB entered into the Subordination and Intercreditor Agreement ("the Subordination Agreement") subordinating Newtek's Junior Obligations (defined in the Subordination Agreement) to the Senior Debt (defined in the Subordination Agreement) held by TBK. Accordingly, TBK has a first priority lien on substantially all the Debtor's assets, and Newtek has a second priority lien. TBK is oversecured, and Newtek is undersecured, as to the Debtor. Both the TBK debt and Newtek debt are guaranteed by the Ravitskys individually.

In addition, Ameritube was involved in litigation with several companies, ATD Combustors, Holtec Corporation and Marco International resulting in approximately $100,000 in legal fees and settlement payments. Combined with the existing debt service, the resulting cash crunch caused the bankruptcy filing. Specifically, the Debtor paid Marco International $46,000.00 on or about July 10, 2019 in settlement of litigation, and Morrison Supply Company was paid $8,500.00 in settlement on or about the same date. Details of the litigation are located on the Debtor's Statement of Financial Affairs, located at Doc. No. 31. A copy of the Statement of Financial Affairs can be obtained by emailing Debtor's counsel or via Pacer.gov.

### *F Assets of the Debtor*

The Debtor's largest asset, as a group, is the equipment it owns. The Debtor does not own any real property. The Debtor leases its building from another entity, Ravone Properties, LLC. Ravone Properties LLC is a real estate company owned by Cherunya Ravitsky, Joseph Ravitsky, and Khariton Ravitsky.

Ameritube has a triple net lease with Ravone, Properties LLC on a month to month term. Ameritube's lease mandates the sharing of floor and building space at 1000 North Highway 77 Hillsboro, TX 76645 with other entities and the sharing of land and parking lot with a land tenant. The other tenants of Ravone (land and building) are not related to Ameritube or the Ravitskys. These tenants pay market rent to Ravone. Ameritube's monthly rent to Ravone is equivalent to the monthly principal and interest payment to Newtek, and is adjusted quarterly as the Newtek note payments adjust. This is a below market lease.

The Debtor has some accounts receivable, the majority of which are factored through Triumph Commercial Finance/TBK Bank. The Debtor maintained pre-petition bank accounts at TBK, but all pre-petition accounts were closed and deposited in the debtor-in-possession account at Wells Fargo. The Debtor files monthly operating reports with the Court that disclose the current balance of its bank accounts, which can be obtained from Debtor's counsel upon request. A summary of the Debtor's operations during Chapter 11 are attached as **"Exhibit D."**

The Debtor does have a claim against Cubex Tubing for breach of contract, but has not pursued it to date. The claim is for breach of contract for supplying low quality material that had to be scrapped. This was a long relationship over three years where the supplier kept promising better product, but kept delivery poor quality, material was rejected, customer orders were delayed or

cancelled, and the supplier refused to take the material back or accept a credit. The Debtor is undecided as to whether to pursue this claim, as there would be significant problems with collecting on any judgment against a foreign entity. For this reason, the Debtor gave this claim no value in its liquidation analysis, and does not include it as a basis for repaying creditors under the Plan.

Other than equipment and accounts receivable, the Debtor's largest remaining asset is its inventory. The Debtor valued its inventory on its schedules at $423,752.34, using a cost basis approach, holding the raw material inventory at cost and adding $1 per pound for processing of finished goods inventory.

### *G. Ownership and Management of the Debtor*

The Debtor is a Texas Limited Liability Company with four (4) members, as described in the Debtor's Statement of Financial Affairs at Doc. No. 31. The Ravitsky family owns 88.26% of the membership interests (Khariton Ravitsky – 58%, Cheruyna Ravitsky – 9% and Joseph Ravitsky – 21.67%) and MMM Properties, LLC, a creditor, owns 11.74%.

The Ravitskys manage the Debtor and are employed by the Debtor in the daily business operations. All three members of the Ravitsky family draw a salary from the Debtor. Gary Ravitsky and Joseph Ravitsky are scheduled to be paid a salary of $72,000 each, and Chara Ravitsky earns a salary of $40,000. They have not been paid their full salaries in 2020. In addition, the Debtor has approximately three hourly employees. Monthly payroll for hourly employees averages approximately $6840.00 in 2020.

The Debtor's financial records and schedules do not reflect any avoidable pre-petition transfers that could be recovered for the benefit of creditors.

### *H. Basis for the Financial Projections*

Debtor seeks to emerge from its Chapter 11 bankruptcy proceeding with a stronger balance sheet and the ability to pay its unsecured creditors as much as possible. Attached to this disclosure statement as **"Exhibit B"** are financial projections (the "**Projections**"), and as "**Exhibit C**", a historical financial statement. The projections rely on the Debtor's history coupled with current customer demand in the form of existing purchase orders, framework agreements, and projected orders based on current market conditions and customer conversations. Below are the details of some the assumptions relied upon in formulating the Projections.

The financial plan is based on the Debtor's ability to continue to deliver value to its current customers, those who have been customers for a while and who continue to work with the Debtor through the Chapter 11 bankruptcy. The projections rely primarily on 5 customers including defense suppliers and navy yards who have continued to provide substantive orders during the restructuring and have made commitments, purchase orders, or framework agreements for the future. The Debtor's post Chapter 11 operations will continue to rely on a combination of purchase order financing, factoring of accounts receivable, and cash flow, as it has before and during Chapter 11.

Ameritube is qualified as a defense supplier. Ameritube is certified by the Defense Contract Management Agency ("**DCMA**") (www.dcma.mil) which provides contract administration services for the Department of Defense, other federal organizations and international partners, and is an

essential part of the acquisition process from pre-award to sustainment.) Ameritube is a certified supplier of IAI (Israel Airspace Industry). For example, Ameritube produced and supplied ELTA Iron Dome project for Israeli defense systems. In practical terms, Ameritube is the only US manufacturer of their specific product In USA for defense and nuclear power stations.

Since 2008, Ameritube has supplied the Defense Logistics Agency ("DLA"), defense contractors, Austal USA, Rudy & Associates, Legacy & Associates, BB&G and Associates, Mil–Spec Metallics, Huntington Ingalls Shipbuilding, Alaskan Copper, Maxim Evaporators, Norfolk Naval Shipyard, and Corrosion Materials. As the only domestic manufacturer of copper nickel pipe for defense ships, Ameritube receives direct contracts for copper nickel tube and pipe. As the government increasingly turns to domestic suppliers, Ameritube is uniquely positioned to take advantage of the demand due to experience with government contracts, prior supply to the DLA, auditing by DCMA and supply to large shipbuilders like Austal USA and Huntington Ingalls Shipyards. Currently most copper nickel pipe is imported from Mexico and South Korea on a waiver from the US government, while DFAR countries in Western Europe are the only suppliers. The United States lacks full domestic suppliers with the capabilities of Ameritube. In the event of a change of ownership or management, the government certifications above would not be guaranteed.

Ameritube recently was awarded a two-year framework agreement with PVI/Aerco, divisions of the publicly traded Watts corporation for their copper needs. The Debtor qualified and received the first purchase orders from PVI in Ft. Worth which are for the first month of demand, based on an annual demand of $375,000. The remaining $400,000 of the $780,000 is being qualified at Aerco in NY where have sent samples to. The Debtor anticipates additional services with PVI, brazing and bending of the copper tube which should increase the Debtor's monthly sales in year 2.

Metalforms purchased over $2 million in product last year and continues to issue purchase orders at an average of $100,000 per month, based on their project schedule. In addition, the Debtor has $108,000 of current purchase orders, has delivered $440,000 this year and is expecting several other larger orders that will come in the next couple months. This is the Debtor's main customer whose demand fluctuates with the chemical industry's demand.

Finally, the Debtor anticipates approximately $300,000 annually for other customers based on traditional demand from the various customers. This number increases as the company grows and the Debtor's balance sheet and debt loads are lowered. In the past, the Debtor's large debt payments monthly took cash out that was needed for growth.

The Debtor is generally current with their Post-Petition payables. Post-Petition legal fees are not expected to exceed $100,000.

### *I. Summary of Major Developments During the Bankruptcy Case.*

The Debtor filed a voluntary petition on November 17, 2019. The Debtor has continued to operate its business as a debtor-in-possession and has filed all of its required monthly operating

reports. The following events summarize the motions and orders filed by the Debtor with the Bankruptcy Court:

- On November 27, 2019, the Bankruptcy Court approved the use of cash collateral and the continued factoring of accounts receivable;
- On November 27, 2019, the Bankruptcy Court also approved the payment of pre-petition payroll;
- On January 10, 2020, the Bankruptcy Court approved the application of the Debtor to retain Spector & Cox, PLLC as bankruptcy counsel;
- On April 15, 2020, the Bankruptcy Court approved the Debtor's request to enter into purchase order financing with Southstar Financial, LLC

*J.* *Description of Plan of Reorganization.*

The Plan divides creditors and holders of Interests into six (6) separate classes, as detailed on "**Exhibit E**", which are treated as follows:

***Secured Claims***

[a] *Class 1 – Any Allowed Secured Claims of Ad Valorem Taxing Authorities*. Each holder of an Allowed Secured Claim in Class 1 shall receive, on or before the Distribution Date, a Plan Secured Note in the amount of the balance of its Allowed Secured Claim (which shall include interest from the Petition to the Effective Date under 11 U.S.C. §§ 506(b) and 511). At the sole discretion of the Debtor, the Debtor may at any time after the Effective Date prepay any or all Allowed Secured Claims in Class 1. All Ad Valorem Taxing Authorities shall retain their Tax Liens to secure the payments due hereunder.

[b] *Class 2 – Any Allowed Secured Claim of Marco International.* On the Distribution Date, Marco International ("**Marco**") shall receive, in full and final satisfaction of its Class 2 Allowed Secured Claim, a Plan Secured Note in the amount of its Allowed Secured Claim. Marco shall retain its Liens as they existed on the Petition Date to secure the Plan Secured Note.

[c] *Class 3[a] – Any Allowed Secured Claim of TBK Bank* (the "Class 3[a] Claim").

i. The Allowed Secured Claim of TBK Bank ("TBK") (the "Class 3[a] Claim") shall be for an amount of $261,322.28 as of the Petition Date. This claim shall be paid in full no later than December 31, 2020. This claim shall accrue interest at the rate of Prime plus 4.75% per annum on a 12 month amortization. Debtor shall make monthly payments of principal and interest in the amount of $5,000.00 commencing on the Distribution Date, with the balance of the note being due by December 31, 2020.

ii. This claim is a secured claim. The creditor shall retain its liens to secure its claims until paid in full under this Plan. Except as specifically modified herein, all loan documents executed by Borrower relating to the Allowed Secured Claim shall continue in full force and effect and be binding upon Borrower (including any notice required in the event of default).

[d] *Class 3[b] - Any Allowed Secured Claim of TBK Bank* (the "Class 3[b] Claim") This class shall consist of the Allowed Secured Claim of TBK Bank (the "Class 3[b] Claim") arising out of pre- and post-petition financing/factoring agreement (the "Factoring Agreement"). If the parties cannot agree on the amount of the Allowed Secured Claim, then the determination shall be made by the Court.

(i) Pre-Petition Claim. The Pre-Petition Claim was fully satisfied from collected accounts receivable and no additional or other amounts shall be paid on account of the Pre-Petition Claim.

(ii) Post-Petition Claim. The Post-Petition Claim shall be satisfied from collection of accounts receivable pursuant to the post-petition financing order approved by the Court.

(iii) The Debtor will terminate and pay any balance due under the Factoring Agreement no later than December 31, 2020.

[d] *Class 4[a]-[b] – Any Allowed Secured Claim of Newtek Small Business Finance.* On the Distribution Date, Newtek Small Business Finance ("**Newtek**") shall receive, in full and final satisfaction of its Class 4[a]-[b] Allowed Secured Claim, a Plan Secured Note in the amount of its Allowed Secured Claims. Newtek shall retain its Liens as they existed on the Petition Date to secure the Plan Secured Note.

[e] Notwithstanding the foregoing treatment specified above, the Debtor may, at its sole option, provide any holder of a Class 1 Claim, Class 2 Claim, Class 3 Claim, or Class 4 Claim, [i] treatment as provided under section 1124[2] or [3] of the Bankruptcy Code, with the Cash payments required by section 1124[2][A] and [C] of the Bankruptcy Code being made on the Distribution Date; or [ii] such holder's Collateral. If such holder of an Allowed Secured Claim against the Debtor receives treatment as provided in [ii] above, such holder shall retain any Liens securing the Allowed Secured Claim until paid in full.

[f] Notwithstanding the foregoing, the Debtor and any holder of a Allowed Secured Claim may agree to any alternate treatment of such Secured Claim, which treatment shall include preservation of such holder's Lien; provided, however, that such treatment shall not provide a return to such holder of an amount having a present value in excess of the amount of such holder's Allowed Secured Claim. Each such agreement shall be presented to the Bankruptcy Court before or within 90 days after the Effective Date and shall not materially and adversely impact the treatment of any other creditor under the Plan.

***Financial Terms of Plan Secured Notes and Plan Unsecured Notes.***

The following chart details the material terms of each of the financial instruments to be delivered under the Plan:

| | Amortization Term | Payments Begin | Annual Interest Rate | Note Term |
|---|---|---|---|---|
| Class 1 | 48 months | Distribution Date | 12% | 48 months |
| Class 2 | 60 months | Distribution Date | 0% | 60 months |
| Class 4a | 300 months | Distribution Date | 6% | 300 months |
| Class 4b | 120 months | Distribution Date | 6% | 120 months |

***Unsecured Claims***

[g] *Class 5 – Any Allowed General Unsecured Claims.* On a quarterly basis for a period of 5 years following the Effective Date, each holder of an Allowed General Unsecured Non-Insider Claim shall receive a Cash payment in the amount of such holder's Pro Rata Share of the amount available in the Unsecured Claim Distribution Fund for each such month. Quarterly payments shall be made on the first day of each month of January, April, July, and October in the 5 year period following the Effective Date. The estimated return to unsecured creditors is seven cents on the dollar, or 7% of their claims.

***Interests in the Debtor***

[h] *Class 6 – Interest in the Debtor*. On the Effective Date of the Plan, Allowed Interests in the Debtor shall be cancelled. The Reorganized Debtor will issue New Membership Interests to AMGMT, Inc. in exchange for new value contributed in the amount of $15,000.00.

The Debtor has built an auction procedure into the Plan, see Section 12.18 of the Plan. The opening bid of $15,000.00 was arrived at by the Debtor in consultation with its counsel, considering the assets and liabilities of the company, the likelihood of a sale as a going concern, and the obligations under the Plan. AMGMT, Inc. is owned by the Ravitskys.

Provisions for Treatment of Unclassified Claims Under the Plan

1. ***Treatment of Administrative Claims***.

The Plan provides the holder of an Administrative Claim [including Fee Claims] incurred before the Effective Date shall be required to file with the Bankruptcy Court, and serve on all parties required to receive notice, notice of such Administrative Claim and, if applicable, a Fee Application within 60 days after the Effective Date. Failure to file and serve these documents timely and properly shall result in the Administrative Claim being forever barred and discharged. Each holder of an Allowed Administrative Claim against the Debtor shall receive on the Effective Date [1] the amount of such holder's Allowed Claim in one Cash payment or [2] such other treatment as may be agreed upon in writing by the Debtor and such holder; provided, however, that an Administrative Claim representing a liability incurred in the

ordinary course of business of the Debtor or an ad valorem tax liability may be paid in the ordinary course of business by the Debtor without the need for filing any claim with the Court. Failure to pay ad valorem taxes for the 2020 and subsequent tax years prior to delinquency shall be and event of default under the Plan.

2 ***Treatment of Priority Tax Claims***.

Each holder of an Allowed Priority Tax Claim shall receive in full satisfaction of such holder's Allowed Priority Tax Claim a series of equal deferred Cash payments in an amount necessary to amortize the Allowed Priority Tax Claim over a 60 month period with interest at the annual rate of 3% per annum, with such payments beginning on the 1st day of the month in which the Distribution Date falls, and continuing to be made on the same day of each consecutive month for an additional 59 months.

With respect to the claims of the IRS,

- If the Debtor fails to make any Plan payment, or deposits of any currently accruing employment or sales tax liability; or fails to make payment of any tax to the IRS within 10 days of the due date of such deposit or payment, or if the Debtor fails to file any required federal or state tax return by the due date of such return, then the IRS may notify the Debtor in writing that the Debtor is in default of the Plan. Failure to declare a default does not constitute a waiver by the IRS of the right to declare that the Debtor is in default.

- If the Debtor does not cure the default within 14 days of such notice, then the entire imposed liability, together with any unpaid current liabilities, may become due and payable immediately, and the Internal Revenue Service may collect any unpaid liabilities through the administrative collection provisions of the Internal Revenue Code. The IRS shall only be required to send two notices of default, and upon the third event of Default, the IRS may proceed to collect on all amounts owed without recourse to the Bankruptcy Court and without further notice to the Debtor. The collection statute expiration date will be extended from the Petition Date until default under the Plan.

- All payments will be sent to: IRS, 300 E. 8th St., MS 5026AUS, Austin, TX 78701

- The IRS shall not be bound by any release provisions in the Plan that would release any liability of the responsible persons of the Debtor to the IRS. The IRS may take such actions as it deems necessary to assess any liability that may be due and owing by the responsible persons of the Debtor to the IRS; but the IRS shall not take action to actually collect from such persons unless and until there is a default under the Plan and as set forth above.

*K.* *Executory Contracts*.

The Plan constitutes a motion to assume, as of the Effective Date, all Contracts. Except as set forth in such motions or Orders of the Bankruptcy Court, as to assumed Contracts, [a] no cure of such Contracts pursuant to Bankruptcy Code section 365[b][1][A] is necessary other than the Cure

Payments; [b] no Bankruptcy Code section 365[b][1][B] compensation is owing or shall be owing upon the assumption of such Contracts; [c] confirmation of the Plan shall be deemed [i] adequate assurance of prompt cure of any default under such Contracts solely based upon a Debtor's obligation in the Plan to make the Cure Payments, [ii] adequate assurance of future performance under such Contracts, and [iii] consent by the party to such Contract to the assignment or sublease of the property subject to the Contract to any third party disclosed at the Confirmation Hearing.

The Debtor's lease with Ravone is month to month, but it intends to assume the lease and negotiate a new, longer term lease with Ravone. The Ravone lease has no cure amount.

The Debtor intends to assume the equipment lease with Raymond Financial. The lease with Raymond is very favorable terms, and the cure amount is estimated at 8 months of payments or a total of $4,170.00

### *L. Retention of Jurisdiction.*

The Bankruptcy Court's jurisdiction shall be retained under the Plan as set forth in Article 11 of the Plan.

### *M. Alternatives to Plan Including Liquidation/Liquidation Analysis.*

All of the Debtor's assets are encumbered by liens from TBK Bank, Newtek, and other smaller equipment financers. In the event of a liquidation, the Debtor believes its assets would not be sufficient to make its secured creditors whole. Accordingly, the Debtor does not believe that holders of Allowed General Unsecured Claims would receive any distribution in the event of liquidation. A liquidation analysis is set forth on **"Exhibit F."**

### *N. Risks To Creditors Under The Plan.*

1. *Forward-Looking Information May Prove Inaccurate* – This Disclosure Statement contains various forward-looking statements and information that are based on the Debtor's beliefs as well as assumptions made by and information currently available to the Debtor. If reality varies from these beliefs and assumptions, actual results may vary materially from those anticipated, estimated or projected.

2. *Dependence on Key Individuals and the Financial Commitments of Insiders*– The Debtor is dependent on its ability to retain the services of its current management team – Khariton Ravitsky, Joseph Ravitsky and Cherunya Ravitsky. The loss of these individuals could have a material adverse effect on the Debtor.

3. *Certain Risks of Non-Confirmation* – There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Court will confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization and that the value of the distributions to non-accepting creditors and interest holders will not be less than the value of the distributions that such creditors and interest holders

would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code. Although the Debtor believes that these requirements will be satisfied, there can be no assurance that the Court will concur. The confirmation and consummation of the Plan are also subject to certain other conditions, which are described in this Disclosure Statement. If the Plan were not to be confirmed and consummated, it is unclear whether a reorganization comparable to the reorganization contemplated hereby could be implemented in a timely manner and, if so, what distributions holders of Claims ultimately would receive with respect to its Claims. Moreover, if an alternative reorganization could not be implemented in a timely manner, it is possible the that Debtor would have to liquidate its assets, in which case it is likely the holders of Claims would receive less than they would have received pursuant to the Plan.

4. *Risks Relating to the Projections* – The management of the Debtor has prepared the Projections in connection with the development of the Plan to present the projected effects of the Plan. The Projections assume that the Plan and the transactions contemplated hereby will be implemented in accordance with their terms and are based upon numerous other assumptions and estimates, detailed above in Paragraph H. The assumptions and estimates underlying the Projections are inherently uncertain and are subject to significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those projected. Accordingly, the Projections are not necessarily indicative of the future financial condition or results of operations of the Reorganized Debtor, which condition and results may vary significantly from those set forth in the Projections. Consequently, the projected financial information contained in this Disclosure Statement should not be regarded as a representation by the Debtor, the Debtor's advisors, or any other person that the projections can or will be achieved.

5. *Risks Related to COVID-19* – The outbreak of COVID-19, the novel strain of coronavirus, continues to grow in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. Government and private sector actions responding to the pandemic have disrupted domestic business activities generally and have adversely affected the Debtor's business operations. Quarantine, social distancing, and other regulatory measures instituted or recommended in response to COVID-19 are expected to be temporary, but the full impact of COVID-19 on the Debtor's business operations and financial condition, and those of the Debtor's customers and suppliers, is unknown.

### *O. Tax Consequences to the Debtor.*

Implementation of the Plan may result in federal income tax consequences to holders of Claims and Equity Interest holders. Tax consequences to a particular Creditor or holder of an Equity Interest may depend on the particular circumstances or facts regarding the Claim or the holder of the Equity Interest. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR AS TO THE

CONSEQUENCES OF THE PLAN UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS.

*P.* *Pending or Anticipated Litigation.*

On the Effective Date, all pre-Petition Date lawsuits, litigations, administrative actions or other proceedings, judicial or administrative, in connection with the assertion of a Claim shall be dismissed as to the Reorganized Debtor; provided however, if the appeal of any such matter is pending as of the Confirmation Date, the Claim shall be determined by the appellate court[s] in which such case is pending; provided further that if such case is reversed or remanded to the trial court, the Claim shall be asserted in the Chapter 11 Case and finally determined by the Bankruptcy Court.

Dismissals of proceedings provided herein shall be with prejudice to the assertion of such Claim in any manner other than as prescribed by the Plan. ALL PARTIES TO ANY SUCH ACTION SHALL BE ENJOINED BY THE BANKRUPTCY COURT IN THE CONFIRMATION ORDER FROM TAKING ANY ACTION TO IMPEDE THE IMMEDIATE AND UNCONDITIONAL DISMISSAL OF SUCH ACTIONS. Confirmation and consummation of the Plan shall have no effect on insurance policies of either of the Debtor in which either of the Debtor is or was the insured party; and the Reorganized Debtor shall become the insured party under any such policies. Each insurance company is prohibited from, and the Confirmation Order shall include an injunction against, denying, refusing, altering or delaying coverage on any basis regarding or related to the Debtor's bankruptcy, the Plan or any provision within the Plan, including the treatment or means of liquidation set out within the Plan.

*Q.* *Exculpations.*

Pursuant to Section 1123(b)(3)(A) of the bankruptcy Code, unless a party-in-interest casts a Ballot rejecting the Plan or objects to this provision of the Plan prior to the Confirmation Hearing, the payment by the Plan Funder shall be deemed consideration for, and the Confirmation Order shall provide for, the exculpation of the Debtor, the Reorganized Debtor, and their respective directors, officers, employees, predecessors, successors, attorneys, accountants, financial advisors, appraisers, representatives and agents (the "Exculpated Entities"), acting in such capacity, for any act taken or omitted to be taken in connection with, related to or arising out of the Chapter 11 Case or the consideration, formulation, preparation, dissemination, confirmation, effectuation, implementation or consummation of the Plan or any transaction proposed in connection with the Debtor, the Chapter 11 Case or any contract, instrument, release or other agreement or document entered into or delivered, or any other act taken or omitted to be taken, in connection therewith; provided, however that the foregoing provisions of this Section shall have no effect on: (a) the liability of any Entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release or other agreement or document to be entered into or delivered in connection with the Plan; or (b) the liability of any Entity that would otherwise result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence or willful misconduct. In the event that a rejecting Ballot is cast or an objection is timely filed by a party-in-interest (an "Opt Out Party"), the Opt Out Party shall be entitled to assert whatever claims and causes of action such Opt Out Party could assert under applicable non-bankruptcy law against the Exculpated Entities as if Section 12.18 of the Plan were not included in the Plan.

*R.* *Procedures For Resolving and Treating Contested Claims Under The Plan.*

1. Establishment of Contested Claims Reserve. Notwithstanding any other provision of the Plan, no assets or property shall be distributed under the Plan on account of any Contested Claim. For all Contested Claims, the Reorganized Debtor shall establish and hold, in trust, distributions to be made on account of any Claim [each such reserve being herein called a "Contested Claims Reserve"] which is a Contested Claim, and shall place in each Contested Claims Reserve the assets and property to be distributed on account of such Contested Claims pursuant to the Plan, pending Allowance or Disallowance of such Claim. Pending entry of a Final Order concerning a Contested Claim, the Reorganized Debtor shall pay into the Contested Claims Reserve all payments provided for under the Plan which would have been required to be delivered to the holder of the Contested Claim as if the Contested Claim were an Allowed Claim. Cash held in any Contested Claims Reserve shall be held in a segregated interest-bearing trust account. To the extent practicable, the Reorganized Debtor may invest the Cash in any Contested Claims Reserve in a manner that will yield a reasonable net return, taking into account the safety of the investment. Each Contested Claims Reserve shall be held in a federally-insured financial institution. No funds shall be released from a Contested Claims Reserve absent an order from the Bankruptcy Court.

2. Determination of Contested Claims Reserve. The Debtor shall establish and fund a Contested Claims Reserve in respect of each Contested Claim in an amount asserted by the holder of a Contested Claim in a filed proof of claim, or if no proof of claim is filed, the amount, if any, set forth in the applicable Debtor's Schedules. Notwithstanding the foregoing, with respect to any Contested Claim, the Debtor may seek to establish a different amount of the Contested Claims Reserve applicable to such Contested Claim after notice and opportunity for a hearing to the holder of the Contested Claim. The Bankruptcy Court may, at any time, including upon request of a party in interest, determine for each Contested Claim, the amount of assets and property sufficient to fund each Contested Claims Reserve established with respect to any such Claim. Any unsecured claimant holding a Contested Claim so estimated will have recourse only to undistributed assets and property in the Contested Claims Reserve to satisfy the Contested Claim and not to the Reorganized Debtor or any other assets or property, should the Allowed Claim of such claimant, as finally determined by a Final Order, exceed such Estimated Amount.

3. Return of Assets. Except as otherwise provided herein, all assets and properties [and all interest payments and dividends previously paid in connection therewith] in any Contested Claims Reserve remaining after the resolution of all disputes relating thereto shall be returned to the Reorganized Debtor.

### *S. Discharge of the Debtor.*

Entry of the Confirmation Order shall discharge all existing debts and Claims of any kind, nature or description whatsoever against the Debtor or any of its assets or properties to the fullest extent permitted by section 1141 of the Bankruptcy Code, including but not limited to Claims based upon any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date and all debts of the kind specified in sections 502[g], 502[h] or 502[i] of the Bankruptcy Code, whether or not [a] a Proof of Claim based upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code; [b] a Claim based upon such debt is allowed under section 502 of the Bankruptcy Code; or [c] the holder of a Claim has accepted the Plan. As provided in section 524 of the Bankruptcy Code, the discharge shall void any judgment against the Debtor or Reorganized Debtor at any time obtained to the extent it relates to a Claim discharged and operates as an injunction

against the prosecution of any action against the Debtor, the Reorganized Debtor, or any of their property, to the extent it relates to a Claim discharged. Notwithstanding anything to the contrary, Section 12.2 does not enjoin creditors from enforcing their rights under the Plan and does not apply to post-petition ad valorem taxes.

Notwithstanding anything to the contrary in the Plan, nothing in the Confirmation Order or this Plan discharges, limits, impairs, delays, releases, exculpates a Person from, or precludes or enjoins the assertion of: (i) any liability to any Governmental Unit that is not a Claim; (ii) any Claim of a Governmental Unit arising on or after the Confirmation Date; (iii) any police or regulatory liability to a Governmental Unit that any entity would be subject to as the owner or operator of property after the Confirmation Date; or (iv) any liability to a Governmental Unit on the part of any Person other than the Debtor or Reorganized Debtor; (v) any Claim, cause of action, proceedings or investigations of the SEC against any non-Debtor Entity in any forum. Nor shall anything in the Confirmation Order or this Plan enjoin or otherwise bar a Governmental Unit from asserting or enforcing, outside the Bankruptcy Court, any liability described in the preceding sentence. Nothing in this Plan or the Confirmation Order shall affect any setoff or recoupment rights of any Governmental Unit. Finally, to the extent that the Debtor are subject to any existing environmental orders or consent agreements, such orders or consent agreements shall continue after the Effective Date and the Reorganized Debtor shall continue to comply with such orders or consent agreements.

*T. Injunctions.*

**THE CONFIRMATION ORDER SHALL CONTAIN SUCH INJUNCTIONS AS MAY BE NECESSARY AND HELPFUL TO EFFECTUATE THE DISCHARGE OF THE DEBTOR PROVIDED HEREIN. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SUCH INJUNCTION SHALL INCLUDE AN ABSOLUTE PROHIBITION FROM COLLECTING CLAIMS IN ANY MANNER OTHER THAN AS PROVIDED FOR IN THE PLAN.**

**IN ADDITION, UPON THE EFFECTIVE DATE, SO LONG AS THERE EXISTS NO DEFAULT UNDER THE PLAN, NO HOLDER OF ANY CLAIM (WHETHER ALLOWED OR CONTESTED) OR EQUITY INTEREST, AND NONE OF ANY SUCH HOLDER'S HEIRS, SUCCESSORS, ASSIGNS, TRUSTEES, EXECUTORS, ADMINISTRATORS, CONTROLLED-AFFILIATES, OFFICERS, DIRECTORS, AGENTS, REPRESENTATIVES, ATTORNEYS, BENEFICIARIES, AND/OR GUARDIANS (COLLECTIVELY, THE "REPRESENTATIVES") SHALL TAKE, OR CAUSE TO BE TAKEN, AND EACH SUCH HOLDER AND EACH OF ITS REPRESENTATIVES IS HEREBY PERMANENTLY ENJOINED FROM TAKING, ANY ACTION TO COLLECT A DEBT OWED BY THE DEBTOR FROM ANY GUARANTOR OF THE DEBTOR.**

*U. Conclusion.*

Through confirmation of the Plan, the Debtor believes that they can resolve all claims that have been, or could be, asserted against them in a timely and cost-effective manner. The Debtor believes that the Plan provides a mechanism to resolve and provide just compensation to all claimants. The Debtor believes that the Plan is fair to all parties-in-interest and should be approved by creditors.

THE DEBTOR URGES YOU TO VOTE TO ACCEPT THE PLAN.

Dated: July 24, 2020

Respectfully submitted,

By: */s/ Sarah M. Cox*
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