

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

ALLEN FAMILY FOODS, Inc., et al.,¹

Debtors.

Chapter 11

Case No. 11-11764 (KJC)

(Jointly Administered)

**DISCLOSURE STATEMENT FOR FIRST AMENDED JOINT CHAPTER
11 PLAN OF LIQUIDATION PROPOSED BY THE DEBTORS AND
THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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¹ The Debtors in these cases, along with the last four digits of each Debtor's tax identification number, are: Allen Family Foods, Inc. (7949), Allen's Hatchery, Inc. (8943), and JCR Enterprises, Inc. (8322).

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DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

ALL CREDITORS AND INTEREST HOLDERS SHOULD READ THIS DISCLOSURE STATEMENT AND ALL EXHIBITS HERETO, INCLUDING THE PLAN, BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN AND THE EXHIBITS ANNEXED TO THE DISCLOSURE STATEMENT AND THE PLAN. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. THE TRANSMISSION OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. AFTER THE DATE HEREOF, THERE CAN BE NO ASSURANCE THAT (A) THE INFORMATION AND REPRESENTATIONS CONTAINED HEREIN WILL BE MATERIALLY ACCURATE, AND (B) THIS DISCLOSURE STATEMENT CONTAINS ALL MATERIAL INFORMATION.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE, AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED NOR DISAPPROVED BY THE SEC, NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. THIS DISCLOSURE STATEMENT WAS PREPARED TO PROVIDE HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS WITH “*ADEQUATE INFORMATION*” (AS DEFINED IN THE BANKRUPTCY CODE) SO THAT THEY CAN MAKE AN INFORMED JUDGMENT ABOUT THE PLAN. PERSONS OR ENTITIES TRADING IN, OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING, SECURITIES OF THE DEBTORS SHOULD NOT RELY UPON THIS DISCLOSURE STATEMENT FOR SUCH PURPOSES AND SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, AS A STIPULATION OR AS A WAIVER, BUT, RATHER, AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER

PARTY, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE LIQUIDATION OR THE PLAN ON HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS.

I.

INTRODUCTION

A. Overview

On June 9, 2011 (the “Petition Date”), Allen Family Foods, Inc. (“Allen”) and its affiliated entities Allen’s Hatchery, Inc. (“Allen’s Hatchery”) and JCR Enterprises, Inc., (“JCR”) (each a “Debtor,” and collectively with Allen, the “Debtors” or the “Company”), filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, commencing these chapter 11 cases (these “Chapter 11 Cases”). The Debtors continue to operate their business and manage their remaining properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

This Disclosure Statement is submitted pursuant to section 1125 of the Bankruptcy Code for the solicitation of votes on the Plan filed concurrently with this Disclosure Statement. The Plan is attached to this Disclosure Statement as Exhibit A.

This Disclosure Statement describes certain aspects of the Plan, the Debtors’ operations, history and significant events that occurred during the Debtors’ chapter 11 cases, the process relating to confirmation of the Plan by the Bankruptcy Court, and related matters. This introduction is intended solely as a summary of the Plan and is qualified in its entirety by the Plan and the other portions of this Disclosure Statement. If there is any inconsistency between the Plan (including the exhibits and schedules attached thereto and any supplements to the Plan) and the descriptions in the Disclosure Statement, the terms of the Plan (and the exhibits and schedules attached thereto and any supplements to the Plan) will control.

Capitalized terms used in this Disclosure Statement and not otherwise defined herein are defined in the Plan.

For a description of the Plan as it relates to Holders of Claims against and Interests in the Debtors, please see Article VI (“Summary of the Plan of Liquidation”).

FOR A COMPLETE UNDERSTANDING OF THE PLAN, YOU SHOULD READ THE DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS THERETO IN THEIR ENTIRETY.

This Disclosure Statement, the Plan and any documents attached or referred to in the Disclosure Statement and the Plan are the only materials that Creditors should use to determine whether to vote to accept or reject the Plan. A Ballot for accepting or rejecting the Plan is being submitted to Holders of Claims that the Debtors and Committee believe are entitled to vote to accept or reject the Plan.

The last day to vote to accept or reject the Plan is December 12, 2012. To be counted, your Ballot must actually be received by the Voting Agent (identified below) by the “Voting Deadline”: **December 12, 2012 at 5:00 p.m. (prevailing Eastern Time)**. Any Ballots received after the Voting Deadline will not be counted. Claimants must return their Ballots to

the Voting Agent in accordance with the Voting Instructions that accompany the Ballots. The Voting Agent's address is Allen Family Foods Ballot Processing, c/o Epiq Bankruptcy Solutions, LLC, FDR Station, P.O. Box 5014, New York, NY 10150-5014 (for regular mail) and Allen Family Foods Ballot Processing, c/o Epiq Bankruptcy Solutions, LLC, 757 Third Avenue, 3rd Floor, New York, NY 10017 (by FedEx or hand-delivery). The Voting Agent can be reached telephonically at (646) 282-2400.

November 6, 2012 is the "Voting Record Date," which is the date on which the identity of Holders of Claims against the Debtors will be determined for the purpose of establishing an entitlement, if any, to receive certain notices and vote on the Plan.

By the Disclosure Statement Approval Order dated November 6, 2012, the Bankruptcy Court approved this Disclosure Statement for dissemination to Holders of Claims against the Debtors. Approval of this Disclosure Statement by the Bankruptcy Court does not constitute a determination by the Bankruptcy Court as to the fairness or merits of the Plan. The Debtors and the Committee believe that approval of the Plan maximizes the recovery to Creditors.

The Debtors and the Committee strongly urge Creditors to vote to accept the Plan by completing and returning their Ballots so that they will be received on or before the Voting Deadline: **December 12, 2012, at 5:00 p.m., prevailing Eastern Time.**

B. Qualification Concerning Summaries Contained in this Disclosure Statement

This Disclosure Statement contains summaries of certain provisions of the Plan, certain statutory provisions, certain documents related to the Plan, certain events in the chapter 11 case, and certain financial information. Although the Debtors believe that the summaries of the Plan and related document summaries contained herein are fair and accurate, such summaries are qualified to the extent that they do not set forth the entire text of such documents, statutory provisions or financial information. All of the exhibits to the Plan and this Disclosure Statement and other pleadings and orders relating to the Debtors' chapter 11 cases are available for inspection at <http://dm.epiq11.com/ALF>.

C. Source of Information Contained in this Disclosure Statement

Factual information contained in this Disclosure Statement has been provided from numerous sources, including (1) the Debtors' books and records, (2) the Debtors' counsel, their professionals and management, (3) pleadings filed with the Bankruptcy Court, and (4) the Committee and its professionals. The Debtors and the Committee are unable to warrant or represent that the information contained herein, including the financial information, is without any inaccuracy or omission.

D. Reliance on Disclosure Statement

This Disclosure Statement may not be relied on for any purpose other than to determine whether to vote to accept or reject the Plan, and nothing stated herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving any Debtor or any other party other than proceedings to approve this Disclosure Statement and confirm the Plan, or be deemed evidence of the tax or other legal effects of the Plan on any

Debtor or Holders of Claims or Interests. Holders of Claims entitled to vote should read this Disclosure Statement and the Plan carefully and in their entirety and may wish to consult with counsel prior to voting on the Plan.

E. No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtors and the Committee as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. Neither the Debtors nor the Committee have a duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

F. Representations and Inducements Not Included in this Disclosure Statement

No representations concerning or related to any Debtor, the Debtors' chapter 11 cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. You should not rely on any representations or inducements made to secure your acceptance or rejection of the Plan not contained in this Disclosure Statement.

Further, the Liquidating Trust Agreement and various of the other agreements or forms referred to herein are exhibits hereto and/or to the Plan and are incorporated herein by reference. The summary of certain provisions of these documents is qualified in its entirety by reference thereto. The descriptions of these documents and the copies of these documents included as exhibits hereto and/or to the Plan have been included to provide information regarding the terms of these documents. These documents contain representations and warranties made by and to the parties thereto as of specific dates. The representations and warranties of each party set forth in each document have been made solely for the benefit of the other party to such document. In addition, such representations and warranties (1) may have been qualified by confidential disclosures made to the other party in connection with such document, (2) may be subject to a materiality standard which may differ from what may be viewed as material by other readers, (3) were made only as of the date of such documents or such other date as is specified therein and (4) may have been included in such documents for the purpose of allocating risk between or among the parties thereto rather than establishing matters as facts.

G. Authorization of Information Contained in this Disclosure Statement

For the purposes of this Disclosure Statement and the confirmation of the Plan, no representations or other statements concerning any Debtor, the Debtors' chapter 11 cases, or the Plan, including, but not limited to, representations and statements regarding asset valuation, are authorized by any Debtor, other than those expressly set forth in this Disclosure Statement.

H. Legal or Tax Advice

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Creditor or Holder of Interests should consult his, her, or its own legal counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

I. Forward-Looking Statements

This Disclosure Statement contains forward-looking statements with respect to the Plan.

Forward-looking statements include:

- descriptions of plans and litigation;
- projections of income tax and other contingent liabilities, and other financial items; and
- any descriptions of assumptions underlying or relating to any of the foregoing.

Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements often include words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “target,” “can,” “could,” “may,” “should,” “will,” “would” or similar expressions. Forward-looking statements should not be unduly relied upon. They indicate the Debtors’ expectations about the future and are not guarantees. Forward-looking statements speak only as of the date they are made and the Debtors have no obligation to update them to reflect changes that occur after the date they are made. There are several factors, many beyond the Debtors’ control, which could cause results to differ significantly from expectations. For examples of such factors refer to Article X, “Certain Factors to be Considered.”

II.

THE PLAN VOTING INSTRUCTIONS AND PROCEDURES

A. Notice to Holders of Claims and Interests

This Disclosure Statement is being transmitted to Holders of certain Claims against and Interests in the Debtor. The primary purpose of this Disclosure Statement is to provide those parties voting on the Plan with adequate information to make a reasonably informed decision with respect to the Plan before voting to accept or to reject the Plan.

On November 6, 2012, the Bankruptcy Court entered the Disclosure Statement Approval Order approving this Disclosure Statement, finding that it contains information of a kind and in sufficient detail to enable the Holders of Claims against and Interests in the Debtors that are entitled to vote to make an informed judgment about the Plan. THE BANKRUPTCY COURT’S APPROVAL OF THIS DISCLOSURE STATEMENT CONSTITUTES NEITHER A GUARANTY OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN, NOR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN EACH OF THE DEBTORS, WHETHER OR NOT THEY ARE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS, YOU ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT CAREFULLY. IN PARTICULAR, HOLDERS OF IMPAIRED CLAIMS WHO ARE ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ANY EXHIBITS HERETO, THE PLAN, AND ANY EXHIBITS TO THE PLAN CAREFULLY AND IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR TO REJECT THE PLAN.

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BY ITS NATURE FORWARD LOOKING OR CONTAINS OR MAY CONTAIN ESTIMATES, ASSUMPTIONS AND PROJECTIONS THAT MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS.

Except as otherwise specifically and expressly stated herein, this Disclosure Statement does not reflect any events that may occur after the date hereof and that may have a material impact on the information contained in this Disclosure Statement. Further, the Debtors do not anticipate that any amendments or supplements to this Disclosure Statement will be distributed to reflect such occurrences. Accordingly, the delivery of this Disclosure Statement shall not under any circumstance imply that the information herein is correct or complete as of any time after the date hereof.

B. Solicitation Package

In addition to approving this Disclosure Statement, the Bankruptcy Court approved certain voting procedures, scheduled the Confirmation Hearing at which the Bankruptcy Court will consider confirmation of the Plan, and approved the form of the Confirmation Hearing Notice. Accompanying this Disclosure Statement are copies of (1) the Plan (**Exhibit A**); (2) the Confirmation Hearing Notice, which provides notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time and place of the hearing to consider confirmation of the Plan and related matters, and the time for filing objections to confirmation of the Plan; and (3) for Creditors whose Claims are classified in an Impaired Class, one or more Ballots (and return envelopes) to be used in voting to accept or to reject the Plan. If you did not receive a Ballot and believe that you should have, please contact the Voting Agent identified below in the next subsection.

C. Voting Procedures, Ballots and Voting Deadline

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, please (1) indicate your acceptance or rejection of the Plan by checking the appropriate boxes and providing requested information on the enclosed Ballot and (2) complete and sign your original Ballot (copies will not be accepted) and return it in the envelope provided to the Voting Agent (defined below) so that it is **RECEIVED** by the Voting Deadline (as defined below), **December 12, 2012 at 5:00 p.m. (ET)**.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement. If you believe you received the wrong Ballot, please contact the Voting Agent.

FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE PROPERLY COMPLETED AS SET FORTH ABOVE AND IN ACCORDANCE WITH THE VOTING INSTRUCTIONS ACCOMPANYING THE BALLOT AND RECEIVED NO LATER THAN THE VOTING DEADLINE, DECEMBER 12, 2012, AT 5:00 P.M., PREVAILING EASTERN TIME, BY THE VOTING AGENT at the following address:

Via Post office:

Allen Family Foods Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, P.O. Box 5014
New York, NY 10150-5014

Via FedEx or hand-delivery:

Allen Family Foods Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017

Any Ballot that is executed and returned but does not indicate an acceptance or rejection of the Plan will not be counted.

DO NOT RETURN ANY DEBT OR EQUITY INSTRUMENTS WITH YOUR BALLOT.

If you have any questions about the procedure for voting your Impaired Claim or with respect to the packet of materials that you have received, please contact the Voting Agent at **(646) 282-2400**.

If you wish to obtain, at your own expense (unless otherwise specifically required by Bankruptcy Rule 3017(d)), an additional copy of the Plan, this Disclosure Statement, or any exhibits to such documents, please contact the Voting Agent.

D. Confirmation Hearing and Deadline for Objections to Confirmation

The Bankruptcy Court has scheduled the Confirmation Hearing for **December 19, 2012, at 1:00 p.m. (prevailing Eastern Time)**, or as soon thereafter as counsel may be heard, before the Honorable Kevin J. Carey, United States Bankruptcy Judge, in the United States Bankruptcy Court, 824 North Market Street, 5th Floor, Courtroom 5, Wilmington, Delaware 19801. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan must be filed with the Clerk of the Bankruptcy Court, in accordance with the electronic filing requirements as

set forth online at www.deb.uscourts.gov and served so that they are **RECEIVED** on or before **December 12, 2012 at 5:00 p.m. (prevailing Eastern Time)** by:

Counsel for the Debtors and Debtors-in-Possession
YOUNG CONAWAY STARGATT & TAYLOR, LLP
Rodney Square
1000 North King Street
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Attn: Robert S. Brady, Esq. (DE Bar No. 2847)
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Office of the United States Trustee

**Office of the United States Trustee
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844 King Street, Suite 2207, Lockbox 35
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Steven K. Kortanek, Esq. (DE Bar No. 3106)
Matthew P. Ward, Esq.
Thomas M. Horan, Esq.
222 Delaware Avenue, Ste. 1501
Wilmington, Delaware 19801

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

III.

OVERVIEW OF THE PLAN

The purpose of the Plan is to liquidate, collect and maximize the Cash value of the remaining assets of the Debtors and make distributions in respect of any Allowed Claims against the Debtors' Estates. The Plan is premised on the satisfaction of Claims through creation of the Liquidating Trust (pursuant to the Liquidating Trust Agreement) and distribution of the proceeds raised from the sale and liquidation of the Debtors' remaining assets, claims and Causes of Action.

On the Effective Date, the Debtors will transfer and assign to the Liquidating Trust substantially all property and assets of the Debtors. While the Debtors, in consultation with the Committee, may designate that certain assets remain with the Debtors, proceeds of those assets will constitute Liquidating Trust assets. Pursuant to the Plan, the Liquidating Trust will pay all Allowed Priority Claims and Administrative Expense Claims in full that have not previously been paid by the Debtors. To the extent there are assets remaining in the Liquidating Trust after payment of all Allowed Priority Claims, Administrative Expense Claims and expenses of the Liquidating Trust, all Holders of Allowed General Unsecured Claims shall receive a Pro Rata Share Distribution of the remaining assets of the Liquidating Trust. The Holders of Intercompany Claims and Interests shall not receive any Distributions from the Liquidating Trust.

The following table divides the Claims against and Interests in the Debtors into **five (5)** separate Classes and summarizes the treatment for each Class. The table identifies which Classes are entitled to vote on the Plan and indicates an **estimated recovery** for each Class, expressed as a percentage of the estimated, aggregate Allowed Claims in such Class. The Plan does not contain any estimate of allowed amounts of claims or estimated recoveries for any of the five Classes identified below. Certain unclassified Claims, including Priority Non-Tax Claims will be paid in full in Cash to the extent such Claims are Allowed Claims. The recoveries described in the following table represent the Debtors' best estimates based on the information available at this time, and certain significant assumptions described throughout this Disclosure Statement. Unless otherwise specified, the information in the following table is based on calculations as of August 20, 2012.

CLASS	DESCRIPTION	TREATMENT	ENTITLED TO VOTE	ESTIMATED ALLOWED AMOUNTS (\$)	ESTIMATED RECOVERY (%)
Not classified	Administrative Claims (including fees for Professionals)	Unimpaired; payment in full, in Cash, of the allowed amount of such Claim (or as otherwise agreed).	No.	\$4,100,000.00 ²	100%

² Payments to holders of Allowed Section 503(b)(9) Claims in a total amount of \$2,409,869.70 were made in accordance with the following (3) Court orders: (i) *Order Authorizing the Debtors to Allow and Pay Claims Under Section 503(b)(9) of the Bankruptcy Code* entered by the Bankruptcy Court on July 27, 2012 [*Docket No. 641*]; (ii)

CLASS	DESCRIPTION	TREATMENT	ENTITLED TO VOTE	ESTIMATED ALLOWED AMOUNTS (\$)	ESTIMATED RECOVERY (%)
1	Priority Non-Tax Claims	Unimpaired; payment in full, in Cash, of the allowed amount of such Claim (or as otherwise agreed).	No.		100%
2	Secured Claims	Unimpaired; payment in full, in Cash, of the allowed amount of such Claim (or as otherwise agreed), or return of the collateral.	No.		100%
3	General Unsecured Claims	Impaired; shall receive Pro Rata Share of proceeds remaining after payment of administrative, priority and secured claims.	Yes.	\$32,162,000.00	10%
4	Intercompany Claims	Impaired; shall receive no Distribution	No.	N/A	0%
5	Interests	Impaired; shall receive no Distribution	No.	N/A	0%

NO REPRESENTATION CAN BE OR IS BEING MADE WITH RESPECT TO WHETHER EACH ESTIMATED RECOVERY SHOWN IN THE TABLE ABOVE WILL BE REALIZED BY THE HOLDER OF AN ALLOWED CLAIM IN ANY PARTICULAR CLASS. ALTHOUGH THE DEBTORS AND THE COMMITTEE BELIEVE FROM THEIR REVIEW OF THE CLAIMS THAT THEIR ESTIMATION OF CLAIMS AND RECOVERIES IS REASONABLE, THERE IS NO ASSURANCE THAT THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN EACH CLASS WILL NOT MATERIALLY EXCEED THE ESTIMATED AGGREGATE AMOUNTS SHOWN HEREIN. THE DEBTORS ARE CONTINUING THEIR INVESTIGATION OF THE CLAIMS AND HAVE NOT MADE A FINAL DETERMINATION OF ALL THE CLAIMS THAT MAY BE OBJECTED TO, AS SUCH DETERMINATION MAY BE MADE BY THE DEBTORS OR THE COMMITTEE. THE ACTUAL RECOVERIES UNDER THE PLAN WILL BE DEPENDENT UPON A VARIETY OF FACTORS INCLUDING, BUT NOT LIMITED TO, WHETHER, AND IN WHAT AMOUNT, CONTINGENT CLAIMS, IF ANY, AGAINST ANY OF THE DEBTORS

Order Approving Stipulation Regarding Allowance and Authorizing Payment of the 503(b)(9) Claims by Tarheel Distributors, Inc. entered by the Bankruptcy Court on August 7, 2012 [Docket No. 652]; and (iii) *Order Approving Stipulation Regarding Allowance and Authorizing Payment of the 503(b)(9) Claims by The Andersons, Inc.* entered by the Bankruptcy Court on August 24, 2012 [Docket No. 675].

BECOME NON-CONTINGENT AND FIXED AND WHETHER, AND TO WHAT EXTENT DISPUTED CLAIMS, IF ANY, ARE RESOLVED IN FAVOR OF THE ESTATES RATHER THAN THE CLAIMANTS.

IV.

HISTORY OF THE DEBTORS AND COMMENCEMENT OF THE CASES

A. Overview of Prepetition Operations

1. Debtors' Business

On June 9, 2011, the Debtors filed these Chapter 11 Cases. The Debtors continue to operate their business and manage their remaining properties as debtors-in-possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

The Company was a family-owned and operated, vertically integrated poultry producer, and as of the Petition Date, had grown from a single hatchery located near Seaford, Delaware, to an industry leader in each of its core operations: breeding, hatching, feed milling, growout operations, processing, and rendering. As of the Petition Date, the Company processed approximately 2 million birds and packed approximately 8 million pounds of finished products per week, equating to approximately 400 million pounds of poultry products per year.

B. Capital Structure

The Allen Group is a holding company comprised of three operating companies: Allen's Hatchery (live operations); Allen Family Foods (processing operations); and JCR (rendering operations).

MidAtlantic Farm Credit, ACA, an agricultural credit association, on its own behalf and as agent/nominee for a consortium of other lending institutions ("MAFC") extended a term loan facility to Allen (with the other Debtors unconditionally guaranteeing the obligations) in the original principal amount of \$25,000,000 (the "Term Loan") pursuant to (i) that certain Second Amended and Restated Step Down Credit Agreement dated January 13, 2010, as amended by a First Amendment to Second Amended and Restated Step Down Credit Agreement dated June 25, 2010, and as further amended by a Second Amendment to Second Amended and Restated Step Down Credit Agreement and Forbearance Agreement dated April 8, 2011 (collectively, the "Term Loan Agreement") and (ii) that certain Second Amended and Restated Promissory Note dated as of June 25, 2010, as modified on April 8, 2011 (collectively, the "Term Loan Note").

Further, MAFC extended a revolving line of credit loan facility to Allen's Hatchery (with the other Debtors unconditionally guaranteeing the obligations) in the stated maximum principal amount of \$55,000,000 (the "RLOC" and together with the Term Loan, collectively, the "Loans") pursuant to (i) that certain Second Amended and Restated Prepay and Working Capital Revolving Credit Agreement dated January 13, 2010, as amended by that certain First Amendment to Second Amended and Restated Prepay and Working Capital Revolving Credit Agreement dated June 25, 2010, and as further amended by that certain Second Amendment to Second Amended and Restated Prepay and Working Capital Revolving Credit

Agreement and Forbearance Agreement dated April 8, 2011 (collectively, the “RLOC Agreement” and together with the Term Loan Agreement, collectively, the “Loan Agreements”) and (ii) that certain Working Capital Revolving Promissory Note dated as of June 25, 2010, as modified on April 8, 2011 (collectively, the “RLOC Note”) (the Term Loan Agreement and the RLOC Agreement are collectively referred to herein as the “Loan Agreements” and the Term Loan Note and the RLOC Note are collectively referred to herein as the “Notes” and together with the Term Loan Note, collectively, the “Notes”).

The terms of the Loan Agreements with MAFC provided for a maturity of the Loans on June 1, 2011. However, on June 1, 2011, the Debtors executed a forbearance agreement with MAFC regarding various default conditions under the terms of the Loan Agreements, including the date of maturity.

As of June 8, 2011, the outstanding principal balance on the RLOC (including amounts advanced under the Protective Advance) was \$59,122,307, and the outstanding principal balance on the Term Loan was \$23,200,000.

Further, Manufacturers and Traders Trust Company (“M&T”), as successor by merger to Wilmington Trust Company, provided Allen and Allen’s Hatchery (with JCR as guarantor) with a commercial line of credit evidenced by a Revolving Credit Note (the “M&T Note”) and Credit Agreement dated December 19, 2001 (as subsequently amended, the “M&T Credit Agreement”) in the initial amount of \$20,000,000. The M&T Note and M&T Credit Agreement were most recently amended by the lender on August 10, 2010, which amendments reduced the maximum principal amount to \$2,500,000. M&T issued a default notice to the Debtors under the WTC Note and M&T Credit Agreement on March 25, 2011, and on May 27, 2011, M&T indicated its intent to cancel the Debtors’ account and immediately demand payment in full in accordance with its demand letter. As of June 6 2011, the outstanding principal balance owed under the M&T Note and M&T Credit Agreement was \$520,586.34.

C. Events Leading to Chapter 11 Filing

A variety of external economic factors led to a decline in the Debtors’ operating performance. The Debtors believe that the leading adverse factor was a steady and significant rise in the cost of feed ingredients used by the Debtors since 2008. Both during and following the economic downturn, the cost of corn and other feed ingredients rose to record levels, and the combination of unsustainable ingredient costs and reduced finished poultry prices led to the Company’s financial woes. Indeed, in the year leading up to the Petition Date, the average price of a bushel of corn increased 82% from its historical average, rising from \$3.65 per bushel to nearly \$6.70 per bushel in March 2011. In more tangible terms, the Debtors’ estimated that every \$1 increase in corn prices represented \$10 million in additional annual expenses to the Company.

Additionally, the Debtors’ performance was impacted by increases in energy and gas costs that rose and fluctuated in an unpredictable manner. As a consequence of these sustained higher costs, the Debtors implemented a bevy of operational initiatives designed to respond to the decline in poultry product prices, the over-saturation in the industry, and the new demands of the Company’s customer base. However, despite the Debtors’ affirmative initiatives

implemented to combat these external challenges during this transitional period, the Debtors' operating costs continued to climb faster than the Debtors could adjust their business practices, and consequently, these costs negatively impacted the Debtors' performance. In sum, despite staffing reductions, volume reductions, eliminated management benefits, and customer price increases, these issues significantly hampered the Debtors' ability to service their non-trade-related debt and caused a liquidity strain.

D. Prepetition Restructuring Activities

As the Debtors were facing market and liquidity pressures, they sought cooperation from their primary creditor constituencies to reassess and manage their cost structure and sought replacement financing in order to maintain their businesses and avoid a chapter 11 filing. In the months leading up to the Petition Date, the Debtors diligently evaluated, in consultation with their professionals, a number of options to address the Debtors' financial issues. Those efforts included sharing information and engaging in discussions with the Debtors' secured lenders and stakeholders with the goal of consensually restructuring the Debtors' balance sheet to bring it into line with the Debtors' debt servicing capabilities.

In November 2010, the Debtors retained BMO Capital Markets ("BMO") to investigate the Debtors' operations and market their assets to viable parties who were interested in purchasing the Company as a going-concern business. BMO spent significant time with the Company's management team, developing a full operating and integrated cash flow model, confidential information memorandum, electronic data site and management presentation. BMO initiated the sale process by contacting twenty-two (22) parties and requesting indications of interest by late March. Out of the twenty-two (22) contacted parties, fourteen (14) requested and were sent a confidential information memorandum, and three (3) parties submitted initial bids and were selected to continue with in-depth diligence on the Company. Only one party – Seaford Milling Company ("Seaford"), an affiliate of an established poultry industry participant, Mountaire Farms of Delaware, Inc.– submitted a final, non-binding letter of intent (the "LOI"), which the Debtors received on May 3, 2011. After the Debtors received the LOI, the parties began to negotiate the terms of an asset purchase agreement. In addition, the Debtors opened a dialogue with MAFC and M&T regarding the need for covenant and other relief under the Term Loan Facility, RLOC Facility, and WTC Note, in order to finalize the terms of a potential sale of the Debtors' assets.

In consultation with Seaford and MAFC, the Debtors determined to file for Chapter 11 protection in order to implement an orderly sale pursuant to section 363 of the Bankruptcy Code. In conjunction therewith, the Debtors and Seaford finalized a form asset purchase agreement (the "APA") setting forth a proposed disposition of certain target assets (the "Target Assets") and excluding certain other assets of the Debtors (the "Excluded Assets", and together with the Target Assets, the "Available Assets"). The Debtors proposed to have the APA serve as a stalking horse bid to incentivize other parties to participate in an open, free and fair auction process which the Debtors believed would derive the highest and best offer for the Target Assets. Moreover, the Debtors also sought authority to subject the Excluded Assets to an open auction process to similarly generate the highest and best offer for those assets that Seaford had no interest in purchasing.

V.

THE CHAPTER 11 CASES

A. Continuation of Business; Stay of Litigation and Enforcement of Creditors' Rights

Subsequent to the Petition Date, the Debtors continued to operate their businesses as debtors in possession subject to the supervision of the Bankruptcy Court. Although the Debtors were authorized to operate in the ordinary course of business, transactions out of the ordinary course of business have required Bankruptcy Court approval.

An immediate effect of the filing of the Debtors' voluntary chapter 11 petitions was the imposition of the automatic stay under the Bankruptcy Code, which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by Creditors, the enforcement of liens against property of the Debtors and the continuation of litigation against the Debtors. The automatic stay of an act against property of the Debtors' Estates remains in effect, unless modified by the Bankruptcy Court, until such property no longer is property of the Debtors' Estates; the stay of all other acts encompassed by the automatic stay continues until the earlier of the time the Debtors' chapter 11 cases are closed or dismissed.

B. Parties-In-Interest and Advisors

Described below are the primary parties that have played significant roles in the Debtors' chapter 11 cases to date.

1. The Bankruptcy Court

The Debtors' chapter 11 cases were filed in the United States Bankruptcy Court for the District of Delaware, located in Wilmington, Delaware. The Honorable Kevin J. Carey, United States Bankruptcy Judge, is presiding over the Debtors' chapter 11 cases.

2. Advisors to the Debtor

The Debtors retained Young Conaway Stargatt & Taylor, LLP as bankruptcy counsel for the Debtors' chapter 11 cases, FTI Consulting, Inc., Inc., as chief restructuring officer, and BMO Capital Markets Corp. as investment banker.

3. The Committee and Its Advisors

On June 17, 2011, the United States Trustee, pursuant to its authority under section 1102 of the Bankruptcy Code, appointed the Committee to serve in the Debtors' chapter 11 cases. The Committee was appointed to represent the interests of, and to serve as a fiduciary for, the Debtors' unsecured creditors.

The original members of the Committee were:

Amick Farms, LLC
Interstate Corrpac LLC dba Interstate Container

Novus International, Inc.
Archer Daniel Midland Company
Wye Mills Grain
TriGas & Oil Co., Inc.
Enviro-Organic Technologies, Inc.

During the course of these cases, Amick Farms, LLC resigned from the Committee.

The Committee's legal counsel are Lowenstein Sandler PC and Womble Carlyle Sandridge & Rice, PLLC, and its financial advisor is J.H. Cohn LLP.

C. The Debtor-In-Possession Credit Facility

On the Petition Date, the Debtors filed an *Emergency Motion for Interim and Final Orders Pursuant to Sections 105, 361, 362, 363 and 364 of the Bankruptcy Code (I) (A) Authorizing the Debtors to Obtain Postpetition Financing, (B) Authorizing the Debtors to Use Cash Collateral, (C) Granting Adequate Protection to the Prepetition Secured Lenders, (D) Granting Security Interests and Superpriority Administrative Expense Status to the DIP Lender, and (E) Authorizing the Guarantor to Guarantee Post-Petition Financing Obligations; (II) Scheduling a Final Hearing; and (II) Granting Related Relief [Docket No. 15].*

On July 1, 2011, the Court entered *the Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, and 507 (I) Approving Post-Petition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay and (VI) Scheduling a Final Hearing [Docket No. 120].*

D. First Day Orders

On June 10, 2011 the Bankruptcy Court entered certain "first day orders" granting the Debtors various forms of relief to stabilize the business, including:

- Case Administration Orders

These orders: (1) authorized joint administration of the Debtors' chapter 11 cases solely for procedural purposes, (2) granted an extension of the time to file the Debtors' schedules and statements of financial affairs, (3) implemented certain case management procedures, and (4) waived the requirement to file certain lists of creditors and equity holders.

- Operational Orders

These orders authorized the Debtors to: (a) continue prepetition premium obligations under workers' compensation insurance policies and all other insurance policies, (b) maintain their existing cash management system on an interim basis, including maintaining bank accounts and business forms, (c) provide adequate assurance to utility companies on an interim basis, (d) maintain the Debtors' customer programs, and (e) implement certain stock transfer notice procedures. The Debtors subsequently obtained Bankruptcy Court approval to maintain their cash management system.

- Payments on Account of Prepetition Claims

The orders authorized the Debtors to pay the following prepetition amounts (i) certain wages, compensation and employee benefits, (ii) certain tax and other assessments, (iii) certain insurance costs, (iv) certain claims of shippers, warehousemen and other lien claimants, (v) certain prepetition obligations to growout farmers and catch crews, and (vi) certain claims of feed ingredient suppliers.

E. Key Employee Programs

On June 29, 2011, the Debtors filed a motion to implement a key employee incentive plan (the “KEIP”) for one (1) of their executive officers and a key manager incentive plan (“KMIP”) for nine (9) of their key operational, non-insider employees (the KEIP, together with the KMIP, the “Key Employee Programs”). The Key Employee Programs were designed to ensure that the Debtors’ key employees remained with the Debtors throughout the sale process. On July 13, 2011, the Bankruptcy Court entered an order approving the final Key Employee Programs [*Docket No. 173*].

F. Sale Motion

The Debtors’ management and their boards of directors, in the exercise of their reasonable business judgment, determined that the most effective way to maximize the value of the Debtors’ estates for the benefit of their creditors was an orderly sale of substantially all of the Debtors’ assets for the benefit of their creditors. On June 10, 2011, the Debtors filed their *Motion for Entry of Orders: (A)(I) Approving Bid Procedures in Connection with Sale of Substantially All of the Debtors’ Assets; (II) Scheduling Hearing to Consider Sale; (III) Approving Form and Manner of Notice Thereof; and (IV) Approving Break-Up Fee and Expense Reimbursement Provisions; (B)(I) Authorizing and Approving Sale Free and Clear of Liens, Claims, Encumbrances, and Interests, and (II) Approving Assumption and Assignment of Executory Contracts; and (C) Granting Related Relief* (the “Sale Motion”) [*Docket No. 36*], whereby the Debtors sought, among other things, approval of certain bid procedures (the “Bid Procedures”) and the proposed sale of substantially all of their assets to a stalking horse bidder, Seaford Milling Company (“Seaford”). The Court entered an order with respect to the Bid Procedures on June 24, 2011 [*Docket No. 83*].

Pursuant to the Bid Procedures, the Debtors conducted an auction on July 25, 2011, at the conclusion of which a competing bid (the “Harim Bid”) of Harim USA, Ltd. (“Harim”) was determined to be a higher and better offer than that set forth by Seaford. In furtherance thereof, the Court held a hearing on July 27, 2011 (the “Sale Hearing”) to consider the relief requested in the Sale Motion as it related to the Harim Bid, and for the reasons stated on the record, approved the contemplated sale (the “Sale”) of the Debtors’ available assets to Harim pursuant to an asset purchase agreement between the Debtors and Harim. The purchase price for the Debtors’ assets was \$66.5 million. On July 29, 2011, the Court entered that certain *Order (A) Approving Purchase Agreement Between Debtors and Harim USA, LTD.; (B) Authorizing Sale of Acquired Assets Free and Clear of All Liens, Claims, Encumbrances and Interests; (C) Authorizing the Assumption and Assignment of Executory Contracts and Unexpired Leases in Connection*

Therewith; and (D) Granting Related Relief (the “Sale Order”) [Docket No. 220]. The Sale to Harim closed on September 6, 2011 (the “Closing Date”).

Pursuant to the purchase agreement approved by the Sale Order, the Debtors assumed and assigned many of their unexpired leases and executory contracts to Harim, and in conjunction therewith, subsequently rejected those outstanding leases and contracts that Harim elected not to acquire.

The Debtors’ known remaining assets consist of Cash on hand.

G. Exclusivity

The Bankruptcy Code grants a debtor an initial period of 120 days after the commencement of a chapter 11 case during which the debtor has the exclusive right to propose and to file a plan of reorganization. If a debtor proposes and files a plan within this initial 120-day exclusivity period, then the debtor has until the end of the period ending on the 180th day after the commencement of a chapter 11 case to solicit and to obtain acceptances of such plan. These exclusive periods may be extended for a limited period of time by an order of the court. The Debtors have received extensions from the Bankruptcy Court to propose and file a plan of reorganization [*Docket Nos. 380, 487, 615*]. The Debtors currently have until November 29, 2012 to file a plan of reorganization and January 29, 2013 to solicit and obtain acceptances of such plan.

H. Claims Process and Bar Date

1. Schedules and Statements

On July 11, 2011, the Debtors filed their schedules of assets and liabilities. In the aggregate, the Schedules identified secured claims of \$82,842,894, priority claims of \$1,494,962, and general unsecured claims in the amount of \$69,182,206.

2. Bar Date

By order entered on September 12, 2011 (the “Bar Date Order”) [*Docket No. 290*], the Court established November 14, 2011 at 4:00 p.m. (ET) as the claims bar date (the “Claims Bar Date”) and December 6, 2011 at 4:00 p.m. (ET) as the governmental units claims bar date (the “Governmental Claims Bar Date,” and together with the Claims Bar Date, the “Bar Dates”). As set forth in the Bar Date Order, the Claims Bar Date applied both to (i) pre-petition claims, including claims arising under section 503(b)(9) of the Bankruptcy Code, and (ii) administrative expense claims accruing post-petition through and including the Closing Date (the “Post-Petition Administrative Expense Claims”).

To date, approximately 685 claims have been filed in the Chapter 11 Cases. Any Holder of an Administrative Claim that accrued prior to October 22, 2011, that was required to file a Proof of Claim for such Administrative Claim and did not file a Proof of Claim for such Administrative Claim so as to be received by the Claims Agent by the aforesaid bar date, or, for claims accruing after October 22, 2011 by thirty (30) days after the Effective Date are forever barred from asserting such Administrative Claim against a Debtor, an Estate, their respective

successors or their respective property, and such Administrative Claim shall be deemed discharged and released as of the Effective Date.

3. Preparation of Claims Estimates and Recoveries

The Plan Proponents have prepared their estimates of Claims and recoveries by Holders of such Claims based primarily on: (a) projections based on anticipated future Claim reconciliations and Claim objections and (b) other legal and factual analyses unique to particular types of Claims.

The Plan Proponents' estimates of Allowed Claims are identified in the chart set forth in Article III ("Overview of the Plan") above and form the basis of projected recoveries in Classes 1 (Priority Non-Tax Claims), 2 (Secured Claims) and 3 (General Unsecured Claims). NOTWITHSTANDING THE DEBTORS' EFFORTS IN DEVELOPING THEIR CLAIMS ESTIMATES, THE PREPARATION OF SUCH ESTIMATES IS INHERENTLY UNCERTAIN, AND, ACCORDINGLY, THERE IS NO ASSURANCE THAT SUCH ESTIMATES ACCURATELY WILL PREDICT THE ACTUAL AMOUNT OF ALLOWED CLAIMS IN THE DEBTORS' CHAPTER 11 CASES. AS A RESULT, THE ACTUAL AMOUNT OF ALLOWED CLAIMS MAY DIFFER MATERIALLY FROM THE DEBTORS' CLAIMS ESTIMATES CONTAINED HEREIN.

I. Post-Petition Date Litigation

1. Committee Adversary Proceeding

Prior to the Petition Date, the Lender Group made prepetition secured loans to the Debtors having an aggregate principal balance of approximately \$82,322,308.00 as of the Petition Date (the "Pre-Petition Facility"), and the Lender Group agreed to provide a post-petition credit facility (the "DIP Facility") to the Debtors to enable the Debtors to proceed with a sale of substantially all of their assets under 11 U.S.C. §§ 363(b) and (f), upon certain terms and conditions, and subject to entry of an order by the Court in form acceptable to MAFC.

On the Petition Date, the Debtors filed a motion to authorize the DIP Facility, the use of cash collateral securing the Lender Group, and for related relief, and following hearings on the motion and entry of an interim order on June 10, 2011 [*Docket No. 22*] granting substantial relief requested in such motion, on July 1, 2011 the Court entered the *Final Order Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, and 507 (I) Approving Post-Petition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying the Automatic Stay and (VI) Scheduling a Final Hearing* [*Docket No. 120*] (the "Final DIP Order") [*Docket No. 120*].

Paragraph 21 of the Final DIP Order provided for a period of time during which an interested party (other than the Debtors) having standing to do so must commence an appropriate adversary proceeding or contested matter objecting to the validity, extent, perfection, priority, or non-validity of the liens and interests of the Lender Group with respect to the prepetition collateral securing the Lender Group's prepetition loans to the Debtors, or seeking disgorgement

of all or part of the payment of the Debtors' prepetition obligations to the Lender Group (the "Lien Challenge Period").

On September 10, 2011, the Committee timely filed its *Complaint for Avoidance of Liens, for Determination of Extent, Nature, Validity and Value of Liens, to Surcharge Secured Lenders' Collateral Pursuant to Section 506(c), and for Related Relief* (the "Complaint"), commencing Adversary Proceeding No. 11-53195 (KJC) in the Court (the "Lien Challenge Adversary Proceeding"). MAFC, for itself and the Lender Group, filed its Answer to the Complaint in the Adversary Proceeding on October 13, 2011, and the parties are presently under a scheduling order in the Lien Challenge Adversary Proceeding.

Upon the closing of the sale under the Sale Order, the DIP Facility was fully paid, and thereafter, a portion of the sale proceeds was paid to MAFC as proceeds of the Lender Group's prepetition collateral, but a portion of the sale proceeds (the "Escrowed Sale Proceeds"), totaling approximately \$30 million, were placed in trust pending the outcome of the Lien Challenge Adversary Proceeding. In the Lien Challenge Adversary Proceeding, the Committee, as more fully set forth in the Complaint, disputed the Lender Group's rights to the Escrowed Sale Proceeds and asserted that the Escrowed Sale Proceeds allocable to the Debtors' equipment and fixtures were not subject to a valid, perfected security interest. The Lender Group asserted that the Escrowed Sale Proceeds constituted cash collateral securing the Lender Group. The Lender Group, the Committee, and the Debtors determined that a settlement of the matters set forth in the Lien Challenge Adversary Proceeding, as well as a settlement of the Lender Group's claims, was in the best interest of all parties in interest. To that end, on July 10, 2012, the parties filed a motion seeking approval of that certain *Settlement Agreement By and Between (1) Midatlantic Farm Credit, ACA, for Itself and as Agent/Nominee for the Secured Lender Group, (2) the Official Committee of Unsecured Creditors of Allen Family Foods, Inc., Allen's Hatchery, Inc. and JCR Enterprises Inc., and (3) the Debtors* (the "Lien Challenge Settlement Motion"). Pursuant to the Lien Challenge Settlement Motion, MAFC and the Lender Group agreed to release all of its rights, claims and security interests in \$5 million of the Escrowed Sale Proceeds, with that \$5 million to be transferred to the Debtors as property of the Estate free and clear of all liens, claims and encumbrances. Further, MAFC and the Lender Group agreed to waive and release their unsecured deficiency claim against the Debtors. The Court entered an order approving the Lien Challenge Settlement Motion on July 27, 2012.

Estimated Value of Debtors' Assets

The Debtors currently have approximately \$5,306,423.09 in cash on hand as of September 18, 2012.

VI.

SUMMARY OF THE PLAN OF LIQUIDATION

A. Introduction

This Article provides a summary of the terms and provisions of the Plan, including the classification and treatment of Claims and Interests under the Plan and the means for

implementation of the Plan. The summary is qualified in its entirety by reference to the Plan, which is attached to this Disclosure Statement as **Exhibit A**. The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms of the Plan or the documents referred to therein; reference is made to the Plan and to such documents for the full and complete statements of such terms.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in the Debtors under the Plan and will, upon the Effective Date, be binding upon all Holders of Claims against and Interests in the Debtors, their Estates and other parties in interest.

The structure of the Plan and the Distributions to Holders of Claims and Interests thereunder reflect the result of negotiations among the Debtors, the Committee and other stakeholders. After careful review of the estimated recoveries in a chapter 11 plan scenario and a chapter 7 liquidation scenario, the Debtors and the Committee have concluded that the recoveries to Creditors will be maximized by consummating and making Distributions pursuant to the Plan. The Debtors and the Committee believe that their Estates have value that would not be fully realized by Creditors in a chapter 7 liquidation primarily due to: (1) the additional administrative expenses that would be incurred in a chapter 7 liquidation and (2) the additional delay in distributions that may occur if the Debtors' chapter 11 cases were converted to cases under chapter 7.

Accordingly, the Proponents believe that the Estates are worth more to their stakeholders if the Debtors' liquidation is completed as described above, and Distributions are made, under chapter 11 pursuant to the Plan.

B. Overall Structure of the Plan

The Plan provides for the treatment of Claims against the Debtors and Interests in the Debtors. As described in detail in Section IV of this Disclosure Statement, the Debtors sold substantially all of their assets pursuant to the Sale Order. Thus, the Plan provides for the wind-down of the Debtors' affairs and the Distribution of the proceeds of the Sale and other cash on hand. The Plan establishes, among other things, a Liquidating Agent that will prosecute certain Causes of Action, pursue any objections to Claims or Interests, execute the provisions governing Distributions to Holders of Allowed Claims, and facilitate the process for resolving Disputed Claims Filed against the Debtors.

The Plan Proponents believe that the Plan provides the best and most prompt possible recovery to Holders of Claims or Interests. Under the Plan, Claims against and Interests in the Debtors are divided into different Classes. Under the Bankruptcy Code, "claims" and "equity interests" are classified rather than "creditors" and "shareholders" because such entities may hold claims or equity interests in more than one class. For purposes of this Disclosure Statement, the term "**Holder**" refers to the holder of a Claim or Interest, respectively, in a particular Class under the Plan. If the Plan is confirmed by the Bankruptcy Court and consummated, then on the

Effective Date or within the time periods set forth in the Plan, the Debtors and/or the Liquidating Trustee to be appointed at the Confirmation Hearing shall make Distributions in respect of certain Classes of Claims or Interests as provided for in the Plan. The Classes of Claims against and Interests in the Debtors created under the Plan, the treatment of those Classes under the Plan and Distributions to be made under the Plan are described below.

C. Classification and Treatment of Claims and Equity Interests Under the Plan

1. Classification Generally

Section 1123 of the Bankruptcy Code provides that, except for administrative expense claims and priority tax claims, a plan of reorganization must categorize claims against and equity interests in a debtor into individual classes. Although the Bankruptcy Code gives a debtor significant flexibility in classifying claims and interests, section 1122 of the Bankruptcy Code dictates that a plan may only place a claim or an equity interest into a class containing claims or equity interests that are substantially similar.

The Plan creates several “Classes” of Claims and Interests. These Classes take into account the differing nature and priority of Claims against and Interests in the Debtors. Administrative Expense Claims and Priority Tax Claims are not classified for purposes of voting or receiving Distributions under the Plan, but are treated separately as unclassified Claims.

A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

The Plan provides specific treatment for each Class of Claims or Interests. Only Holders of Allowed Claims are entitled to vote on and receive Distributions under the Plan.

Unless otherwise provided in the Plan or the Confirmation Order, the treatment of any Claim or Interest under the Plan will be in full satisfaction, settlement, release and discharge of, and in exchange for, such Claim or Interest.

The categories of Claims and Interests and their treatment listed below classify Claims and Interests for all purposes, including voting, confirmation and Distribution pursuant to the Plan, except as otherwise provided herein or in the Plan, and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code.

The classification of Claims and Interests set forth in the Plan and explained below shall apply jointly to all of the Debtors. All of the potential Classes for the Debtors are set forth in the Plan and explained below. Certain of the Debtors may not have Holders of Claims or Interests in a particular Class or Classes, and such Classes shall be treated as set forth in Article IV of the Plan.

For purposes of brevity and convenience, the classification of Claims and Interests set forth below applies to each Debtor individually. Unclassified Claims are Unimpaired by the Plan. The following are the unclassified Claims: Administrative Expense Claims and Priority Tax Claims.

2. Unclassified Claims Under the Plan

a. Administrative Claims

Administrative Expense Claims are Claims for costs and expenses of administration of the Chapter 11 Cases Allowed under sections 503(b), 507(b) or, if applicable, 1114(e)(2) of the Bankruptcy Code, including but not limited to: (a) any actual and necessary costs and expenses incurred after the Petition Date of preserving the Estates and operating the businesses of the Debtors (including, but not limited to, wages, salaries, commissions for services and payments for inventories, leased equipment and premises) and Claims by Governmental Units for taxes (including Claims related to taxes which accrued after the Petition Date, but excluding Claims related to taxes which accrued on or before the Petition Date); (b) compensation for legal, financial, advisory, accounting and other services and reimbursement of expenses Allowed by the Bankruptcy Court under sections 328, 330, 331, 363 or 503(b) of the Bankruptcy Code to the extent incurred on or prior to the Effective Date; (c) all fees and charges assessed against the Debtors' Estates under section 1930, chapter 123 of title 28 of the United States Code; (d) any 503(b)(9) Claims and (e) any Claims that have been designated "**Administrative Expense Claims**" by order of this Court.

Bar Date for Administrative Expense Claims. Holders of Administrative Expense Claims, other than 503(b)(9) Claims and Professional Fee Claims, shall file with the Claims Agent and serve on the Liquidating Agent requests for payment, in writing, together with supporting documents, substantially complying with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules, **so as to actually be received on or before the Administrative Expense Bar Date**. Any Holder of an Administrative Claim that accrued prior to October 22, 2011, that was required to file a Proof of Claim for such Administrative Claim and did not file a Proof of Claim for such Administrative Claim so as to be received by the Claims Agent by the aforesaid bar date, or, for claims accruing after October 22, 2011 by thirty (30) days after the Effective Date are forever barred from asserting such Administrative Claim against a Debtor, an Estate, their respective successors or their respective property. The notice of Confirmation to be delivered pursuant to Bankruptcy Rules 2002(c)(3) and 2002(f) shall set forth the Administrative Expense Bar Date and shall constitute notice of such Bar Date. The Liquidating Trustee shall have thirty (30) days (or such longer period as may be allowed by order of the Bankruptcy Court) following the Administrative Expense Bar Date to review and object to such Administrative Expense Claims.

The Bankruptcy Code does not require that administrative expense claims be classified under a plan. It does require, however, that allowed administrative expense claims be paid in full in Cash in order for a plan to be confirmed, unless the holder of such claim consents to different treatment.

Treatment: Within the time period provided in Article IV of the Plan, each Holder of an Allowed Administrative Expense Claim shall receive in full and final satisfaction, settlement,

and release of and in exchange for such Allowed Administrative Expense Claim: (a) Cash equal to the amount of such Allowed Administrative Expense Claim; or (b) such other treatment as to which the Debtors, in consultation with the Committee, or the Liquidating Trustee, as applicable, and the Holder of such Allowed Administrative Expense Claim shall have agreed upon in writing.

b. Professional Fees

Bar Date for Applications for Professional Fees. Professional Fee Claims are Administrative Expense Claims and all applications for allowance and payment of Professional Fee Claims shall be Filed with the Bankruptcy Court on or before the Professional Fee Bar Date. If an application for a Professional Fee Claim is not Filed by the Professional Fee Bar Date, such Professional Fee Claim shall be deemed waived and the Holder of such Claim shall be forever barred from receiving payment on account thereof. The notice of Confirmation to be delivered pursuant to Bankruptcy Rules 2002(c)(3) and 2002(f) shall set forth the Professional Fee Bar Date and shall constitute notice of such Bar Date.

c. Priority Tax Claims

A Priority Tax Claim is a Claim or a portion of a Claim for which priority is asserted under section 507(a)(8) of the Bankruptcy Code.

The taxes entitled to priority are: (a) taxes on income or gross receipts that meet the requirements of section 507(a)(8)(A); (b) property taxes meeting the requirements of section 507(a)(8)(B); (c) taxes that were required to be collected or withheld by the Debtors and for which the Debtors are liable in any capacity as described in section 507(a)(8)(C); (d) employment taxes on wages, salaries, or commissions that are entitled to priority pursuant to section 507(a)(4), to the extent such taxes also meet the requirements of section 507(a)(8)(D); (e) excise taxes of the kind specified in section 507(a)(8)(E); (f) customs duties arising out of the importation of merchandise that meet the requirements of section 507(a)(8)(F); and (g) prepetition penalties relating to any of the foregoing taxes to the extent such penalties are in compensation for actual pecuniary loss as provided in section 507(a)(8)(G).

The Bankruptcy Code does not require that claims such as the Priority Tax Claims be classified under a plan. It does require, however, that such claims receive the treatment described below in order for a plan to be confirmed unless the holder of such claims consents to different treatment.

Treatment: Within the time period provided in Article VII of the Plan, each Holder of an Allowed Priority Tax Claim shall receive in full and final satisfaction, settlement, and release of and in exchange for such Allowed Priority Tax Claim: (a) Cash equal to the amount of such Allowed Priority Tax Claim; or (b) such other treatment as to which the Debtors, in consultation with the Committee, or the Liquidating Trustee, as appropriate, and the Holder of such Allowed Priority Tax Claim shall have agreed upon in writing.

3. Summary of Classes

Pursuant to the Plan, Holders of Claims in Class 1 (Priority Non-Tax Claims) and Class 2 (Secured Claims) are unimpaired, and therefore, the Holders of such Claims are “conclusively presumed” to have voted to accept the Plan.

Pursuant to the Plan, Holders of Claims in Class 3 (General Unsecured Claims) are impaired and entitled to vote to accept or reject the Plan.

Pursuant to the Plan, Holders of Claims (Intercompany Claims) in Class 4 and Claims in Class 5 (Interests) are receiving no Distributions under the Plan. A class is deemed to reject a plan under section 1126(g) of the Bankruptcy Code if the holders of claims or interests in such class do not receive or retain property under the plan on account of their claims or equity interests. Accordingly, Holders of Claims or Interests in Class 4 (Intercompany Claims) and Class 5 (Interests) are not entitled to vote on the Plan and are deemed to have rejected the Plan.

4. Classification Under the Plan

a. Class 1 – Priority Non-Tax Claims (Unimpaired; not entitled to vote)

Within the time period provided in Article IV of the Plan, each Holder of an Allowed Priority Non-Tax Claim shall receive in full and final satisfaction, settlement, and release of and in exchange for such Allowed Class 1 Claim: (A) Cash equal to the amount of such Allowed Priority Non-Tax Claim; or (B) such other treatment which the Debtors, in consultation with counsel to the Committee, or the Liquidating Trustee, as applicable, and the Holder of such Allowed Priority Non-Tax Claim have agreed upon in writing.

b. Class 2 – Secured Claims (Unimpaired; not entitled to vote)

Within the time period provided in Article IV of the Plan, each Holder of an Allowed Class 2 Claim shall receive in full and final satisfaction, settlement, and release of and in exchange for such Allowed Class 2 Claim: (A) return of the Collateral securing such Allowed Secured Claim; or (B) Cash equal to the amount of such Allowed Secured Claim; or (C) such other treatment which the Debtors, in consultation with counsel to the Committee, or the Liquidating Trustee, as applicable, and the Holder of such Allowed Secured Claim have agreed upon in writing.

Holders of Class 2 Secured Claims are Unimpaired and conclusively deemed to have accepted the Plan.

c. Class 3 – General Unsecured Claims (Impaired; entitled to vote)

Within the time period provided in Article IV of the Plan, each Holder of an Allowed General Unsecured Claim shall receive in full and final satisfaction, settlement, and release of and in exchange for such Allowed Class 3 Claim its Pro Rata share of Liquidating Trust Assets remaining after payment of Distributions on account of all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, Allowed Priority Non-Tax Claims, and Allowed Secured Claims, and any expenses of the Liquidating Trust.

d. Class 4 – Intercompany Claims (Impaired; not entitled to vote)

Holders of Intercompany Claims shall receive no Distribution from the Liquidating Trust on account of their Intercompany Claims. Holders of Class 4 Intercompany Claims shall not have any rights or receive any treatment as Holders of Class 3 General Unsecured Claims under the Plan. Class 4 Intercompany Claims are Impaired and Holders of Interests are conclusively deemed to reject the Plan.

e. Class 5 – Interests (Impaired; not entitled to vote)

On the Effective Date, all Interests shall be deemed canceled, extinguished and discharged and of no further force or effect, and the Holders of Interests shall not be entitled to receive or retain any property on account of such Interests. Holders of Class 5 Interests are Impaired and are conclusively deemed to reject the Plan.

D. Miscellaneous Provisions

1. Reservation of Rights Regarding Claims and Interests

Except as otherwise explicitly provided in the Plan, nothing shall affect the Debtors' rights and defenses, both legal and equitable, with respect to any Claims or Interests, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment.

2. Confirmation Pursuant to Section 1129(b) of the Bankruptcy Code

To the extent that any Impaired Class rejects the Plan or is deemed to have rejected the Plan, the Plan Proponents reserve the right to request Confirmation of the Plan, as it may be modified from time to time, pursuant to section 1129(b) of the Bankruptcy Code. The Plan Proponents reserve the right to alter, amend, modify, revoke, or withdraw the Plan, the Plan Supplement or any schedule or exhibit, including amending or modifying as necessary to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary.

3. Controversy Concerning Impairment

If a controversy arises as to whether any Claim or Interest is Impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy on or before the Confirmation Date.

4. Elimination of Vacant Classes

Any Class of Claims or Interests that does not contain, as of the date of the commencement of the Confirmation Hearing, a Holder of an Allowed Claim or Interest, or a Holder of a Claim temporarily allowed under Bankruptcy Rule 3018, shall be deemed deleted from the Plan for all purposes, including for purposes of determining acceptance of the Plan by such Class under section 1129(a)(8) of the Bankruptcy Code

E. Means for Implementation of the Plan

1. Funding of the Plan

The Plan will be funded by the Cash held by the Debtors.

2. Substantive Consolidation

Entry of the Confirmation Order shall constitute approval, pursuant to Sections 105(a) and 1123(a)(5) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors' Estates for the purposes of confirming and consummating the Plan, including but not limited to voting, confirmation and Distribution. Accordingly, (a) the assets and liabilities of the Debtors will be deemed to be the assets and liabilities of a single, consolidated entity, (b) each and every Claim Filed or to be Filed in the Chapter 11 Cases against any Debtor shall be considered Filed against the consolidated Debtors and shall be considered one Claim against and obligation of the consolidated Debtors on and after the Effective Date, (c) all joint obligations of two or more Debtors, and all multiple Claims against such entities on account of such joint obligations, are considered a single claim against the Debtors and (d) all guaranties by any of the Debtors of the obligations of any Debtor arising prior to the Effective Date shall be deemed eliminated under the Plan so that any Claim against any Debtor and any guaranty thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the deemed consolidated Debtors.

Such deemed consolidation, however, shall not (other than for purposes related to funding Distributions under the Plan) affect (a) the legal and organizational structure of the Debtors, (b) executory contracts or unexpired leases that were entered into during the Chapter 11 Cases or that have been or will be assumed or rejected, (c) any agreements entered into by the Liquidating Trust on or after the Effective Date and (d) the Debtors' or the Liquidating Trust's ability to subordinate or otherwise challenge Claims on an entity by entity basis. Moreover, the Plan Proponents reserve the right to seek confirmation of the Plan on an entity-by-entity basis.

3. The Liquidating Trust

a. Appointment of the Liquidating Trustee.

The Liquidating Trustee shall be designated by the Committee, in consultation with the Debtors. The Committee shall file a notice that is not less than ten (10) days prior to the hearing to consider confirmation of this Plan designating the person who it has selected as Liquidating Trustee. The appointment of the Liquidating Trustee shall be approved in the Confirmation Order, and such appointment shall be as of the Effective Date.

In accordance with the Liquidating Trust Agreement, the Liquidating Trustee shall serve in such capacity through the earlier of (i) the date that the Liquidating Trust is dissolved in accordance with Article 6.3 and (ii) the date such Liquidating Trustee resigns, is terminated or is otherwise unable to serve, provided, however, that, in the event that the Liquidating Trustee resigns, is terminated or is unable to serve, then the Court, upon the motion of any party-in-interest, including, but not

limited to, counsel to the Liquidating Trust, shall approve a successor to serve as the Liquidating Trustee, and such successor Liquidating Trustee shall serve in such capacity until the Liquidating Trust is dissolved.

- b. Establishment of a Liquidating Trust.** On the Effective Date, the Debtors and the Liquidating Trustee shall execute the Liquidating Trust Agreement and shall have established the Liquidating Trust pursuant to the Plan. In the event of any conflict between the terms of this Article 6.3 and the terms of the Liquidating Trust Agreement, the terms of the Liquidating Trust Agreement shall control.
- c. Liquidating Trust Assets.** Notwithstanding any prohibition of assignability under applicable non-bankruptcy law, on the Effective Date and periodically thereafter if additional Liquidating Trust Assets become available, the Debtors shall be deemed to have automatically transferred to the Liquidating Trust all of their right, title, and interest in and to all of the Liquidating Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, all such assets shall automatically vest in the Liquidating Trust free and clear of all Claims and liens, subject only to the Allowed Claims of the Liquidating Trust Beneficiaries as set forth in the Plan and the expenses of the Liquidating Trust as set forth herein and in the Liquidating Trust Agreement. Thereupon, the Debtors shall have no interest in or with respect to the Liquidating Trust Assets or the Liquidating Trust.
- d. Treatment of Liquidating Trust for Federal Income Tax Purposes; No Successor in-Interest.** The Liquidating Trust shall be established for the primary purpose of liquidating and distributing the assets transferred to it, in accordance with Treas. Reg. § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Accordingly, the Liquidating Trustee shall, in an expeditious but orderly manner, liquidate and convert to Cash the Liquidating Trust Assets, make timely distributions to the Liquidating Trust Beneficiaries and not unduly prolong its duration. The Liquidating Trust shall not be deemed a successor-in-interest of the Debtors for any purpose other than as specifically set forth herein or in the Liquidating Trust Agreement.

The Liquidating Trust is intended to qualify as a “grantor trust” for federal income tax purposes with the Liquidating Trust Beneficiaries treated as grantors and owners of the Liquidating Trust. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Liquidating Trustee, and the Liquidating Trust Beneficiaries) shall treat the transfer of the Liquidating Trust Assets by the Debtors to the Liquidating Trust, as set forth in the Liquidating Trust Agreement, as a transfer of such assets by the Debtors to the Holders of Allowed Claims of Liquidating Trust Beneficiaries entitled to distributions from the Liquidating Trust Assets, followed by a transfer by such Holders to the Liquidating Trust. Thus, the Liquidating Trust Beneficiaries shall be treated as the grantors and owners of a grantor trust for federal income tax purposes.

As soon as reasonably practicable after the Effective Date, the Liquidating Trustee (to the extent that the Liquidating Trustee deems it necessary or appropriate in his or her sole discretion) shall value the Liquidating Trust Assets based on the good faith determination of the value of such Liquidating Trust Assets. The valuation shall be used consistently by all parties (including the Debtors, the Liquidating Trustee, and the Liquidating Trust Beneficiaries) for all federal income tax purposes. The Bankruptcy Court shall resolve any dispute regarding the valuation of the Liquidating Trust Assets.

The right and power of the Liquidating Trustee to invest the Liquidating Trust Assets transferred to the Liquidating Trust, the proceeds thereof, or any income earned by the Liquidating Trust, shall be limited to the right and power to invest such Liquidating Trust Assets (pending distributions in accordance with the Plan) in Permissible Investments; provided, however, that the scope of any such Permissible Investments shall be limited to include only those investments that a liquidating trust, within the meaning of Treas. Reg. § 301.7701-4(d), may be permitted to hold, pursuant to the Treasury Regulations, or any modification in Internal Revenue Service (the "IRS") guidelines, whether set forth in IRS rulings, other IRS pronouncements, or otherwise.

- e. Responsibilities of Liquidating Trustee; Litigation.** The responsibilities of the Liquidating Trustee shall include, but shall not be limited to:
1. the making of Distributions as contemplated herein;
 2. establishing and maintaining the Reserves in accordance with the terms of this Plan;
 3. conducting an analysis of Administrative Expense Claims, Priority Tax Claims, Priority Non-Tax Claims, Secured Claims, General Unsecured Claims, Intercompany Claims, and Interests and prosecuting objections thereto or settling or otherwise compromising such Claims if necessary and appropriate in accordance with Articles 8.1 and 11.4;
 4. preparing and filing post-Effective Date operating reports;
 5. filing appropriate tax returns in the exercise of its fiduciary obligations;
 6. retaining such professionals as are necessary and appropriate in furtherance of its fiduciary obligations; and
 7. taking such actions as are necessary and reasonable to carry out the purposes of the Liquidating Trust.
- f. Expenses of Liquidating Trustee.** Fees and expenses incurred by the Liquidating Trustee shall be paid from the Liquidating Trust Expense Reserve in accordance with Article VII below.

- g. Bonding of Liquidating Trustee.** The Liquidating Trustee shall not be obligated to obtain a bond but may do so, in his or her sole discretion, in which case the expense incurred by such bonding shall be paid by the Liquidating Trust.
- h. Fiduciary Duties of the Liquidating Trustee.** Pursuant to this Plan and the Liquidating Trust Agreement, the Liquidating Trustee shall act in a fiduciary capacity on behalf of the interests of all Holders all Claims and Interests that will receive Distributions pursuant to the terms of this Plan.
- i. Dissolution of the Liquidating Trust.** The Liquidating Trust shall be dissolved no later than three (3) years from the Effective Date unless the Bankruptcy Court, upon a motion Filed prior to the third anniversary or the end of any extension period approved by the Bankruptcy Court (the Filing of which shall automatically extend the term of the Liquidating Trust pending the entry of an order by the Bankruptcy Court granting or denying the motion), determines that a fixed period extension is necessary to facilitate or complete the recovery and liquidation of the Liquidating Trust Assets. The Liquidating Trust shall require that each extension be approved by the Bankruptcy Court within six (6) months of the beginning of the extended term. After (a) the final Distribution of the Reserves and the balance of the assets or proceeds of the Liquidating Trust pursuant to this Plan, (b) the Filing by or on behalf of the Liquidating Trust of a certification of dissolution with the Bankruptcy Court in accordance with this Plan, and (c) any other action deemed appropriate by the Liquidating Trustee, the Liquidating Trust shall be deemed dissolved for all purposes without the necessity for any other or further actions.
- j. Liability, Indemnification of the Liquidating Trust Protected Parties.** THE LIQUIDATING TRUST PROTECTED PARTIES SHALL NOT BE LIABLE FOR ANY ACT OR OMISSION OF ANY OTHER MEMBER, DESIGNEE, AGENT, OR REPRESENTATIVE OF SUCH LIQUIDATING TRUST PROTECTED PARTIES, NOR SHALL SUCH LIQUIDATING TRUST PROTECTED PARTIES BE LIABLE FOR ANY ACT OR OMISSION TAKEN OR NOT TAKEN THEIR CAPACITY AS LIQUIDATING TRUST PARTIES OTHER THAN FOR SPECIFIC ACTS OR OMISSIONS RESULTING FROM SUCH LIQUIDATING TRUST PROTECTED PARTIES' WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR FRAUD. THE LIQUIDATING TRUSTEE MAY, IN CONNECTION WITH THE PERFORMANCE OF HIS, HER, OR ITS FUNCTIONS, AND IN HIS, HER, OR ITS SOLE AND ABSOLUTE DISCRETION, CONSULT WITH HIS, HER, OR ITS ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS AND AGENTS, AND SHALL NOT BE LIABLE FOR ANY ACT TAKEN, OMITTED TO BE TAKEN, OR SUFFERED TO BE DONE IN ACCORDANCE WITH ADVICE OR OPINIONS RENDERED BY SUCH ENTITIES, REGARDLESS OF WHETHER SUCH ADVICE OR OPINIONS ARE PROVIDED IN WRITING. NOTWITHSTANDING SUCH AUTHORITY, THE LIQUIDATING TRUSTEE SHALL NOT BE UNDER ANY OBLIGATION TO CONSULT WITH ITS ATTORNEYS, ACCOUNTANTS, FINANCIAL ADVISORS AND AGENTS,

AND HIS, HER, OR ITS DETERMINATION NOT TO DO SO SHALL NOT RESULT IN THE IMPOSITION OF LIABILITY ON THE LIQUIDATING TRUSTEE OR THE LIQUIDATING TRUST PROTECTED PARTIES, UNLESS SUCH DETERMINATION IS BASED ON WILLFUL MISCONDUCT, GROSS NEGLIGENCE OR FRAUD. THE LIQUIDATING TRUST SHALL INDEMNIFY AND HOLD HARMLESS THE LIQUIDATING TRUST PROTECTED PARTIES FROM AND AGAINST AND IN RESPECT OF ALL LIABILITIES, LOSSES, DAMAGES, CLAIMS, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY'S FEES, DISBURSEMENTS AND RELATED EXPENSES), WHICH SUCH LIQUIDATING TRUST PROTECTED PARTIES MAY INCUR OR TO WHICH SUCH LIQUIDATING TRUST PROTECTED PARTIES MAY BECOME SUBJECT TO IN CONNECTION WITH ANY ACTION, SUIT, PROCEEDING, OR INVESTIGATION BROUGHT BY OR THREATENED AGAINST SUCH LIQUIDATING TRUST PROTECTED PARTIES ARISING OUT OF OR DUE TO THEIR ACTS OR OMISSIONS OR CONSEQUENCES OF SUCH ACTS OR OMISSIONS, WITH RESPECT TO THE IMPLEMENTATION OR ADMINISTRATION OF THE LIQUIDATING TRUST OR THE PLAN OR THE DISCHARGE OF THEIR DUTIES HEREUNDER; PROVIDED, HOWEVER, THAT NO SUCH INDEMNIFICATION WILL BE MADE TO SUCH LIQUIDATING TRUST PROTECTED PARTIES FOR ACTIONS OR OMISSIONS AS A RESULT OF THEIR WILLFUL MISCONDUCT, GROSS NEGLIGENCE, OR FRAUD.

- k. Full and Final Satisfaction against Liquidating Trust.** On and after the Effective Date, the Liquidating Trust shall have no liability on account of any Claims or Interests except as set forth in the Plan and in the Liquidating Trust Agreement. All payments and all Distributions made by the Liquidating Trustee under the Plan shall be in full and final satisfaction, settlement, and release of and in exchange for all Claims or Interests against the Liquidating Trust; provided, however, that nothing contained in the Plan shall be deemed to constitute or shall result in a discharge of any Debtor under section 1141(d) of the Bankruptcy Code.
- 4. Cancellation of Instruments and Stock.** On the Effective Date, all instruments evidencing or creating any indebtedness or obligation of the Debtors, except such instruments that are authorized or issued under the Plan, shall be canceled and extinguished. Additionally, as of the Effective Date, all Interests, and any and all warrants, options, rights or interests with respect to Interests that have been issued, could be issued or that have been authorized to be issued but that have not been issued, shall be deemed canceled and extinguished without any further action of any party. The Holders of, or parties to, the canceled notes, share certificates and other agreements and instruments shall have no rights arising from or relating to such notes, share certificates and other agreements and instruments or the cancellation thereof, except the rights provided pursuant to the Plan.
- 5. Operating Reports.** Prior to the Effective Date, the Debtors shall timely File all reports, including without limitation, monthly operating reports required by the

Bankruptcy Court, Bankruptcy Code, Bankruptcy Rules or the Office of the United States Trustee. On and after the Effective Date, the Liquidating Trustee shall timely File all reports, including without limitation, quarterly operating reports as required by the Bankruptcy Court, Bankruptcy Code, Bankruptcy Rules or the Office of the United States Trustee until entry of an order closing or converting the Chapter 11 Cases.

- 6. Post-Confirmation Professional Fees and Expenses.** Professionals that perform post-Effective Date services for the Liquidating Trustee shall provide monthly invoices to the Liquidating Trustee describing the services rendered, and the fees and expenses incurred in connection therewith, on or before the twentieth (20th) day following the end of the calendar month during which such services were performed. Such post-Effective Date professionals of the Liquidating Trustee who timely tender such invoices shall be paid by the Liquidating Trustee for such services, subject to Article VII herein, not less than ten (10) days after the submission to the Liquidating Trustee by such professionals of said monthly invoices, unless, within such ten (10) day period, a written objection to such payment is made by the Liquidating Trustee. To the extent a written objection to such professional's monthly invoice cannot be resolved by the professional and the Liquidating Trustee, payment of such invoice shall be made only upon Final Order of the Bankruptcy Court.
- 7. Disposition of Books and Records.** After the Effective Date, the Debtors shall transfer all of the Debtors' books and records in their possession, if any, relating to the conduct of the Debtors' business prior to the Effective Date to the Liquidating Trustee. From and after the Effective Date, the Liquidating Trustee shall continue to preserve and maintain all documents and electronic data transferred to the Liquidating Trustee by the Debtors and the Liquidating Trustee shall not destroy or otherwise abandon any such documents and records (in electronic or paper format) absent further order of the Court after a hearing upon thirty (30) days' notice to parties-in-interest.
- 8. Corporate Action.** On the Effective Date, all matters expressly provided for under this Plan that would otherwise require approval of the shareholders or directors of one or more of the Debtors, including but not limited to, the dissolution or merger of any of the Debtors, shall be deemed to have occurred and shall be in effect upon the Effective Date pursuant to the applicable general corporation law of the states in which the Debtors are incorporated without any requirement of action by the shareholders or directors of the Debtors.
- 9. Dissolution of Debtors.** On the Effective Date, the Debtors shall be deemed dissolved for all purposes without the necessity for other or further actions to be taken by or on behalf of the Debtors; provided that in the sole discretion of the Liquidating Trustee, the Liquidating Trustee, on behalf of the Debtors, may (but shall not be required to) file a certificate of dissolution with the Office of the Secretary of State for the applicable state.

F. Reserves and Distributions

1. Establishment of Reserves

- (a) On the Effective Date and prior to making any Distributions, the Liquidating Trustee shall establish the Disputed Administrative, Priority Tax, Priority Non-Tax, and Secured Claims Reserve and shall transfer thereto the amount of Cash as deemed necessary by the Liquidating Trustee to fund the Disputed Administrative, Priority Tax, Priority Non-Tax, and Secured Claims Reserve in accordance with the provisions of the Plan.
- (b) On the Effective Date and prior to making any Distributions, the Liquidating Trustee shall establish the Liquidating Trust Expense Reserve, and shall transfer thereto the amount of Cash as deemed necessary by the Liquidating Trustee to fund the expenses of the Liquidating Trust in accordance with the provisions of the Plan.
- (c) As soon as reasonably practicable, but not to exceed thirty (30) days after the Effective Date, the Liquidating Trustee shall establish the Disputed General Unsecured Claims Reserve and shall transfer thereto the amount of Cash as deemed necessary to fund the Disputed General Unsecured Claims Reserve in accordance with the provisions of the Plan.

2. Funding of Reserves

With respect to the Disputed Administrative, Priority Tax, Priority Non-Tax and Secured Claims Reserve and the Disputed General Unsecured Claims Reserve, the amount of Cash deposited into each of the foregoing reserves shall be equal to the percentage of Cash that Holders of Disputed Claims in each reserve would be entitled under the Plan if such Disputed Claims were Allowed Claims in the amount of such Disputed Claim or such lesser amount as authorized in Article 7.1 of the Plan.

- (a) With respect to the Liquidating Trust Expense Reserve, the amount of Cash deposited into such reserve shall be equal to the amount of Cash necessary to fund the expenses expected to be incurred by the Liquidating Trust as determined in the Liquidating Trustee's sole discretion.
- (b) For the purposes of effectuating the provisions of Article VII of the Plan and the Distributions to Holders of Allowed Claims, the Liquidating Trustee may, at any time and regardless of whether an objection to a Disputed Claim has been brought, request that the Bankruptcy Court estimate, set, fix, or liquidate the amount of such Disputed Claims pursuant to section 502(c) of the Bankruptcy Code, in which event the amounts so estimated, fixed, or liquidated shall be deemed the Allowed amounts of such Claims for purposes of Distribution under the Plan and establishment of the necessary Reserve. In lieu of estimating, fixing or liquidating the amount of any Disputed Claims, the Bankruptcy Court may determine the amount to

be reserved for such Disputed Claims (singularly or in the aggregate), or such amount may be fixed by an agreement in writing by and between the Liquidating Trustee and the Holder of such Disputed Claims.

- (c) Notwithstanding the foregoing, nothing in the Plan or the Confirmation Order, or any related document, agreement, instrument or order shall prohibit the Liquidating Trustee from using Liquidating Trust Assets and other reserve amounts to fund Liquidating Trust Expenses.

3. Distributions

- a. Disbursing Agent.** The Liquidating Trustee may employ or contract with other Persons or Entities to assist in or make the Distributions required by this Plan.

4. Distributions by Liquidating Trustee.

Within the time periods provided in Article 7.6 of the Plan, the Liquidating Trustee shall make periodic and final distributions of the Liquidating Trust Assets on hand, except that the Trustee shall reserve such amounts as are necessary to maintain the Reserves in accordance with the terms of the Plan. The Liquidating Trustee may withhold from amounts distributable to any Person any and all amounts, determined in the Liquidating Trustee's reasonable sole discretion, to be required by any law, regulation, rule, ruling, directive or other governmental requirement.

The Liquidating Trustee shall require any Liquidating Trust Beneficiary or other distributee to furnish to the Liquidating Trustee in writing an Employer Identification Number or Taxpayer Identification Number as assigned by the IRS and the Liquidating Trustee may condition any Distribution to any Liquidating Trust Beneficiary or other distributee upon receipt of such identification number. If the Employer Identification Number or Taxpayer Identification Number are not provided by the required deadline established by the Liquidating Trustee, the Claim of any Liquidating Trust Beneficiary or distributee may be expunged and no distribution will be issued by the Liquidating Trustee to such Liquidating Trust Beneficiary or distributee.

- 5. Waterfall.** The Liquidating Trustee shall cause the proceeds of the Liquidating Trust Assets to be distributed to Holders of Allowed Claims as follows (to the extent that such Claims have not been paid on or prior to the Effective Date):

- (a) first, to satisfy all Allowed Secured Claims;
- (b) second, to pay all Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims;
- (c) third, to pay all costs and expenses of liquidating and administering the Estates by the Liquidating Trust; and
- (d) fourth, to pay all Allowed General Unsecured Claims, on a *pro rata* basis.

6. Timing of Distributions.

- (a) The Debtors shall pay each Allowed Administrative Expense Claim, Allowed Priority Tax Claim, Allowed Priority Non-Tax Claim, and Allowed Secured Claim as soon as is reasonably practicable after the Effective Date of this Plan or and on the later of:
 - (i) the date on which such Claim becomes an Allowed Claim by Final Order,
 - (ii) the date on which, in the ordinary course of business, such Allowed Claim becomes due, or
 - (iii) such other date as may be agreed upon by the Debtors, in consultation with the Committee, or the Liquidating Trustee, as applicable, and the Holder of such Allowed Claim.

The Liquidating Trustee shall make periodic Distributions thereafter to Holders of Allowed General Unsecured Claims, as appropriate, in his or her discretion.

- (b) Any Cash remaining in the Reserves after all Disputed Administrative Expense Claims, Disputed Priority Tax Claims, Disputed Priority Non-Tax Claims, Disputed Secured Claims and Disputed General Unsecured Claims have been resolved, and paid, as appropriate, and the costs and expenses of the Liquidating Trust have been fully paid, shall be available for Distributions in accordance with the Plan.
- (c) Once all Disputed Administrative Expense Claims, Disputed Priority Tax Claims, Disputed Priority Non-Tax Claims, and Disputed Secured Claims have been resolved, the Disputed Administrative, Priority Tax, Priority Non-Tax, and Secured Claims Reserve shall be dissolved. Once the Disputed General Unsecured Claims have been resolved, the Disputed General Unsecured Claims Reserve shall be dissolved. Once all costs and expenses of the Liquidating Trust have been paid in full in Cash and the Liquidating Trust has been dissolved, the Liquidating Trust Expense Reserve shall be dissolved.

- 7. Distributions Upon Allowance of Disputed Claims.** The Holder of a Disputed Claim that becomes an Allowed Claim subsequent to the Effective Date shall receive a Distribution from the applicable Reserve as soon as reasonably practicable following the date on which such Disputed Claim becomes an Allowed Claim pursuant to a Final Order or by agreement of the parties in accordance with Article VII of the Plan. Such Distributions shall be made in accordance with the Plan based upon the Distributions that would have been made to such Holder under the Plan if the Disputed Claim had been an Allowed Claim on or prior to the Effective Date. No Holder of a Disputed Claim shall have any Claim against the applicable Reserve, the Liquidating Trustee, the Liquidating Trust, the Debtors or the Estates with respect to such Claim or Interest until such Disputed Claim becomes an Allowed Claim, and no Holder of a Disputed Claim shall have any right to interest, dividends or other Distributions on such Disputed Claim except as provided in the Plan.

8. Undeliverable and Unclaimed Distributions.

- a. Holding Undeliverable and Unclaimed Distributions.** If the Distribution to any Holder of an Allowed Claim is returned to the Liquidating Trustee as undeliverable or is otherwise unclaimed, no additional Distributions shall be made to such Holder unless and until the Liquidating Trustee is notified in writing of such Holder's then-current address. Nothing contained in the Plan shall require the Debtors or the Liquidating Trustee to attempt to locate any Holder of an Allowed Claim.
- b. After Distributions Become Deliverable.** The Liquidating Trustee shall make all Distributions that have become deliverable or have been claimed on and after the Distribution Date as soon as reasonably practicable after such Distribution has become deliverable or has been claimed.
- c. Failure to Claim Unclaimed/Undeliverable Distributions.** Any Holder of an Allowed Claim or Allowed Interest that does not assert a claim pursuant to the Plan for an undeliverable or unclaimed Distribution within six (6) months after the Distribution Date shall be deemed to have forfeited its right to such undeliverable or unclaimed Distribution and any subsequent Distribution on account of its Allowed Claim and shall be forever barred and enjoined from asserting any such Claim for an undeliverable or unclaimed Distribution or any subsequent Distribution on account of its Allowed Claim against the Debtors, their Estates, the Liquidating Trust or their property. In such cases, Unclaimed Distributions shall be paid to Holders of Allowed Claims on a Pro Rata basis according to the parameters set forth in Article 4 above within the time periods provided in Article 7.8 of this Plan, free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary.

9. Interest on Claims. Unless otherwise specifically provided for in the Plan, the Confirmation Order, or required by applicable bankruptcy law, post-petition interest shall not accrue or be paid on any Claims, and no Holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim.

10. No Distribution in Excess of Allowed Amount of Claim. Notwithstanding anything to the contrary herein or in the Plan, no Holder of an Allowed Claim will receive, in respect of such Claim, Distributions under the Plan in excess of the Allowed amount of such Claim.

11. Means of Cash Payment. Cash payments made pursuant to this Plan shall be in U.S. funds, by the means, including by check or wire transfer, determined by the Disbursing Agent.

12. Delivery of Distribution. Except as otherwise set forth in this Plan, Distributions to Holders of Allowed Claims shall be made (a) at the addresses set forth on the proofs of Claim Filed by such Holders (or at the last known addresses of such Holders if no proof of Claim is Filed or if the Disbursing Agent has been notified of a change of

address), (b) at the addresses set forth in any written notices of address changes delivered to the Disbursing Agent, or (c) if no proof of Claim has been Filed and the Disbursing Agent has not received a written notice of a change of address, at the addresses reflected in the Schedules, if any.

- 13. Record Date for Distributions.** The Disbursing Agent will have no obligation to recognize the transfer of, or the sale of any participation in, any Allowed Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes herein to recognize and distribute only to those Holders of Allowed Claims that are Holders of such Claims, or participants therein, as of the close of business on the Distribution Record Date. The Disbursing Agent shall instead be entitled to recognize and deal for all purposes under this Plan with only those record holders stated on the official claims register as of the close of business on the Distribution Record Date.
- 14. No Distributions Pending Allowance.** Notwithstanding any other provision of this Plan, no payments or Distributions by the Disbursing Agent shall be made with respect to all or any portion of a Disputed Claim unless and until all Objections to such Disputed Claim have been settled or withdrawn by agreement of the parties or have been determined by Final Order, and the Disputed Claim, or some portion thereof, has become an Allowed Claim; provided however, that the Debtors, with the consent of the Committee, or the Liquidating Trustee, may in their discretion, pay any undisputed portion of a Disputed Claim.
- 15. Withholding and Reporting Requirements.** In connection with this Plan and all Distributions hereunder, the Disbursing Agent shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Distributions hereunder shall be subject to any such withholding and reporting requirements. The Disbursing Agent shall be authorized to take any and all actions that may be reasonably necessary or appropriate to comply with such withholding and reporting requirements. Each Holder of an Allowed Claim shall be required to provide any information necessary to effect information reporting and the withholding of such taxes. Notwithstanding any other provision of this Plan, each Holder of an Allowed Claim that is to receive a Distribution pursuant to this Plan shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Unit, including income, withholding and other tax obligations, on account of such Distribution.
- 16. Setoffs.** The Debtors or the Liquidating Trustee, as applicable, may, but shall not be required to, setoff against any Claim or Interest and the payment or other Distribution to be made pursuant to this Plan in respect of such Claim or Interest, claims of any nature whatsoever that a Debtor may have against the Holder of such Claim or Interest; provided, however, neither the failure to do so nor the allowance of any Claim or Interest hereunder shall constitute a waiver or release by the Disbursing Agent of any such claim that the Disbursing Agent may have against such Holder,

unless otherwise agreed to in writing by such Holder and the Debtors or the Liquidating Trustee, as applicable.

17. De Minimis Distributions. Notwithstanding any provision in this Plan to the contrary, no payment of less than fifty dollars (\$50.00) shall be made on account of any Allowed Claim. All Distributions not made pursuant to this Article 7.19 shall be treated as Unclaimed Distributions and are subject to Article 7.10 hereof.

18. Extensions of Time. The Liquidating Trustee may File a motion to extend any deadlines for the making of Distributions or the establishment of Reserves pursuant to the Plan prior to the occurrence of any such deadlines, to the extent necessary, which deadlines shall be deemed automatically extended after the Filing of such motion, and pending the entry of an order by the Bankruptcy Court extending any such deadline.

19. Residual Assets. After final distributions have been made in accordance with the terms of the Plan, if there is any remaining case, the Liquidating Trustee shall donate such amount to the American Bankruptcy Institute Endowment Fund.

G. Procedures for Claims Objections and Estimation of Claims

1. Prosecution of Objections to Claims on and After the Effective Date

Except as otherwise provided for in the Plan, as soon as reasonably practicable after the Effective Date, but in no event later than the Claims Objection Deadline (unless extended, after notice to those Creditors who requested notice in accordance with Bankruptcy Rule 2002, by an Order of the Bankruptcy Court), the Liquidating Trustee shall File Objections to Claims and serve such objections upon the Holders of each of the Claims subject to such Objections. The Liquidating Trustee shall be authorized to resolve all Disputed Claims by withdrawing or settling such Objections thereto, or by litigating to judgment in the Bankruptcy Court, or such other court having competent jurisdiction, the validity, nature, and/or amount thereof. If the Liquidating Trustee agrees with the Holder of a Disputed Claim to compromise, settle, and/or resolve a Disputed Claim by granting such Holder an Allowed Claim, then the Liquidating Trustee may compromise, settle, and/or resolve such Disputed Claim without Bankruptcy Court approval.

2. Estimation of Claims

The Disbursing Agent may, at any time, request that the Bankruptcy Court estimate any Contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors, the Committee or the Liquidating Trustee previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation or a hearing concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. Subject to the provisions of section 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any Contingent or unliquidated Claim, the amount so estimated shall constitute the maximum allowed amount of such Claim. If the estimated amount constitutes the maximum allowed amount of such Claim, the Debtors or the Liquidating Trustee, as applicable, may pursue supplementary proceedings to

object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

H. Treatment of Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

On the Effective Date, all of the Debtors' Executory Contracts and unexpired leases will be deemed rejected as of the Effective Date in accordance with, and subject to, the provisions and requirements of sections 365 and 1123 of the Bankruptcy Code, except to the extent: (a) the Debtors previously have assumed, assumed and assigned or rejected such Executory Contract or unexpired lease, or (b) prior to the Effective Date, the Debtors have Filed a motion to assume, assume and assign, or reject an Executory Contract or unexpired lease on which the Bankruptcy Court has not ruled. Entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of all rejections of Executory Contracts and unexpired leases pursuant to Article 9.1 of the Plan and sections 365(a) and 1123 of the Bankruptcy Code.

2. Bar Date for Rejection Damages Claims

If the rejection by the Debtors of an Executory Contract or an unexpired lease results in damages to the other party or parties to such Executory Contract or unexpired lease, a Claim for such damages shall be forever barred and shall not be enforceable against the Debtors or their properties or agents, successors, or assigns, unless a Proof of Claim is filed with the Claims Agent **so as to actually be received on or before** the Rejection Bar Date.

VII.

CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Each of the following is a condition precedent to the occurrence of the Effective Date.

1. Conditions Precedent to the Effective Date.

- (a) the Confirmation Order, in a form and substance reasonably acceptable to the Debtors and the Committee, shall have been entered by the Bankruptcy Court;
- (b) all documents, instruments, and agreements provided under, or necessary to implement, this Plan shall have been executed and delivered by the applicable parties and shall be in a form and substance reasonably acceptable to the Debtors and the Committee; and;
- (c) the Debtors and the Liquidating Trustee shall have executed the Liquidating Trust Agreement and shall have established the Liquidating Trust pursuant to Article 6.3 of the Plan and shall be in a form and substance reasonably acceptable to the Debtors and the Committee;

B. Notice of Effective Date

On or before five (5) Business Days after the Effective Date, the Liquidating Trustee shall mail or cause to be mailed to all Holders of Claims or Interests and, at the option of the Liquidating Trustee, cause to be published in the national edition of the New York Times, Wall Street Journal or USA Today, as well as in the Delaware News Journal, a notice that informs such Persons of (a) the entry of the Confirmation Order, (b) the occurrence of the Effective Date, (c) notice of the Second Administrative Expense Bar Date, Professional Fee Bar Date and Rejection Bar Date; and (d) such other matters as the Liquidating Trustee deems appropriate or as may be ordered by the Bankruptcy Court.

C. Waiver of Condition Precedent to the Effective Date

The Debtors, subject to consent of the Committee, which consent shall not be unreasonably withheld, may at any time, without notice or authorization of the Bankruptcy Court, waive in writing any or all of the conditions precedent to the Effective Date set forth in Article 10.1 of the Plan, whereupon the Effective Date shall occur without further action by any Person, provided, however, that the condition specified in Article 10.1(a) may not be waived. The Plan Proponents reserve the right to assert that any appeal from the Confirmation Order shall be moot after the Effective Date of the Plan.

D. Effect of Nonoccurrence of Conditions

If each of the conditions specified in Article 10.1 of the Plan have not been satisfied or waived in the manner provided in Article 10.3 of the Plan within thirty (30) calendar days after the Confirmation Date (as such date may be agreed to by the Debtors and the Committee), then: (i) the Confirmation Order shall be vacated and of no further force or effect; (ii) no Distributions under the Plan shall be made; (iii) the Debtors and all Holders of Claims against or Interests in the Debtors shall be restored to the status quo as of the day immediately preceding the Confirmation Date as though the Confirmation Date had never occurred; and (iv) all of the Debtors' obligations with respect to Claims and Interests shall remain unaffected by the Plan and nothing contained herein shall be deemed to constitute a waiver or release of any Claims by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors, and the Plan shall be deemed withdrawn. Upon such occurrence, the Debtors shall File a written notification with the Bankruptcy Court and serve it upon such parties as the Bankruptcy Court may direct.

VIII.

EFFECTS OF CONFIRMATION OF THE PLAN

A. Exculpation and Releases

- 1. Exculpation and Limitation of Liability. Notwithstanding any other provision of the Plan, the Released Parties shall not have or incur any liability to, or be subject to any right of action by, any Holder of a Claim or an Interest, or any other party in interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or agents acting in such**

capacity, or Affiliates, or any of their successors or assigns, for any act or omission relating to, in any way, or arising from (i) these Chapter 11 Cases, (ii) formulating, negotiating or implementing the Plan (including the Disclosure Statement), any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan; (iii) any other post-petition act taken or omitted to be taken in connection with or in contemplation of the restructuring or liquidation of the Debtors; (iv) the solicitation of acceptances of the Plan, the pursuit of Confirmation of the Plan, the Confirmation of the Plan, the Consummation of the Plan or (v) the administration of the Plan or the property to be distributed under the Plan, except for their gross negligence or willful misconduct as determined by a Final Order, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. This exculpation shall be in addition to, and not in limitation of, all other releases, indemnities, exculpations, and any other applicable law or rules protecting such Released Parties from liability.

2. **Releases by the Debtors.** Except as otherwise expressly provided in the Plan or the Confirmation Order, on the Effective Date, for good and valuable consideration, to the fullest extent permissible under applicable law, each of the Debtors, on their own behalf and as a representative of their respective Estates, shall, and shall be deemed to, completely and forever release, waive, void, extinguish and discharge unconditionally, each and all of the Released Parties of and from any and all Claims, Causes of Action, obligations, suits, judgments, damages, debts, rights, remedies and liabilities of any nature whatsoever, whether liquidated or unliquidated, fixed or Contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, that are or may be based in whole or part on any act, omission, transaction, event or other circumstance taking place or existing on or prior to the Effective Date (including prior to the Petition Date) in connection with or related to any of the Debtors, their respective assets, property and Estates or the Chapter 11 Cases, that may be asserted by or on behalf of any of the Debtors or their respective Estates, against any of the Released Parties; provided, however, that nothing in Article 11.1 of the Plan shall be construed to release any Released Party from willful misconduct or gross negligence as determined by a Final Order.
3. **Injunction Related to Exculpation and Releases.** Except as provided in the Plan or the Confirmation Order, as of the Effective Date, (i) all Persons that hold, have held, or may hold a Claim or any other obligation, suit, judgment, damages, debt, right, remedy, causes of action or liability of any nature whatsoever, relating to any of the Debtors or any of their respective assets, property and Estates, that is released or enjoined pursuant to Article XI of the Plan and (ii) all other parties in interest in these Chapter 11 Cases are, and shall be, permanently, forever and completely stayed, restrained, prohibited, barred and enjoined from taking any of the following actions against any Released Party or its property on account of such released liabilities, whether directly or

indirectly, derivatively or otherwise, on account of or based on the subject matter of such Claims or other obligations, suits, judgments, damages, debts, rights, remedies, causes of action or liabilities:

- (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding (including, without limitation, any judicial, arbitral, administrative or other proceeding) in any forum;
- (b) enforcing, attaching (including, without limitation, any prejudgment attachment), executing, collecting, or recovering in any manner, directly or indirectly, any judgment, award, decree, or other order;
- (c) creating, perfecting or enforcing, directly or indirectly, in any manner, any lien or encumbrance of any kind;
- (d) setting off, seeking reimbursement or contributions from, or subrogation against, or otherwise recouping in any manner, directly or indirectly, any amount against any liability or obligation that is discharged under Article 11.1 of the Plan; and
- (e) commencing or continuing in any manner, in any place of any judicial, arbitration or administrative proceeding in any forum, that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order.

B. Injunction

Except as expressly contemplated by the Plan or the Confirmation Order, from and after the Effective Date, all Persons or Entities who have held, currently hold or may hold Claims against or Interests in the Debtors or their Estates that arose prior to the Effective Date (including, but not limited to, Governmental Units, and any official, employee or other entity acting in an individual or official capacity on behalf of any Governmental Unit) are permanently enjoined from:

- (a) Commencing, conducting, or continuing in any manner, directly, or indirectly, any suit, action or other proceeding against the Debtors, the Estates or the Liquidating Trust Protected Parties in any forum (including, without limitation, any judicial, arbitral, administrative or other proceeding);
- (b) enforcing, attaching, executing, collecting or recovering in any manner, directly or indirectly, any judgment, award, decree, or order against the Debtors, the Estates or the Liquidating Trust Protected Parties;

- (c) **creating, perfecting, or enforcing, directly or indirectly, in any manner, any lien or encumbrance of any kind against the Debtors, the Estates or the Liquidating Trust Protected Parties;**
- (d) **asserting or effecting, directly or indirectly, any setoff or right of subrogation of any kind against any obligation due to the Debtors, the Estates or the Liquidating Trust Protected Parties; and**
- (d) **any act, in any manner, in any place whatsoever, that does not conform to, comply with, or is inconsistent with the provisions of the Plan in respect of the Debtors, the Estates or the Liquidating Trust Protected Parties.**

Any Entity injured by any willful violation of such injunction shall recover actual damages, including, but not limited to, costs and attorneys' fees and expenses, and, in appropriate circumstances, may recover punitive damages from the willful violator. Nothing contained in this Article XI of the Plan shall prohibit the Holder of a Disputed Claim or Disputed Interest from litigating its right to seek to have such a Disputed Claim or Disputed Interest declared an Allowed Claim or Allowed Interest and paid in accordance with the distribution provisions of the Plan or the Liquidating Trust Agreement, or enjoin or prohibit the enforcement by the Holder of such Disputed Claim or Disputed Interest of any of the obligations of any Liquidating Trust Protected Party under the Plan.

C. Term of Bankruptcy Injunction or Stays

Pursuant to Article 11.3 of the Plan, all injunctions or stays provided for in these Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

D. Vesting Provision

Any and all Liquidating Trust Assets accruing to the Debtors or assertable as accruing to the Debtors shall remain assets of the Estates pursuant to section 1123(b)(3)(B) of the Bankruptcy Code and on the Effective Date shall be transferred to and vest in the Liquidating Trust. Pursuant to section 1123(b)(3)(13) of the Bankruptcy Code, only the Liquidating Trust and the Liquidating Trustee shall have the right to pursue or not to pursue, or, subject to the terms of the Plan and the Liquidating Trust Agreement or compromise or settle any Liquidating Trust Assets. From and after the Effective Date, the Liquidating Trust and the Liquidating Trustee may commence, litigate and settle any Causes of Action, Claims or Causes of Action relating to the Liquidating Trust Assets or rights to payment or Claims that belong to the Debtors as of the Effective Date or are instituted by the Liquidating Trust and Liquidating Trustee after the Effective Date, except as otherwise expressly provided in the Plan and the Liquidating Trust Agreement. Other than as set forth herein, no other Person may pursue such Liquidating Trust Assets after the Effective Date. The Liquidating Trustee shall be deemed hereby substituted as plaintiff, defendant, or in any other capacity for either the Committee or each Debtor in any Causes of Action pending before the Bankruptcy Court or any other court that relates to a Liquidating Trust Asset without the need for Filing any motion for such relief.

E. Special Provision Regarding Pension Plans

Notwithstanding any provision of the Plan, the Disclosure Statement, or the Confirmation Order to the contrary, neither the Plan, the Disclosure Statement, nor the Confirmation Order will release, discharge or exculpate any party other than the Debtors from any debt owed to The Allen Group Defined Benefit Union Plan or the JCR Enterprises, Inc. Defined Benefit Union Plan (collectively, the “Pension Plans”) or the PBGC under the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code or enjoin or prevent the Pension Plans and the PBGC from collecting any such liability from a liable party.

IX.

MISCELLANEOUS PLAN PROVISIONS

A. Retention of Jurisdiction

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, these Chapter 11 Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (a) allow, disallow, determine, subordinate, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Interest (whether filed before or after the Effective Date and whether or not Contingent, Disputed or unliquidated or for contribution, indemnification or reimbursement), including the compromise, settlement and resolution of any request for payment of any Claims or Interests, the resolution of any Objections to the allowance or priority of Claims or Interests and to hear and determine any other issue presented hereby or arising hereunder, including during the pendency of any appeal relating to any Objection to such Claim or Interest to the extent permitted under applicable law;
- (b) grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;
- (c) hear and determine any and all adversary proceedings, motions, applications, and contested or litigated matters, including, but not limited to, all Causes of Action, and consider and act upon the compromise and settlement of any Claim or Interest, or Cause of Action;
- (d) determine and resolve controversies related to the Liquidating Trust;
- (e) determine and resolve any matters related to the assumption, assumption and assignment or rejection of any Executory Contract or unexpired lease to which the Debtors are a party or with respect to which the Debtors may be liable, and to hear, determine and, if necessary, liquidate any Claims arising there from;
- (f) ensure that all Distributions to Holders of Allowed Claims or Allowed Interests under this Plan and the performance of the provisions of this Plan are

accomplished as provided herein and resolve any issues relating to Distributions to Holders of Allowed Claims or Allowed Interests pursuant to the provisions of the Plan;

- (g) construe, take any action and issue such orders, prior to and following the Confirmation Date and consistent with section 1142 of the Bankruptcy Code, as may be necessary for the enforcement, implementation, execution and Consummation of the Plan and all contracts, instruments, releases, other agreements or documents created in connection with this Plan, including, without limitation, the Disclosure Statement and the Confirmation Order, for the maintenance of the integrity of the Plan in accordance with sections 524 and 1141 of the Bankruptcy Code following the occurrence of the Effective Date;
- (h) determine and resolve any cases, controversies, suits or disputes that may arise in connection with the Consummation, interpretation, implementation or enforcement of the Plan (and all exhibits and schedules to the Plan) or the Confirmation Order, including the releases and injunction provisions set forth in and contemplated by this Plan or the Confirmation Order, or any entity's rights arising under or obligations incurred in connection therewith;
- (i) modify the Plan, the Disclosure Statement, and/or the Confirmation Order before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code, as well as any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order, in such manner as may be necessary or appropriate to consummate the Plan, to the extent authorized by the Bankruptcy Code and the Plan;
- (j) issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any entity with Consummation, implementation or enforcement of the Plan or the Confirmation Order;
- (k) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason modified, stayed, reversed, revoked or vacated;
- (l) determine any other matters that may arise in connection with or relating to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, or other agreement or document created in connection with the Plan, the Disclosure Statement or the Confirmation Order;
- (m) determine such other matters and for such other purposes as may be provided in the Confirmation Order;

- (n) hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;
- (o) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with these Chapter 11 Cases;
- (p) determine and resolve controversies related to the Estates, the Debtors or the Liquidating Trust from and after the Effective Date;
- (q) hear and determine any other matter relating to the Plan; and
- (r) enter a final decree closing these Chapter 11 Cases.

B. Modification of the Plan

The Plan Proponents may alter, amend, or modify the Plan or any exhibits or schedules hereto under section 1127(a) of the Bankruptcy Code at any time prior to or after the Confirmation Date but prior to the substantial Consummation of the Plan, provided, however, that any such alteration, amendment or modification does not materially and adversely affect the treatment of Holders of Claims or Interests under the Plan. Any Holder of a Claim or Interest that has accepted the Plan shall be deemed to have accepted the Plan, as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim or Interest of such Holder.

C. Binding Effect

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any Holder of a Claim against, or Interest in, the Debtors and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan.

D. Revocation, Withdrawal, or Non-Confirmation of the Plan

The Debtors and the Committee reserve the right to revoke or withdraw this Plan prior to the Confirmation Hearing. If the Plan is revoked or withdrawn prior to the Confirmation Hearing, or if the Plan is not confirmed by the Bankruptcy Court, then:

- (a) the Plan shall be null and void in all respects, and
- (b) nothing contained in the Plan or the Disclosure Statement shall (i) constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors or any other Person, (ii) prejudice in any manner the rights of the Debtors, the Committee or any other Person, or (iii) constitute an admission of any sort by the Debtors, the Committee, or any other Person

E. Binding Effect

Except as otherwise provided in section 1141(d)(3) of the Bankruptcy Code and subject to the occurrence of the Effective Date, on and after the Confirmation Date, the provisions of the Plan shall bind any Holder of a Claim against, or Interest in, the Debtors and such Holder's respective successors and assigns, whether or not the Claim or Interest of such Holder is Impaired under the Plan and whether or not such Holder has accepted the Plan.

F. Subordination Rights

The classification and manner of satisfying all Claims and Interests and the respective Distributions and treatments under the Plan take into account and/or conform to the relative priority and rights of the Claims and Interests in each Class in connection with the contractual legal and equitable subordination rights relating thereto, whether arising under contract, general principles of equitable subordination, section 510(b) of the Bankruptcy Code or otherwise. All subordination rights that a Holder of a Claim or Interest may have with respect to any Distribution to be made under the Plan shall be implemented through the Plan, and all actions by such Holder of a Claim or Interest related to the enforcement of such subordination rights shall be enjoined permanently. The provisions of any contractual or structural subordination of Claims or Interests shall remain enforceable by the Liquidating Trustee on behalf of the Liquidating Trust after the occurrence of the Effective Date. Without limitation hereunder, the Liquidating Trustee, on behalf of the Liquidating Trust, may likewise enforce any right of the Debtors or their Estates to equitably or otherwise subordinate Claims under section 510 of the Bankruptcy Code, which rights are deemed transferred to, remain and are preserved in the Liquidating Trust, except as otherwise expressly set forth herein or as expressly provided in a Final Order of the Bankruptcy Court in the Chapter 11 Cases.

G. Severability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Debtors, with the consent of the Committee, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may be altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

H. Dissolution of the Committee

The Committee shall dissolve on the Effective Date and the members of such Committee shall be released and discharged from all further rights and duties arising from or related to these Chapter 11 Cases, except with respect to, and to the extent of any applications for Professional Fee Claims or expense reimbursements for members of such Committee. The

Professionals retained by the Committee shall not be entitled to assert any Administrative Expense Claims nor shall they have an Allowed Administrative Expense Claims for any services rendered or expenses incurred after the Effective Date except in respect of the preparation and prosecution of or any objection to any Filed fee application.

I. Exemption from Section 1146

Pursuant to section 1146(a) of the Bankruptcy Code, under the Plan, (i) the issuance, distribution, transfer or exchange of any debt, equity security or other interest in the Debtors; (ii) the creation, modification, consolidation or recording of any mortgage, deed of trust, or other security interest, or the securing of additional indebtedness by such or other means; (iii) the making, assignment or recording of any lease or sublease; or (iv) the making, delivery or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, this Plan, including any deeds, bills of sale, assignments or other instrument of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to this Plan, shall not be subject to any document recording tax, mortgage recording tax, stamp tax or similar government assessment, and the appropriate state or local government official or agent shall be directed by the Bankruptcy Court to forego the collection of any such tax or government assessment and to accept for filing and recording any of the foregoing instruments or other documents without the payment of any such tax or government assessment. To the extent that the Liquidating Trustee elects to sell any property prior to or after the Confirmation Date, such sales of property will be exempt from any transfer taxes in accordance with section 1146(c) of the Bankruptcy Code. All subsequent issuances, transfers or exchanges of securities, or the making or delivery of any instrument of transfer by the Debtors in the Chapter 11 Cases shall be deemed to be or have been done in furtherance of the Plan.

X.

CERTAIN RISK FACTORS TO BE CONSIDERED

ALL IMPAIRED HOLDERS OF CLAIMS OR INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW AS WELL AS THE OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.

A. Financial Information; Disclaimer

Although the Debtors have used their best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available to the Debtors at the time of the preparation of the Plan and Disclosure Statement. While the Debtors expect that such financial information fairly reflects the financial condition of the Debtors, the Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies.

B. Failure to Confirm Plan

Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A non-accepting creditor or equity holder of the Debtors might challenge the confirmation of the Plan or the balloting procedures and/or voting results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that the Disclosure Statement and the balloting procedures and results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for confirmation have not been met, including that the terms of the Plan are fair and equitable to non-accepting Classes.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the Plan “does not unfairly discriminate” and is “fair and equitable” with respect to any non-accepting Classes and that the value of Distributions to non-accepting Holders of Claims or Interests within a particular Class under the Plan will not be less than the value of Distributions such Holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. While there can be no assurance that these requirements will be met, the Plan Proponents believe that non-accepting Holders within each Class under the Plan will receive Distributions at least as great as would be received following a liquidation under chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and costs associated with any such chapter 7 case.

If the Plan is not confirmed, it is unclear what Distributions Holders of Claims or Interests ultimately would receive with respect to their Claims and Interests. If an alternative Plan could not be agreed to, it is possible that the Debtors would convert these Chapter 11 Cases to chapter 7 cases or dismiss these Chapter 11 Cases, in which case it is likely that Holders of Claims or Interests would receive substantially less favorable treatment than they would receive under the Plan.

In addition, in the event that the Plan is not confirmed, the Debtors will incur substantial expenses related to the development and confirmation of a new plan and possibly the approval of a new disclosure statement. This would only unnecessarily prolong the administration of the Debtors' assets and negatively affect Creditors' and Interest Holders recoveries on their Claims and Interests.

Similarly, as described above, in the event these Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code, the Debtors will incur substantial expenses related to hiring additional professionals and paying the fees of the chapter 7 trustee. As the Debtors' assets have already been liquidated, the additional cost will only serve to reduce Distributions to Creditors and Interest Holders.

C. Nonconsensual Confirmation

Pursuant to the “cramdown” provisions of section 1129(b) of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan notwithstanding the nonacceptance of the Plan by an Impaired Class of Claims or Equity Interests if at least one other Impaired Class has accepted the Plan (with such acceptance being determined without including the acceptance of any insider (as

defined in section 101(31) of the Bankruptcy Code) in such Class) and, as to each Impaired Class which has not accepted the Plan, the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to Impaired Classes. In accordance with section 1129(a)(8) of the Bankruptcy Code, the Debtors intend to request confirmation of the Plan in accordance with section 1129(b) of the Bankruptcy Code.

Although the Debtors believe that the Plan satisfies the requirements of section 1129(b), there is no guaranty that the Bankruptcy Court will reach that conclusion. Moreover, although the Debtors encourage all Creditors in an impaired Class to vote in favor of the Plan and the Debtors believe that they are likely to have at least one impaired Class vote in favor of the Plan, there is no guaranty that this will occur. If no impaired Class votes in favor of the Plan, the Plan cannot be confirmed as written.

D. Delays of Confirmation or Effective Date

Any delays of either confirmation or effectiveness of the Plan could result in, among other things, increased administrative costs, including professional fee claims. These negative effects of delays of either confirmation or effectiveness of the Plan could endanger the ultimate approval of the Plan by the Bankruptcy Court.

E. Certain Bankruptcy Considerations

Although the Debtors believe that the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications of the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. In addition, although the Debtors believe that the Effective Date will occur during the last calendar quarter of 2012, there can be no assurance as to such timing.

F. Certain Tax Considerations

There are a number of material United States federal income tax considerations, risks and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussion set forth in **Article XI** of this Disclosure Statement (“**Certain United States Federal Income Tax Consequences of the Plan**”) for a discussion of the material United States federal income tax consequences and risks for Holders of Claims resulting from the transactions occurring in connection with the Plan.

G. No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtors and the Committee as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors and the Committee have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

H. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or related to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

I. Claims Could Be More Than Projected, Assets Could Be Less Than Projected

The Allowed amount of Claims in each Class could be greater than projected, which in turn, could cause the amount of distributions to creditors to be reduced substantially. Likewise, the amount of cash realized for the liquidation of the Debtors' assets could be less than projected, which could cause the amount of distributions to creditors to be reduced substantially.

J. No Legal Or Tax Advice Is Provided To You By This Disclosure Statement

The contents of this Disclosure Statement should not be construed as legal, business, or tax advice. Each Claim or Equity Interest Holder should consult his, her, or its own legal counsel and accountant as to legal, tax, and other matters concerning his, her, or its Claim or Equity Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

XI.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN ARE COMPLEX. ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTORS SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE PLAN AND THE OWNERSHIP AND DISPOSITION OF PROCEEDS FROM CLAIMS INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN (NON-US) TAX LAWS AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

This discussion is provided for information purposes only, and is based on provisions of the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect on the date hereof. Legislative, judicial, or administrative changes or interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the United States federal income tax consequences of the Plan. Any such changes or interpretations may be retroactive and could significantly, and adversely, affect the United States federal income tax consequences of the Plan. To the extent that the following discussion relates to the consequences to Holders of Allowed Claims or Interests, it is limited to Holders that are

United States persons within in the meaning of the IRC. For purposes of the following discussion, a “United States person” is any of the following:

- An individual who is a citizen or resident of the United States;
- A corporation created or organized under the laws of the United States or any state or political subdivision thereof;
- An estate, the income of which is subject to federal income taxation regardless of its source; or
- A trust that (a) is subject to the primary supervision of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust, or (b) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to a particular Holder in light of its particular facts and circumstances, or to certain types of Holders subject to special treatment under the IRC. Examples of Holders subject to special treatment under the IRC are governmental entities and entities exercising governmental authority, foreign companies, persons who are not citizens or residents of the United States, banks and certain other financial institutions, broker-dealers, insurance companies, tax-exempt organizations, real estate investment trusts, small business investment companies, regulated investment companies, Holders that are or hold their Claims or Interests through a partnership or other pass-through entity, dealers in securities or foreign currency, persons that have a functional currency other than the U.S. dollar, and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction. This discussion assumes that Holders hold their Claims or Interests as capital assets for U.S. federal income tax purposes. Generally, a capital asset is property held for investment. This discussion does not address other U.S. federal taxes or the foreign, state, or local tax consequences of the Plan. Furthermore, this discussion generally does not address the U.S. federal income tax consequences to Holders that are unimpaired under the Plan.

The tax treatment of Holders of Claims or Interests and the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the Distributions provided for by the Plan may vary, depending upon the following factors, among others: (i) whether the Claim or portion thereof constitutes a Claim for principal or interest; (ii) the type of consideration received by the Holder in exchange for the Claim, and whether the Holder receives Distributions under the Plan in more than one taxable year; (iii) whether the Holder is a citizen or resident of the United States for tax purposes, is otherwise subject to U.S. federal income tax on a net basis, or falls into any special class of taxpayers, such as those that are excluded from this discussion as noted above; (iv) the manner in which the Holder acquired the Claim; (v) the length of time that the Claim has been held; (vi) whether the Claim was acquired at a discount; (vii) whether the Holder has taken a bad debt deduction or a worthless securities deduction with respect to the Claim or any portion thereof in the current or prior taxable years; (viii) whether the Holder has previously included in gross income accrued but unpaid interest with respect to the Claim; (ix) the

method of tax accounting of the Holder; (x) whether the Claim is an installment obligation for U.S. federal income tax purposes; (xi) whether the Claim, and any instrument received in exchange therefor, is considered a “security” for U.S. federal income tax purposes; and (xii) whether the “market discount” rules apply to the Holder. Therefore, each Holder should consult such Holder’s own tax advisor for tax advice with respect to that Holder’s particular situation and circumstances, and the particular tax consequences to such Holder of the transactions contemplated by the Plan.

A significant amount of time may elapse between the date of the Disclosure Statement and the receipt of a final Distribution under the Plan. Events occurring after the date of the Disclosure Statement, such as new or additional tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling has been or will be sought from the IRS with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the Plan Proponents with respect thereto. No representations are being made regarding the particular tax consequences of the confirmation or implementation of the Plan as to any Holder of a Claim or Interest. This discussion is not binding upon the IRS or other taxing authorities. No assurance can be given that the IRS or another authority would not assert, or that a court would not sustain, a different position from any discussed herein.

THE FOLLOWING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FOLLOWING DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER’S PARTICULAR CIRCUMSTANCES. ACCORDINGLY, EACH HOLDER IS STRONGLY URGED TO CONSULT SUCH HOLDER’S TAX ADVISOR REGARDING THE U.S. FEDERAL, STATE, AND LOCAL INCOME TAX CONSEQUENCES, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF CLAIMS OR INTERESTS UNDER THE IRC; (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE PLAN PROPONENTS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDER OF CLAIMS OR INTERESTS SHOULD SEEK ADVICE BASED ON EACH HOLDER’S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Certain U.S. Federal Income Tax Consequences to Holders of Claims and Interests

A Holder of an Allowed Claim or Interest will generally recognize ordinary income to the extent that the amount of Cash or property received (or deemed received) under the Plan is attributable to interest that accrued on a Claim or Interest but was not previously paid by the Debtors or included in income by the Holder of the Allowed Claim or Interest. A Holder of an Allowed Claim or Interest will generally recognize gain or loss equal to the difference between the Holder's adjusted basis in its Claim or Interest and the amount realized by the Holder in respect of its Claim or Interest. The amount realized generally will equal the sum of Cash and the fair market value of other consideration received (or deemed received) by the Holder under the Plan on the Effective Date or subsequent distribution date, in respect of the Holder's Claim or Interest, less the amount, if any, attributable to accrued but unpaid interest.

The character of any gain or loss that is recognized as such will depend upon a number of factors, including the status of the Creditor or Interest Holder, the nature of the Claim or Interest in the Creditor's or Interest Holder's hands, whether the Claim or Interest was purchased at a discount, whether and to what extent the Creditor or Interest Holder has previously claimed a bad debt deduction with respect to the Claim or Interest, and the Creditor's or Interest Holder's holding period of the Claim or Interest. If the Claim or Interest in the Creditor's or Interest Holder's hands is a capital asset, the gain or loss realized will generally be characterized as a capital gain or loss. Such gain or loss will constitute long-term capital gain or loss if the Creditor or Interest Holder held such Claim or Interest for longer than one year, or short-term capital gain or loss if the Creditor or Interest Holder held such Claim or Interest for one year or less. Any capital loss realized generally may be used by a corporate Holder only to offset capital gains, and by an individual Holder only to the extent of capital gains plus \$3,000 of ordinary income in any single taxable year.

A Holder of an Allowed Claim or Interest who receives, in respect of the Holder's Claim or Interest, an amount that is less than that Holder's tax basis in such Claim or Interest may be entitled in the year of receipt, and possibly in an earlier or later year, to a bad debt deduction under IRC Section 166(a) or a worthless securities deduction under IRC Section 165(g). The rules governing the character, timing, and amount of bad debt or worthless securities deductions place considerable emphasis on the facts and circumstances of the Holder, the obligor, and the instrument with respect to which a deduction is claimed. Holders of Claims or Interests, therefore, are urged to consult their tax advisors with respect to the ability to take either deduction. A Holder that has previously recognized a loss or deduction in respect of that Holder's Claim or Interest may be required to include in gross income (as ordinary income) any amounts received under the Plan to the extent such amounts exceed the Holder's adjusted basis in such Claim or Interest.

Holders of Claims or Interests who were not previously required to include any accrued but unpaid interest with respect to a Claim or Interest may be treated as receiving taxable interest income to the extent any consideration they receive under the Plan is allocable to such interest. A Holder previously required to include in gross income any accrued but unpaid interest with respect to a Claim or Interest may be entitled to recognize a deductible loss to the extent such interest is not satisfied under the Plan.

Holders of a Claim or Interest constituting an installment obligation for tax purposes may be required to currently recognize any gain remaining with respect to such obligation if, pursuant to the Plan, the obligation is considered to be satisfied at other than at face value or distributed, transmitted, sold or otherwise disposed of within the meaning of IRC Section 453B.

The Holders of Claims in Class 3 are expected to receive only a partial Distribution of their Allowed Claims. Whether the Holder of such Claims and Interests will recognize a loss, a deduction for worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of each Holder and its Claims. Accordingly, a Holder of a Class 3 Claim should consult such Holder's own tax advisor.

Under backup withholding rules, a Holder of an Allowed Claim may be subject to backup withholding with respect to payments made pursuant to the Plan unless such Holder (i) is a corporation or is otherwise exempt from backup withholding and, when required, demonstrates this fact or (ii) provides a correct taxpayer identification and certifies under penalty of perjury that the taxpayer identification number is correct and that the Holder is not subject to backup withholding because of failure to report all dividend and interest income. Any amount withheld under these rules will be credited against the Holder's federal income tax liability. Holders of Claims may be required to establish an exemption from backup withholding or to make arrangements with regard to payment of any backup withholding.

B. Certain U.S. Federal Income Tax Consequences to the Debtors

Under the IRC, a taxpayer generally must include in gross income the amount of any cancellation of indebtedness income ("**COD Income**") realized during the taxable year. Section 108 of the IRC provides an exception to this general rule, however, if the cancellation occurs in a case under the Bankruptcy Code, but only if the taxpayer is under the jurisdiction of the bankruptcy court and the cancellation is granted by the court or is pursuant to a plan approved by the court.

Section 108 of the IRC requires the amount of COD Income so excluded from gross income to be applied to reduce certain tax attributes of the taxpayer. The tax attributes that may be subject to reduction include the taxpayer's net operating losses and net operating loss carryovers (collectively, "NOLs"), certain tax credits and tax credit carryovers, capital losses and capital loss carryovers, tax bases in assets, and passive activity loss carryovers. Attribute reduction is calculated only after the tax for the year of the discharge has been determined. Section 108 of the IRC further provides that a taxpayer does not realize COD Income from cancellation of indebtedness to the extent that payment of such indebtedness would have given rise to a deduction.

Under the Plan, Holders of Allowed General Unsecured Claims or Interests are expected to receive less than full payment on their Claims or Interests. The Debtors' liability to the Holders of Allowed General Unsecured Claims in excess of the amount satisfied by Distributions under the Plan will be canceled and therefore will result in COD Income to the Debtors. The Debtors should not realize any COD Income, however, to the extent that payment of such Allowed General Unsecured Claims would have given rise to a deduction to the Debtors had such amounts been paid. In addition, any COD Income that the Debtors realize should be

excluded from the Debtors' gross income pursuant to the bankruptcy exception to section 108 of the IRC described above, because the cancellation will occur in a case under the Bankruptcy Code, while the taxpayer is under the jurisdiction of the bankruptcy court, and the cancellation is granted by the court or is pursuant to a plan approved by the court.

The exclusion of the COD Income, however, will result in a reduction of certain tax attributes of the Debtors, such as the NOLs, as described above. Each of the Debtors has elected to be taxed as an "S" corporation for federal income tax purposes and, as a result, attribute reduction required as a result of the exclusion of COD Income may reduce NOLs that have passed through to the Debtors' stockholders in current and prior taxable years. Because attribute reduction is calculated only after the tax for the year of discharge has been determined, the COD Income realized by the Debtors under the Plan should not diminish the NOLs and other tax attributes that may be available to offset any income and gains recognized by the Debtors in the taxable year that includes the Effective Date.

C. Consequences of the Liquidating Trust

The Liquidating Trust will be organized for the primary purpose of liquidating the assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Thus, the Liquidating Trust is intended to be classified for federal income tax purposes as a "liquidating trust" within the meaning of Treasury Regulation Section 301.7701-4(d) and Revenue Procedure 94-45, 1994-2 C.B. 684. No request for a ruling from the IRS will be sought on the classification of the Liquidating Trust. Accordingly, there can be no assurance that the IRS would not take a contrary position to the classification of the Liquidating Trust. If the IRS were to challenge successfully the classification of the Liquidating Trust as a grantor trust, the federal income tax consequences to the Liquidating Trust and the Holders of Claims could vary from those discussed herein (including the potential for an entity-level tax).

For all U.S. federal income tax purposes, all parties with respect to the Liquidating Trust (including, without limitation, the Debtors, the Liquidating Trustee, and the Liquidating Trust Beneficiaries) must treat the transfer of Liquidating Trust Assets to the Liquidating Trust as (i) a transfer of the Liquidating Trust Assets by the Debtors to the Liquidating Trust Beneficiaries, followed by (ii) a transfer of the Liquidating Trust Assets by such beneficiaries to the Liquidating Trust, with the beneficiaries being treated as the grantors and owners of the Liquidating Trust. Each Holder that is a beneficiary of the Liquidating Trust generally will recognize gain or loss in its taxable year that includes the Effective Date in an amount equal to the difference between the amount realized in respect of its Claim or Interest and its adjusted tax basis in the Claim or Interest. The amount realized generally should equal the fair market value of the Liquidating Trust Assets deemed received for U.S. federal income tax purposes under the Plan in respect of each Holder's Claim or Interest, less the amount, if any, attributable to accrued but unpaid interest. A Holder that is deemed to receive for U.S. federal income tax purposes the Liquidating Trust Assets under the Plan in respect of its Claim or Interest generally should then have a tax basis in the Liquidating Trust Assets in an amount equal to the fair market value of the Liquidating Trust Assets on the date of receipt, less the amount, if any, attributable to accrued but unpaid interest.

Because each Holder's share of the Liquidating Trust Assets in the Liquidating Trust may change depending upon the resolution of Disputed Claims, a Holder may be prevented from recognizing for tax purposes all of its loss from the consummation of the Plan until all Disputed Claims have been resolved.

In general, a liquidating trust is not a separate taxable entity but rather is treated as a grantor trust, pursuant to IRC Sections 671 et. seq., owned by the persons who are treated as transferring assets to the Trust. Each Holder of a beneficial interest in the Liquidating Trust must report on its federal income tax return its allocable share of income, gain, loss, deduction and credit recognized or incurred by the Liquidating Trust. None of the Debtors' loss carryforwards will be available to reduce any income or gain of the Liquidating Trust. Moreover, upon the sale or other disposition (or deemed disposition) of any Liquidating Trust asset, each Liquidating Trust Beneficiary must report on its federal income tax return its share of any gain or loss measured by the difference between (1) its share of the amount of cash and/or the fair market value of any property received by the Liquidating Trust in exchange for the Liquidating Trust asset so sold or otherwise disposed of and (2) its adjusted tax basis in its share of the Liquidating Trust asset. The character of any such gain or loss to the Holder will be determined as if such Holder itself had directly sold or otherwise disposed of the Liquidating Trust asset. The character of items of income, gain, loss, deduction and credit to any Holder of a beneficial interest in the Liquidating Trust, and the ability of the Holder to benefit from any deductions or losses, will depend on the particular circumstances or status of the Holder.

Given the treatment of the Liquidating Trust as a grantor trust, each Liquidating Trust Beneficiary has an obligation to report its share of the Liquidating Trust's tax items (including gain on the sale or other disposition of a Liquidating Trust asset) which is not dependent on the distribution of any cash or other Liquidating Trust assets by the Liquidating Trust. Accordingly, a Liquidating Trust Beneficiary may incur a tax liability as a result of owning a share of the Liquidating Trust assets, regardless of whether the Liquidating Trust distributes cash or other assets. Due to the requirement that the Liquidating Trust maintain certain reserves, the Liquidating Trust's ability to make current cash distributions may be limited or precluded. In addition, due to possible differences in the timing of income on, and the receipt of cash from the Liquidating Trust assets, a Liquidating Trust Beneficiary may be required to report and pay tax on a greater amount of income for a taxable year than the amount of cash received by the Holder during the year.

The Liquidating Trust will file annual information tax returns with the IRS as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a) that will include information concerning certain items relating to the holding or disposition (or deemed disposition) of the Liquidating Trust assets (e.g., income, gain, loss, deduction and credit). Each Holder of a beneficial interest in the Liquidating Trust will receive a copy of the information returns and must report on its federal income tax return its share of all such items. The information provided by the Liquidating Trust will pertain to Liquidating Trust Beneficiaries who received their interests in connection with the Plan.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX

PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

XII.

PROCESS OF VOTING AND CONFIRMATION

The following is a brief summary regarding the voting procedures and the requirements for confirmation of the Plan. Holders of Claims and Holders of Equity Interests are encouraged to review the relevant provisions of the Bankruptcy Code or to consult their own attorneys. Additional information regarding voting procedures is set forth in the Notice accompanying this Disclosure Statement.

A. Voting Instructions

This Disclosure Statement, accompanied by a Ballot to be used for voting on the Plan, is being distributed to Holders of Allowed Claims in Class 3. Only such Holders of Allowed Claims are entitled to vote to accept or reject the Plan, and may do so by completing the Ballot and returning it to the Voting Agent:

Via Post office:

Allen Family Foods Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, P.O. Box 5014
New York, NY 10150-5014

Via FedEx or hand-delivery:

Allen Family Foods Ballot Processing
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017

In light of the benefits to be attained under the Plan by the Holders in each Impaired Class of Claims, the Debtors recommend that Holders of Claims in the Impaired Classes vote to accept the Plan and return the Ballot prior to the Voting Deadline referred to below.

BALLOTS MUST BE RECEIVED BY THE VOTING AGENT ON OR BEFORE THE VOTING DEADLINE OF DECEMBER 12, 2012 AT 5:00 P.M., (PREVAILING EASTERN TIME). ANY BALLOTS RECEIVED AFTER THE FOREGOING TIME MAY NOT BE COUNTED. ANY BALLOT WHICH IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE

PLAN. A BALLOT TRANSMITTED TO THE VOTING AGENT BY FACSIMILE, EMAIL OR OTHER ELECTRONIC METHOD WILL NOT BE COUNTED.

Except to the extent permitted by the Bankruptcy Court, Ballots received after the Voting Deadline will not be accepted or counted by the Debtors in connection with the Debtors' request for confirmation of the Plan. The Proponents expressly reserve the right to amend, at any time and from time to time, the terms of the Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code). If the Proponents make a material change to the terms of the Plan or waive a material condition thereof, the Debtors will disseminate additional solicitation materials and will extend the Voting Deadline, in each case to the extent required by law.

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other Person or Entity acting in a fiduciary or representative capacity, such person must so indicate and, unless otherwise determined by the Proponents, must submit evidence satisfactory to the Debtors of such person's authority.

Except as provided below or as ordered by the Bankruptcy Court, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtors may, in their discretion, reject such Ballot as invalid and decline to recognize such Ballot in connection with confirmation of the Plan by the Bankruptcy Court.

In the event that a Claim is disputed or a designation is requested under section 1126(e) of the Bankruptcy Code, any vote cast to accept or reject the Plan with respect to such Claim will not be counted for purposes of determining whether the Plan has been accepted or rejected, unless the Bankruptcy Court orders otherwise.

The method of delivery of Ballots to be delivered to the Voting Agent is at the election and risk of each Holder of a Claim. Except as otherwise provided herein, such delivery will be deemed made only when actually received by the Voting Agent. Instead of effecting delivery by mail, it is recommended that such Holders use an overnight or hand delivery service. In all cases, sufficient time should be allowed to assure timely delivery.

Any Holder of Impaired Claims that has delivered a valid Ballot may withdraw its vote solely in accordance with Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

Subject to any contrary order of the Bankruptcy Court, the Debtors reserve the absolute right to reject any and all Ballots not proper in form and the acceptance of which would, in the opinion of the Debtors or its counsel, not be in accordance with the provisions of the Bankruptcy Code. Subject to contrary order of the Bankruptcy Court, the Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot unless otherwise directed by the Bankruptcy Court. Unless waived or as ordered by the Bankruptcy Court, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine. Neither the Debtors, nor any other Person or Entity, will be under any duty to provide notification of defects or irregularities with respect to the delivery of Ballots and neither the Debtors, nor any other Person or Entity, will incur any liability for failure to provide such notice. Unless otherwise directed by the

Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots as to which any irregularities have not theretofore been cured or waived will not be counted.

B. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing on confirmation of a plan (the “Confirmation Hearing”). Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of such plan.

The Confirmation Hearing in respect of the Plan has been scheduled for **December 19, 2012 at 1:00 p.m. (prevailing Eastern Time)**, or as soon thereafter as counsel may be heard, before the Honorable Kevin J. Carey, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, 5th Floor, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for any announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

Objections to confirmation of the Plan must be filed and served on or before December 12, 2012 at 5:00 p.m. (**prevailing Eastern Time**) in accordance with the Notice accompanying this Disclosure Statement. **UNLESS OBJECTIONS TO CONFIRMATION OF THE PLAN ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE DISCLOSURE STATEMENT APPROVAL ORDER, THEY WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

C. Statutory Requirements for Confirmation of the Plan

At the Confirmation Hearing, the Bankruptcy Court shall determine whether the requirements of section 1129 of the Bankruptcy Code have been satisfied. If so, the Bankruptcy Court shall enter the Confirmation Order. The Debtors believe that the Plan satisfies or will satisfy the applicable requirements, as follows:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Plan Proponents have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or to be made under the Plan for services or for costs and expenses in or in connection with the Debtors’ chapter 11 cases has been disclosed to the Bankruptcy Court and any such payment made before the confirmation of the Plan is reasonable or if such payment is to be fixed after the confirmation of the Plan, such payment is subject to the approval of the Bankruptcy Court.
- With respect to each Class of Impaired Claims, either each Holder of a Claim in such Class had accepted the Plan or each such Holder will receive or retain under

the Plan on account of such Claim property of a value as of the Effective Date of the Plan that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code.

- Each Class of Claims that is entitled to vote on the Plan has either accepted the Plan or is not impaired under the Plan.
- Except to the extent that the Holder of a particular Claim agrees to a different treatment of such Claim, the Plan provides that Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Non-Tax Priority Claims and Allowed Secured Claims will be paid in full on the Effective Date or as soon thereafter as practicable.
- At least one Class of Impaired Claims (not including any acceptance of the Plan by any Insider (as defined in section 101(31) of the Bankruptcy Code) holding a Claim in such Class) has accepted the Plan.
- Confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.
- The Debtors have no retiree benefits within the meaning of section 1129(a)(13) of the Bankruptcy Code. The Debtors 401(K) plans, and any other pension programs, if not already cancelled or terminated, will be cancelled or terminated prior to the Effective Date.
- All fees of the type described in 28 U.S.C. § 1930, including the fees of the United States Trustee, will be paid as of the Effective Date.

The Debtors believe that (1) the Plan satisfies or will satisfy all of the statutory requirements of chapter 11 of the Bankruptcy Code; (2) they have complied or will have complied with all of the requirements of chapter 11 of the Bankruptcy Code; and (3) the Plan has been proposed in good faith.

1. Best Interests of Creditors Test

Before the Plan may be confirmed, the Bankruptcy Court must find (with certain exceptions) that the Plan provides, with respect to each Class, that each Holder of a Claim in such Class either (a) has accepted the Plan or (b) will receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors liquidated under chapter 7 of the Bankruptcy Code.

In chapter 7 liquidation cases, unsecured creditors and equity interest holders of a debtor are paid from available assets generally in the following order, with no lower class receiving any payments until all amounts due to senior classes have been paid fully or payment has been provided for:

- Secured creditors (to the extent of the value of their collateral).
- Priority creditors.
- Unsecured creditors.
- Debt expressly subordinated by its terms or by order of the Bankruptcy Court.
- Equity interest holders.

This is a liquidating plan. In any event, whether by the Liquidating Trust, or a chapter 7 trustee, the Debtors' Estates' assets will be liquidated. Accordingly, there is no reorganization value to be calculated, or distribution scenarios related thereto. In addition, the activities of the Liquidating Trust Committee and the Liquidating Trustee after the Effective Date are the very same ones that would be pursued by a chapter 7 trustee. However, unlike a chapter 7 trustee, who may seek to charge statutory fees of up to 3% of disbursements, the members of the Liquidating Trust Committee will not be compensated for their services. Additionally, it is likely that a chapter 7 trustee will retain counsel who would likely be required to spend a significant amount of time and expense becoming familiar with the case – time and expense that would not be required if the Plan is confirmed.

After careful review of the estimated recoveries in a chapter 11 liquidation scenario and a chapter 7 liquidation scenario, the Debtors have concluded that the recoveries to Creditors will be maximized by completing the liquidation of any remaining assets of the Debtors under chapter 11 of the Bankruptcy Code and making distributions pursuant to the Plan. The Debtors believe that the Debtors' Estates have value that would not be fully realized by Creditors in a chapter 7 liquidation primarily because, among other reasons, (i) additional administrative expenses would be incurred in a chapter 7 liquidation, specifically those of a chapter 7 trustee charging statutory fees of up to 3% of disbursements and any costs of counsel to the chapter 7 trustee to become familiar with the facts and circumstances of these cases, and (ii) the additional delay in distributions that would occur if the Debtors' chapter 11 cases were converted to a case under chapter 7.

D. Plan Feasibility

Pursuant to section 1129(a)(11) of the Bankruptcy Code, the Bankruptcy Court must determine, among other things, that confirmation of the Plan is not likely to be followed by the liquidation or need for further financial reorganization of the Debtors or any successors to the Debtors under the Plan (unless such liquidation or reorganization is proposed in the Plan). In addition, section 1129(a)(13) requires that all fees payable under section 1930 of title 28, as determined by the court at the hearing on confirmation of the plan, have been paid or the plan provides for the payment of all such fees on the effective date of the plan. These conditions are often referred to as the "feasibility" of the Plan. The Plan is a liquidating plan and, accordingly, all of the Debtors' remaining assets will be distributed to Holders of Allowed Claims pursuant to the terms of the Plan and, provided the Plan is confirmed and consummated, the Estates will no longer exist to be subject to future reorganization or liquidation. As a result, the Plan satisfies the feasibility test. Moreover, the Plan provides for payment of all statutory

fees due and owing to the United States Trustee. Accordingly, the Plan Proponents believe that the Plan satisfies the requirements of feasibility under section 1129(a) of the Bankruptcy Code.

E. Section 1129(b): Unfair Discrimination and the “Fair and Equitable” Test

The Debtors will request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code, and they have reserved the right to modify the Plan to the extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification. The Bankruptcy Court may confirm the Plan over the rejection or deemed rejection of the Plan by an Impaired Class of Claims or Interests if the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to such Class.

1. No Unfair Discrimination

The “unfair discrimination” test applies to Impaired Classes of Claims or Interests that are of equal priority and are receiving disparate treatment under the Plan. The test does not require that the treatment of such Classes be the same or equivalent, but only that the treatment be “fair.” The Plan does not classify separately Claims against the Debtors, into two or more Impaired Classes of equal priority. Accordingly, there is no basis for any Claimant to assert that the Plan unfairly discriminates. Accordingly, the Plan does not discriminate (let alone unfairly) and satisfies the “unfair discrimination” test. Simply put, all Claims of equal rank are classified in the same Class and are treated equally.

2. Fair and Equitable Test: “Cramdown”

The Bankruptcy Code provides a non-exclusive definition of the phrase “fair and equitable.” The Bankruptcy Code establishes “cramdown” tests for dissenting classes of secured creditors, unsecured creditors and equity holders. As to each dissenting class, the test prescribes different standards, depending on the type of claims or equity interests in such class:

Secured Creditors. With respect to each class of secured claims that rejects the plan, the plan must provide (i)(a) that each holder of a Secured Claim in the rejecting class retain the liens securing those claims, whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such secured claim and (b) that the Secured Creditor receives on account of its secured claim deferred cash payments having a value, as of the effective date of the plan, of at least the value of the allowed amount of such secured claim; (ii) for the sale of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of such liens, with such liens to attach to the proceeds of the sale, and the treatment of such liens on proceeds under clause (i) or (iii) of this subparagraph; or (iii) for the realization by the Secured Creditor of the “indubitable equivalent” of its Secured Claim.

Unsecured Creditors. With respect to each Impaired Class of unsecured Claims that rejects the plan, the plan must provide (A) that each holder of a claim in the rejecting class will receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; or (B) that no holder of a claim or interest that is junior to the claims of such rejecting class will receive or retain under the Plan any property on account of such junior claim or interest.

Interests. With respect to each Impaired Class of equity interests that rejects the plan, the plan must provide (I) that each holder of an equity interest included in the rejecting class receive or retain on account of that equity interest property that has a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such equity interest; or (II) that no holder of an equity interest that is junior to the equity interests of such rejecting class will receive or retain under the plan any property on account of such junior interest.

The Debtors believe that the Plan may be confirmed pursuant to the above-described “cramdown” provisions, over the dissent of certain Classes of Claims and Interests, in view of the treatment proposed for such Classes. The Debtors believe that the treatment under the Plan of the Holders of Class 3, 4 and 5 will satisfy the “fair and equitable” test. Additionally, as noted above, the Debtors do not believe that the Plan unfairly discriminates against any dissenting Class because all dissenting Classes of equal rank are treated equally under the Plan.

XIII.

ALTERNATIVES TO THE PLAN

A. Liquidation Under Chapter 7

If the Plan or any other chapter 11 plan for the Debtors cannot be confirmed under sections 1129(a) and (b) of the Bankruptcy Code, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, and a trustee would be elected or appointed to liquidate any remaining assets of the Debtors for Distribution to Holders of Allowed Claims and Interests pursuant to chapter 7 of the Bankruptcy Code. If a trustee is appointed and the remaining assets of the Debtors are liquidated under chapter 7 of the Bankruptcy Code, all Creditors and Interest Holders under the Plan may receive Distributions of a lesser value on account of their Allowed Claims and may have to wait a longer period of time to receive such Distributions than they would under the Plan.

B. Dismissal

If these Chapter 11 Cases are dismissed, the protections of the Bankruptcy Code would disappear, thereby resulting in costly, uncontrolled and protracted litigation in various jurisdictions among and between the Debtors and the Holders of Claims and Interests. Therefore, the Plan Proponents believe that dismissal of the Chapter 11 Cases is not a viable alternative to Confirmation of the Plan.

C. Alternative Plan of Reorganization

The Debtors, with the assistance of their professionals, have considered their options and have concluded that the Plan offers the best and highest recoveries for Creditors. The Proponents have concluded that the Plan provides greater potential recoveries for Creditors than any feasible alternative.

XIV.

RECOMMENDATION

In the opinion of the Debtors and the Committee, the Plan is preferable to the alternatives described herein. It provides for larger distribution to the Holders than would otherwise result in a liquidation under chapter 7 of the Bankruptcy Code. In addition, any alternative other than confirmation of the Plan could result in extensive delays and increased administrative expenses resulting in smaller distributions to the Holders of Claims. Accordingly, the Debtors and the Committee recommend that Holders of Claims entitled to vote to accept or reject the Plan support confirmation of the Plan and vote to accept the Plan.


XV.

CONCLUSION

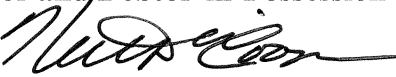
It is important that you exercise your right to vote on the Plan. The Debtors and the Committee believe that the Plan fairly and equitably provides for the treatment of all Claims against, and Interests in, the Debtors and recommend that you cast your Ballot in favor of the Plan.

Dated: November 6, 2012
Wilmington, Delaware

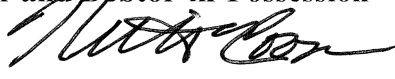
**Allen Family Foods, Inc.
Debtor and Debtor-in-Possession**

By: 
Name *KEITH F. COOPER*
Position *CHIEF RESTRUCTURING OFFICER*

**Allen's Hatchery, Inc.
Debtor and Debtor-in-Possession**

By: 
Name *KEITH F. COOPER*
Position *CHIEF RESTRUCTURING OFFICER*

**JCR Enterprises, Inc.
Debtor and Debtor-in-Possession**

By: 
Name *KEITH F. COOPER*
Position *CHIEF RESTRUCTURING OFFICER*

**The Official Committee of Unsecured
Creditors of Allen Family Foods, Inc., et. al.**

By: _____
Name
Co-Chairperson

**The Official Committee of Unsecured
Creditors of Allen Family Foods, Inc., et. al.**

By: _____
Name
Co-Chairperson

Dated: November 6, 2012
Wilmington, Delaware

**Allen Family Foods, Inc.
Debtor and Debtor-in-Possession**

By: _____
Name
Position

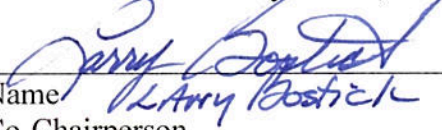
**Allen's Hatchery, Inc.
Debtor and Debtor-in-Possession**

By: _____
Name
Position

**JCR Enterprises, Inc.
Debtor and Debtor-in-Possession**

By: _____
Name
Position

**The Official Committee of Unsecured
Creditors of Allen Family Foods, Inc., et. al.**

By:  _____
Name: Larry Bostick
Co-Chairperson

**The Official Committee of Unsecured
Creditors of Allen Family Foods, Inc., et. al.**

By: _____
Name
Co-Chairperson

Dated: November 6, 2012
Wilmington, Delaware

**Allen Family Foods, Inc.
Debtor and Debtor-in-Possession**

By: _____
Name
Position

**Allen's Hatchery, Inc.
Debtor and Debtor-in-Possession**

By: _____
Name
Position

**JCR Enterprises, Inc.
Debtor and Debtor-in-Possession**

By: _____
Name
Position

**The Official Committee of Unsecured
Creditors of Allen Family Foods, Inc., et. al.**

By: _____
Name
Co-Chairperson

**The Official Committee of Unsecured
Creditors of Allen Family Foods, Inc., et. al.**

By: */s/ Mike Mihavetz* _____
Name MIKE MIHAVETZ
Co-Chairperson