

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

<b>In re:</b>	§	Case No. 16-30992
<b>American National Carbide Co</b>	§	<b>Chapter 11</b>
	§	
<i>Debtor.</i>	§	

**SUPPLEMENTAL DISCLOSURE STATEMENT  
TO ACCOMPANY DEBTORS’ PLAN OF REORGANIZATION  
DATED December 8, 2016.**

**NOTE WELL – This is a Supplemental Document. Headings in this table of contents correspond to headings in the Disclosure Statement published October 19, 2016 but only those portions of the initial Disclosure Statement that have been modified are listed herein.**

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## I. INTRODUCTION

This is a Supplement to the disclosure statement (taken together the "Disclosure Statement") in the chapter 11 case of American National Carbide Co (the "Debtor" or "ANC"). This Supplement is being issued because the Debtor has given Notice that under the provisions of the Bankruptcy Code it is electing to modify the Plan of Reorganization that it proposed and that was previously circulated to creditors for acceptance or rejection. On December 8, 2016, the Debtor filed a Modified Plan of Reorganization. This Supplement, when read together with the Disclosure Statement that accompanied Debtor's initial Plan of Reorganization, contains information about the Debtor and describes how its Modified Plan of Reorganization (the "Plan") filed by the Debtor simultaneously with this Supplement to the Disclosure Statement differs from the initial Plan circulated by the Debtor. A full copy of the Plan is attached to this Disclosure Statement as **Exhibit A**.

This document is arranged in the same heading order and with the same heading designations as the initial Disclosure Statement in this case. The reader may easily refer to the same headings in the original document and compare with the material under the headings in this document in order to compare the two. In addition, material alternations to the Plan are highlighted in this document by underlining.

***Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.***

***If there are any inconsistencies between this Disclosure Statement and the Plan, the Plan will Control.***

The proposed distributions under the Plan are discussed at pages 10-16 of this Disclosure Statement. General unsecured creditors are classified in Class 4, and will receive a Promissory Note for 100% of each allowed claim payable over 72 months at the Prime Rate of Interest on the confirmation date, currently, 3.0% interest. Provided, however, that under the Modified Plan of Reorganization, payments under the Notes issued to Unsecured Creditors will not commence until the 13<sup>th</sup> payment. The first 12 payments made under the terms of the Notes issued will be for accrued interest only.

### **A. Purpose of This Document**

This Supplement to Disclosure Statement describes:

- The significant events that have occurred since the initial Plan of Reorganization was proposed and the outcome of the balloting on that Plan;
- How the Modified Plan proposes to treat claims or equity interests to the extent that those provisions differ from the provisions of the initial Plan of Reorganization;

- Who can vote on or object to the Plan;
- What factors the Bankruptcy Court (the "Court") will consider when deciding whether to confirm the Plan;
- Why the Debtors believe that the Plan is feasible, and how the treatment of your claim or equity interest under the Plan compares to what you would receive on your claim or equity interest in liquidation; and
- The effect of confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights.

## **B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing**

The Court has not yet confirmed the Plan described in this Disclosure Statement. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

### **1. Time and Place of the Hearing to Confirm the Plan**

The hearing at which the Court will determine whether to confirm the Plan will take place on \_\_\_\_\_, \_\_\_\_\_, at \_\_\_\_\_ am, in Courtroom 400, at the Bob Casey Federal Courthouse, 515 Rusk, Houston, Texas 77002.

### **2. Deadline For Voting to Accept or Reject the Plan**

If you are entitled to vote to accept or reject the plan, vote on the enclosed ballot and return the ballot to:

ANC c/o Donald Wyatt  
Law Offices of Donald L Wyatt Jr, PC  
26418 Oakridge Drive  
The Woodlands, TX 77380

Alternatively, ballots may be returned as .pdf files electronically by the same date and time by email to:

[ANCballots@wyattpc.com](mailto:ANCballots@wyattpc.com)

All ballots must contain an original signature, or in the case of emailed ballots, an image of the signature of the Claim Holder who/which cast the vote. Paper ballots must contain the date and time that the ballot is cast.

Creditors may alter their vote anytime before the Deadline for Voting to Accept or Reject the Plan. Only the last ballot by any one creditor cast and timely received will be counted as the ballot for that Creditor's Claim(s) in any given. The sequence of receipt will be judged by method of transmission. Emailed ballots will be deemed to have been received on the date and at the time contained in the header of the email and generated by the sending device at the time that the email is sent. Paper ballots that are actually received on a timely basis will be judged by the

time and date stated on the ballot. If you previously cast a ballot in favor of accepting the Plan and you have decided to accept the Modified Plan of Reorganization attached to this Supplement to Disclosure Statement you do not have to take any action. Your acceptance of the initial Plan will be counted as acceptance of the Modified Plan of Reorganization.

**Your ballot must be received by \_\_\_\_\_ at \_\_\_\_\_  
PM CST or it will not be counted.**

### **3. Deadline For Objecting to Confirmation of the Plan**

Without respect to how you vote on the Plan, you may object to the Plan if you wish to assert that the Plan fails to meet the legal requirements for confirmation of a Plan for any reason. Objections to the Plan must be filed with the Court and served upon Debtor, Counsel for the Debtor, the U.S. Trustee, and other parties having filed a request for documents with the court by \_\_\_\_\_.

#### *4. Identity of Person to Contact for More Information*

If you want additional information about the Plan, you should contact:

Donald L. Wyatt, Jr.  
26418 Oakridge Drive  
The Woodlands, TX 77380  
Telephone: (281) 419-8733  
don.wyatt@wyattpc.com  
Attorney for Debtor

#### **C. Disclaimer**

**The Court has approved only conditionally approved this Supplement to Disclosure Statement, incorporating the Disclosure Statement, as containing adequate information to enable parties affected by the Plan to make an informed judgment concerning the terms of the Reorganization Plan. The Court has not yet determined whether the Plan meets the legal requirements for confirmation.**

## **II. BACKGROUND**

#### **E. Significant Events During the Bankruptcy Case**

The Company circulated its initial Plan or Reorganization and received Ballots from all impaired classes of creditors. All Classes of Creditors except Class 3B, claims held by Comerica Bank, voted in favor of acceptance of the Plan. Comerica Bank also filed an objection to Confirmation of the Plan. Comerica Bank and the Debtor requested that the Bankruptcy Court

reset the confirmation hearing from November 28, 2016 to December 12, 2016 in order to give Comerica Bank time to examine the Debtor and give the parties an opportunity to negotiate.

Following the grant of that Motion, the Debtor filed an Second Plan or Reorganization which differed from the first Plan only in regard to the treatment of certain taxing authorities and secured creditors but without a material alteration in the rights of other secured classes or the unsecured creditors.

The Debtor also submitted, and the Bankruptcy Court granted, a Motion to Limit Notice to avoid costs and expense of noticing parties who had not participated in the balloting process. Prior to filing this Supplement to Disclosure Statement and Modified Plan Debtor consulted with the counsel for the Unsecured Creditors Committee. Without commenting on the substance of the changes proposed within the Plan, Counsel for the Committee opined that the Plan as amended affected the rights of all unsecured creditors and should be circulated to the entire pool of unsecured creditors as well as other parties identified within the Court's order limiting notice. Debtor has adopted this recommendation of Committee Counsel and has submitted this Supplement to Disclosure Statement and Modified Plan of Reorganization to obtain conditional approval of this Supplement and to obtain permission to solicit acceptances, give notice of deadlines and hearings.

Debtor continues to seek alternative financing and has, under the Plan, reserved the right to pay out classes of creditors, arranged by collateral type, if substitute financing becomes available. The Modified Plan also specifies that the Reorganized Debtor may obtain new, additional, or supplemental financing without the permission of the Court of any Class of creditors but may not impair the collateral applicable to any creditor without the consent of that creditor.

Debtor has elected to Modify its Plan of Reorganization prior to confirmation for two primary reasons: (1) Debtor engaged in the process of negotiations for the Till Rate applicable to classes of secured claims while the Plan was being considered by creditors. The resulting agreements regarding interest rates and terms with secured creditors altered the projected performance of the Debtor post confirmation. (2) Demand for Debtor's products has increased since publication of the Plan and, without substitute or additional financing, Debtor can only meet this demand, and generate profits from the demand to pay creditors, if it has more cash available during the initial year of the Plan. (3) Debtor has decided that finished goods which it holds in inventory, collateral for the Class 3B claims, would be better utilized if returned to raw material state and reprocessed into products currently in demand.

#### **H. Current and Historical Financial Conditions**

The most recent monthly financial reports filed since the publication of the initial Disclosure Statement and the statements of management in the form of balance sheets and profit and loss statements for the same periods are set forth in **Exhibit D**.

### III. SUMMARY OF THE PLAN OF REORGANIZATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

#### B. Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Code. As such, the Plan Proponent has *not* placed the following claims in any class:

##### 1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtors' chapter 11 case, which are allowed under § 503(b) and 507(a)(2) of the Code. Administrative expenses also include the value of any goods sold to the Debtors in the ordinary course of business and received within 20 days before the date of the bankruptcy petition. The Code requires all administrative expenses be paid on the effective date of the Plan, unless a particular claimant agrees to a different treatment. The Plan refers to these claims in Classes 1 and 2 of the Plan in order to clarify the priority of payment as funds are received and distributed. The nature or priority of the claims is not recast by this treatment in the Plan.

The following chart lists the Debtors' estimated administrative expenses and their proposed treatment under the Plan:

<b>Type</b>	<b>Estimated Amount Owed</b>	<b>Proposed Treatment</b>
Attorneys' Fees – Debtor Counsel – estimated.	\$70,000.00	Law Offices of Donald L Wyatt Jr PC (the “Law Firm”) has agreed that any allowed but unpaid fees as of the effective date may be paid by the Debtors in the first instance out of the funds received by Debtors' counsel during administration of this case pursuant to local rule, and then to the extent that this payment does not fully pay the allowed amount due, the <u>Law Firm has agreed to accept payments over the course of no more than 6 months with 0 percent interest in even monthly installments</u>
Vendor payments incurred and accrued post petition but outstanding on the effective date of the Plan.	\$79,222	Accounts payable other than fees to attorneys for the debtor and attorneys for the Committee of Unsecured Creditors will be paid according to the terms of payment entered into between

		the vendor and the debtor post petition.
Attorney's Fees – Committee Counsel – estimated.	\$35,000.00	Payment in full at the effective date.
Fees of Financial Advisor – Patrick Magill estimated	\$30,000.00	Payment in full at the effective date.
TOTAL	\$134,000.00	

## 2. Priority Tax Claims

Priority tax claims are unsecured income, employment, ad valorem property and other taxes described by § 507(a)(8) of the Code. Unless the holder of such a § 507(a)(8) priority tax claim agrees otherwise, it must receive the present value of such claim, in regular installments paid over a period not exceeding 5 years from the order of relief.

The following chart lists the Debtors' estimated § 507(a)(8) priority tax claims and their proposed treatment under the Plan:

Description (name and type of tax)	Estimated Amount Owed	Treatment
Harris County et al- Property Taxes for 2015 through tax year 2016 as included in Proof of Claim.	\$498,453	Debtors will pay allowed outstanding amounts in installments over a total of 60 months less the number of months during which the matter has been open counting from the month of commencement of the case together with interest as defined under state law, currently, 12.5% per annum.

## C. Classes of Claims and Equity Interests

The following are the classes set forth in the Plan, and the proposed treatment that they will receive under the Plan:

### 1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor's bankruptcy estate (or that are subject to setoff) to the extent allowed as secured claims under § 506 of the Code. If the value of the collateral or setoffs securing the creditor's claim is less than the amount of the creditor's allowed claim, the deficiency will be classified as a general unsecured Class 4 claim.

The following lists all classes containing Debtors' secured prepetition claims and their proposed treatment under the Plan:



Class 1 (Section 507(a)(1) Allowed Administrative Claims). Unless a holder agrees to less favorable treatment, the holders of Allowed Administrative Claims shall receive, on account of such Claims, cash in the full allowed amount of such Claims and expenses: (i) on the Effective Date, or (ii) in accordance with the ordinary business terms of payment of such Class 1 Claims. Notwithstanding the foregoing, professionals employed at the expense of the estate and entities who may be entitled to allowance of fees and expenses from the estate pursuant to Sections 503(b)(2)-(6) of the Bankruptcy Code, shall receive cash in the amount awarded to such professionals and entities by the Order of the Bankruptcy Court as soon as practicable after the latter of the Effective Date or the date on which such a final non-appealable order enters. The Class 1 Claims are being treated consistently with 11 U.S.C. §1129(a), and are not impaired by the Plan.

Class 2 (Section 507(a)(8) Allowed Governmental Unit Claims). Unless a holder agrees to less favorable treatment, Allowed Claims of governmental units, which claims are entitled to priority under Section 507(a)(8) of the Bankruptcy Code, shall be paid deferred cash payments, over a period of months equal to 60 minus the number of months that have elapsed between the Commencement Date and the Effective Date, which shall have a value as of the Effective Date equal to the allowed amount of such claim. The interest rate used to calculate the present value of the deferred cash payments shall be the rate provided by 11 U.S.C. § 511 and measured as of the Effective Date. Notwithstanding anything to the contrary contained within the Plan, Harris County's claim shall be treated as a secured claim as provided in 11 U.S.C. § 506. Harris County shall retain its statutory liens against the Debtor's real and personal property until such time as the claim is paid in full. In the event of any failure of the reorganized debtor to timely make its required plan payments to Harris County, or any failure to pay post-petition ad valorem property taxes owed to Harris County prior to delinquency, either of which shall constitute an event of default under the Plan as to Harris County, it shall send notice of such default to the reorganized debtor. If the default is not cured within twenty (20) days of the date of such notice, Harris County may proceed to collect all amounts owed pursuant to state law without further recourse to the Bankruptcy Court. Harris County is only required to send two (2) notices of default, and upon the third event of default, Harris County may proceed to collect all amounts owed under state law without recourse to the Bankruptcy Court and without further notice. Notwithstanding anything to the contrary contained within the Plan, the claims of Tomball ISD and the City of Tomball shall be treated as secured claims as provided in 11 U.S.C. § 506. Tomball ISD and the City of Tomball shall retain their statutory liens against the Debtor's real and personal property until such time as the claim is paid in full. In the event of any failure of the reorganized debtor to timely make its required plan payments to Tomball ISD and the City of Tomball, or any failure to pay post-petition ad valorem property taxes owed to Tomball ISD and the City of Tomball prior to delinquency, either of which shall constitute an event of default under the Plan as to Tomball ISD and the City of Tomball, it shall send notice of such default to the reorganized debtor. If the default is not cured within twenty (20) days of the date of such notice, Tomball ISD and the City of Tomball may proceed to collect all amounts owed pursuant to state law without further recourse to the Bankruptcy Court. Tomball ISD and the City of Tomball are only required to



send two (2) notices of default, and upon the third event of default, Tomball ISD and the City of Tomball may proceed to collect all amounts owed under state law without recourse to the Bankruptcy Court and without further notice. The Class 2 Claims are being treated consistently with 11 U.S.C. § 1129(a), and are not impaired by the Plan.

Class 3A (Allowed Secured Claims of Allegiance Bank). Unless the holder agrees to a less favorable treatment, the allowed secured claim(s) of Allegiance Bank shall be paid according to the terms upon which the claim is based except as modified herein and secured by the perfected Deed of Trust recorded at Harris County Records. This security interest shall have the same priority as the Deed of Trust securing the claim of Allegiance Bank had on the commencement date of the Case. Debtor shall execute an Allonge and/or such other documents as are commercially reasonable, in connection with this Plan in favor of the Holder of the Class 3A claim as they may reasonably require creating a payment obligation and secured position on mirror image terms to those in effect between the parties on the commencement date but in accord with these terms. The payment terms applicable to the claim shall be a loan in the principal sum of the allowed amount of the Class 3A claim together with interest payable at 6.5 percent annual interest which is the non-default rate under the original obligation upon which the claim is based. The claim will be amortized over 14 years with a balloon payment of all outstanding principal and interest in the 61<sup>st</sup> month. The Debtor may pre-pay the sums due under the Note at any time without payment of unearned interest penalty of any sort. The payment term of the rights of the holders of the Class 3A claim(s) are impaired by the Plan and the holders are entitled to vote.

Class 3B (Allowed Secured Claims of Comerica Bank). Unless the holder agrees to a less favorable treatment, the allowed secured claim of Comerica Bank shall under the terms of the loan documents in force at the Commencement of the case including Promissory Notes and Security Agreements, and a mortgage on the property at South Cherry Street, Tomball, Texas holding subordinate priority to the Class 2 and 3A claims in favor of the holder of the Class 3B claims. The terms of the loan documents are modified by this Plan to provide for payment in full of the allowed amount of the Class 3B claims in blended monthly payments of interest and principal amortized over a term of 72 months and shall bear interest at 7 percent interest with a balloon payment in the 61<sup>st</sup> month. The Debtor shall have the right to conduct sales of inventory out of the ordinary course of business if necessary to meet cash flow needs without prior permission of the Holders of the Class 3B claims. Debtor shall execute such Notes, Security Agreements, and other commercially reasonable documents provided by the holder of the Class 3B claims to evidence this repayment and security obligation. Debtor shall have the right to pre-pay the sums due under the Note at any time without payment or interest penalty of any sort. The rights of the holders of the Class 3B claim(s) are impaired by the Plan and the holders are entitled to vote.

Class 3C (Allowed Secured Claims of Spirit of Texas Bank). Unless the holder agrees to a less favorable treatment, the Allowed Secured Claims of Spirit of Texas Bank shall be paid as follows: There are two promissory notes ("Original Notes") supporting the Class 3C claims dated respectively December 2011 and August 2013. The balance of each of the Original Notes on the Effective Date will be amortized over the remaining life of each

such Note resulting in new monthly payment amounts as follows: December 2011 Original Note (\$21,430.01) and August 2013 Original Note (\$3,357.97). The Allowed Secured Claim for the December 2011 Original Note is \$2,088,578.53 as of 11/18/16 with a non-default per diem of \$319.22095 (plus past and future reasonable attorney's fees/expenses); and the Allowed Secured Claim for the August 2013 Original Note is \$385,488.16 11/18/16 with a non-default per diem of \$52.46 (plus past and future reasonable attorney's fees/expenses) In addition, the Debtor shall issue two Renewal Notes, one for accrued and unpaid interest as of the Effective Date for the December 2011 Original Note, and the other for accrued and unpaid interest as of the Effective Date for the August 2013 Original Note. As of 11/18/16 past due interest on the December 2011 Original Note is \$130,960.40, and past due interest on the August 2013 Original Note is \$34,814.71. The term of each Renewal Note is 60 months, and any default in the performance of any Renewal Note, or any Original Note, shall be deemed a default in performance of all of the promissory notes specified in this treatment of Class 3C claims. The Renewal Notes and any related loan documentation will be in the form utilized by the Spirit of Texas Bank for SBA loans. Each such note shall provide that if the Debtor/Reorganized Debtor defaults under either of the Original Notes or either of the Renewal Notes, then after 15 days notice to the Debtor/Reorganized Debtor if the default is not cured that will be an event of default. Upon any event of default the Holder is entitled to exercise any or all of its rights and remedies, including without limitation acceleration and foreclosure, and the Debtor and Reorganized Debtor are prohibited from taking any action (or assisting or encouraging any other person or entity from taking any action) to oppose, delay, or interfere with any of Spirit of Texas Bank's rights or remedies. The same liens and security interests securing the Original Notes will secure the Renewal Notes and such liens and security interests shall have the same priority as the security interests of the Allowed Class 3C claims at the commencement date of the case. In addition to the Renewal Notes, Debtor shall execute such Security Agreements and other commercially reasonable documents provided by the holder of the Class 3C claims to evidence the Allowed Secured Claims of Spirit of Texas Bank. The Renewal Notes shall contain a provision permitting the Debtor to pre-pay the sums due under the Renewal Notes at any time without payment of unearned interest or penalty of any sort, and the Original Notes will be treated the same way in that regard. The rights of the holders of the Class 3C claim(s) are impaired by the Plan and the holders are entitled to vote

Class 3D (Allowed Secured Claims of Swift Financial). Unless the holder agrees to a less favorable treatment, the allowed secured claim of Swift Financial, Inc. shall be paid by the issuance by the Debtor of a Promissory Note and Security Agreement in favor of the holder of the Class 3D claims. Said Promissory Note shall provide for payment in full of the allowed amount of the Class 3D claims in blended monthly payments of interest and principal over a term of 72 months and shall bear interest at the Till Rate applicable under this Plan. The security interest so created shall have the same priority as the security interest of the Allowed Class 3D claims at the commencement date of the Plan. Debtor shall execute such Notes, Security Agreements, and other commercially reasonable documents provided by the holder of the Class 3D claims to evidence this repayment and security obligation. The Note shall contain a provision permitting the Debtor to pre-pay the sums due under the Note at any time without payment or interest penalty of any sort. The rights of the holders of the Class 3D claim(s) are impaired by the Plan and the holders are entitled to vote.

Class 3E. (Allowed Secured Claims of 3M Corporation). Unless the holder agrees to a less favorable treatment, the allowed secured claim of 3M Corporation, Inc. shall be paid by the issuance by the Debtor of a Promissory Note and Security Agreement in favor of the holder of the Class 3E claims. Said Promissory Note shall provide for payment in full of the allowed amount of the Class 3E claims in blended monthly payments of interest and principal over a term of 60 months without interest. The security interest so created shall have first priority in the 3M Property but shall not otherwise be secured. Debtor shall execute such Notes, Security Agreements, and other commercially reasonable documents provided by the holder of the Class 3E claims to evidence this repayment and security obligation. The rights of the holders of the Class 3E claim(s) are impaired by the Plan and the holders are entitled to vote.

### 3. Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under § 507(a) of the Code. This class includes claims that result from the bi-furcation of claims held by creditor's with a security interest in property in which the estate has an interest but which exceed in amount the value of the estate's interest in said property. There is one Class of unsecured claims in the Plan, Class 4.

The following chart identifies the Plan's proposed treatment of Class 4 that contains general unsecured claims against the Debtor:

General Unsecured Class: 4

Class #	Description	Impairment	Treatment
4	Allowed claims of general unsecured creditors	Impaired, treated in accord with 11 U.S.C. § 1129(a)(7).	<u>Holder</u> s will receive a promissory Note issued by the Reorganized Debtor for the allowed amount of their claim. The terms of the Note and form of the Note are attached to the Plan as Exhibit 1. The Note provides for payment of the principal balance together with interest at the Prime rate as published by the Wall Street Journal on the effective date of the Plan amortized over a term of 60 months but payable in 72 installments. ["Class 4 Notes"]. The first payments under the notes so issued shall be made by the reorganized debtor no latter than 120 days from the effective date and shall continue thereafter under

		<p>the terms of the notes for 72 months. The first twelve payments made under the notes shall be of accrued interest only. The balance of the payments shall be blended monthly payments of principal and interest. The Notes shall provide for no pre-payment penalty. The Plan provides that Debtor may make no payment to a holder of a Class 4 Note faster than any other Class 4 holder without the consent of the Holders of all Class 4 Notes. The Plan states that holders of Class 4 notes may not object to the Debtor obtaining new, additional or supplemental financing. The Plan also states that the Debtor may not sell the business or equity shares in the business unless the Notes issued to Class 4 creditors are paid or satisfied in full.</p>
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#### 4. Class of Equity Interest Holders

Equity interest holders are parties who hold an ownership interest (i.e., equity interest) in the Debtor. In a corporation, entities holding preferred or common stock are equity interest holders. In a partnership, equity interest holders include both general and limited partners. In a limited liability company ("LLC"), the equity interest holders are the members. Finally, with respect to an individual who is a debtor, the Debtor is the equity interest holder.

Under the Plan, all stock outstanding as of the Commencement Date of the Plan will be cancelled by operation of the confirmation of the Plan. The Debtor's management shall issue new shares of stock in the corporation so that the total outstanding shares of stock in the corporation after the effective date of the Plan shall be held 100% by Gregory Stroud. The Plan provides that no new or additional shares shall be issued to any person after the effective date until and unless all obligations under the Plan have been satisfied and all obligations created under instruments issued under the plan have been paid in full or otherwise released by agreement of the parties thereto. The Plan provides that Mr. Stroud may not sell, transfer, hypothecate or otherwise alienate those shares until and unless all obligations created by the Plan and all obligations created by virtue of instruments issued under the terms of this plan have been satisfied in full.

The Plan also states that the Debtor may not sell the business or equity shares in the

business unless the Notes issued to Class 4 creditors are paid or satisfied in full.

**E. Means of Implementing the Plan**

**1. Source of Payments**

The Debtor has operated for 9 months post petition without the need for Debtor in Possession financing by collecting neglected accounts receivables and fulfilling ongoing orders for products. The Debtors projections of its operations over the period of time during which the notes issued hereunder will remain unpaid is attached as **Exhibit G**. Changes in Debtors business methods and manufacturing practices have resulted in significant efficiencies. Debtor has become a small, more profitable company. Debtor proposes to devote its earnings over the coming 72 months to retirement of 100% of its pre petition liabilities at present value.

**G. Executory Contracts and Unexpired Leases**

The Plan, in Article V, lists all executory contracts and unexpired leases that the Debtor will assume under the Plan. Assumption means that the Debtor has elected to continue to perform the obligations under such contracts and unexpired leases, and to cure defaults of the type that must be cured under the Code, if any. Article V also lists how the Debtor will cure and compensate the other party to such contract or lease for any such defaults.

If you object to the assumption of your unexpired lease or executory contract, the proposed cure of any defaults, or the adequacy of assurance of performance, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan, unless the Court has set an earlier time.

All executory contracts and unexpired leases that are not listed in Article V will be rejected under the Plan. Consult your advisor or attorney for more specific information about particular contracts or leases.

If you object to the rejection of your contract or lease, you must file and serve your objection to the Plan within the deadline for objecting to the confirmation of the Plan.

The holder of the Class 3E claim, 3M, is also the contracting party to a software license that is necessary to the operation of the machine, the collateral for the Class 3E claim. The Plan provides for the assumption of that contract and provides that payment of the allowed Class 3E claim also constitutes cure of any default in performance of that executory contract.

***The Deadline for Filing a Proof of Claim Based on a Claim Arising from the Rejection of a Lease or Contract is 30 days after the date of confirmation.*** Any claim based on the rejection of a contract or lease will be time barred if the proof of claim is not timely filed, unless the Court orders otherwise.

**IV. CONFIRMATION REQUIREMENTS AND PROCEDURES**

**A. Who May Vote or Object**

Any party in interest may object to the confirmation of the Modified Plan if the party believes that the requirements for confirmation are not met. This is true even if you did not object to the initial Plan or Reorganization and even if you voted to accept the initial Plan or Reorganization.

**Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan.**

**D. Feasibility**

The Court must find that 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, unless such liquidation or reorganization is proposed in the Plan.

**2. Ability to Make Future Plan Payments and Operate Without Further Reorganization**

The Plan Proponent must also show that it will have enough cash over the life of the Plan to make the required Plan payments.

The Plan Proponent has provided projected financial information for the term of the 72 months during which Notes issued under the Plan will be unpaid. Those projections are listed in **Exhibit G**. These projections are revised since the initial Plan was published and are reasonable based upon the Debtor's experience in the industry and performance post petition during administration of the case

Dated: \_\_\_\_\_.

American National Carbide, Co.

\_\_\_\_\_/s/ D. Greg Stroud  
by: Greg Stroud

LAW OFFICES OF DONALD L WYATT JR, PC

\_\_\_\_\_/s/ Don Wyatt  
By: Donald L. Wyatt, Jr.  
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