IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF ALABAMA
SOUTHERN DIVISION

In re: BENDER SHIPBUILDING & REPAIR CO., INC., Debtor.	Chapter 11 Case No. 09-12616 **Voting Deadline: [_____]** **Objection Deadline: [_____]** **Confirmation Hearing: [_____]**

DISCLOSURE STATEMENT REGARDING JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE PROPOSED BY THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS AND THE DEBTOR

Dated: September ~~21,~~ __, 2010

NOTHING CONTAINED IN THIS DOCUMENT SHALL CONSTITUTE AN OFFER, ACCEPTANCE OR A LEGALLY BINDING OBLIGATION OF THE DEBTOR, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, OR ANY OTHER PARTY IN INTEREST AS THE PLAN REMAINS SUBJECT TO APPROVAL BY THE BANKRUPTCY COURT AND OTHER CUSTOMARY CONDITIONS. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT BEEN APPROVED BY THE BANKRUPTCY COURT. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THE PLAN ATTACHED TO THIS DISCLOSURE STATEMENT IS NOT AN OFFER WITH RESPECT TO ANY SECURITIES OR SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN OF REORGANIZATION PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE. ANY SUCH OFFER OR SOLICITATION WILL BE MADE ONLY IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. YOU SHOULD NOT RELY ON THE INFORMATION CONTAINED IN OR THE TERMS OF THIS DISCLOSURE STATEMENT FOR ANY PURPOSE PRIOR TO THE CONFIRMATION OF THE PLAN BY THE BANKRUPTCY COURT. THE INFORMATION CONTAINED IN THE PLAN ATTACHED HERETO AND THE FINANCIAL AND OTHER INFORMATION CONTAINED HEREIN ARE PRELIMINARY, AND ADDITIONAL ANALYSIS, CONCLUSIONS AND OTHER DEVELOPMENTS ARE LIKELY TO OCCUR THAT WILL REQUIRE MODIFICATIONS, ADDITIONS, OR DELETIONS TO THE PLAN AND THE DISCLOSURE STATEMENT PRIOR TO SOLICITATION AND CONFIRMATION OF THE PLAN.

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The Official Committee of Unsecured Creditors and Bender Shipbuilding & Repair Co., Inc., the Debtor in this Bankruptcy Case, (collectively, the "Plan Proponent") jointly filed with the Bankruptcy Court (i) the *Joint Plan Of Liquidation Under Chapter 11 Of The Bankruptcy Code Proposed By The Official Committee Of Unsecured Creditors And The Debtor*, a copy of which is attached hereto as **Exhibit A** (the "Plan"), and (ii) this *Disclosure Statement Regarding Joint Plan Of Liquidation Under Chapter 11 Of The Bankruptcy Code Proposed By The Official Committee Of Unsecured Creditors And The Debtor* (the "Disclosure Statement"). The purpose of this Disclosure Statement is to provide sufficient information to enable creditors who are entitled to vote to make an informed decision about whether to vote to accept the Plan.

The Plan is the product of months of analysis by the Committee and its financial advisors followed by weeks of negotiations between the Committee and certain of the key creditor groups in the case. The negotiations culminated with a multi-day mediation before the Honorable Tamara O. Mitchell, a sitting bankruptcy judge in the United States Bankruptcy Court for the Northern District of Alabama, which resulted in settlements that were documented in the Term Sheet for Plan of Liquidation, executed by the Committee, GE, Marquette, and OSG, and the Related Party Term Sheet between such parties and Tom Bender and various other affiliates, insiders, and other parties related to the Debtor. These term sheets, which are attached to the Plan, are fully incorporated in and will be made effective by the Plan, subject to provisions in the Plan resolving any inconsistencies.

The Plan has the express support of the Debtor's primary secured creditors, GE, Marquette, and OSG (which is also the holder of one of the largest unsecured claims in the Bankruptcy Case). Although it is possible some creditors may oppose the Plan, the Committee and the Debtor have concluded that the Plan and the settlements incorporated herein reflect the most certain, fastest, and best way for creditors to obtain meaningful distributions in this Bankruptcy Case. **The Committee and the Debtor therefore strongly encourage creditors to vote to accept the Plan.**

I. INTRODUCTION

On June 9, 2009, GulfMark Offshore, Inc. ("GulfMark"), Louisiana Machinery Company, L.L.C., and Sirius Technical Services, Inc. filed an involuntary petition for relief under chapter 7 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the "Bankruptcy Code") against Bender Shipbuilding & Repair Co., Inc. (the "Debtor") in the United States Bankruptcy Court for the Southern District of Alabama, Southern Division (the "Bankruptcy Court").

On July 1, 2009, Bankruptcy Court converted the chapter 7 case to a case under chapter 11 of the Bankruptcy Code. The Debtor continues to liquidate its business and other assets and manage its property as Debtor- in- Possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

On July 22, 2009, the Bankruptcy Court entered an order appointing an official committee of unsecured creditors (the "Committee"). No trustee or examiner has been appointed in the Bankruptcy Case. Counsel for the Committee, Kelley Drye & Warren LLP, operates the following website to assist the Committee in exercising its informational duties under section

1102 of the Bankruptcy Code: https://kelleydrye.securespsites.com/bender/default.aspx. The website contains, among other things, filed proofs of claim, the Debtor's schedules of assets and liabilities and statement of financial affairs, and pleadings. Creditors and other parties in interest may also access the website.

On September 2, 2010, the Committee and the Debtor jointly filed the Plan and this Disclosure Statement in support of the Plan.

Most words or phrases used in this Disclosure Statement have their usual and customary meaning. Any capitalized terms used in this Disclosure Statement that are not specifically defined herein will be defined in Article 1 of the Plan. You should therefore read this Disclosure Statement together with Article 1 of the Plan to ensure that you fully understand the meaning of all terms used herein.

The Plan will be funded with (i) approximately $10.29 million in value arising from the settlement of the Estate's Claims against the Related Parties[1] (or the litigation of such claims if the Related Party settlement ultimately is not consummated), (ii) substantial direct and indirect contributions by GE, Marquette, and OSG that were offered in consideration of the treatment of their respective Claims herein (including receiving releases of Claims by the Estate and non-Debtor third parties as set forth below and further described in the Disclosure Statement), (iii) the deferment of millions of dollars in compensation by the Professionals of the Estate, (iv) the litigation of Claims against certain third parties, and (v) the liquidation of the Estate's remaining assets (including assets contributed by GE, Marquette, OSG, and the Related Parties that might otherwise not be available to make distributions to general unsecured creditors). The Plan implements settlements with GE, Marquette, OSG, and the Related Parties that are critical to provide and maximize recoveries to the holders of Allowed General Unsecured Claims.

The Committee and the Debtor estimate the tangible dollar value of the substantial contributions to be approximately $19.8 million.[2] In addition, there is substantial intangible value in the settlements that is difficult to quantify. For example, the settlements provide for immediate and direct access to tangible assets that otherwise might not be available, the elimination of significant risk to the Estate of potentially years of protracted litigation (and appeals) and the associated costs, and the contribution of claims against Tom Bender and the other Related Parties by GE, Marquette, and OSG, which aided in achieving the Related Party settlement. The tangible value of the GE, Marquette, and OSG contributions cannot be measured individually as they were interdependent and conditioned upon one another. The applicable legal standard thus mandates that the contribution be evaluated as an aggregate value together with the

[1] The Related Parties include, without limitation, Thomas B. Bender, Jr., Dina G. Bender (Tom Bender's Wife), Dina B. Middlekauff (Daughter of Tom Bender), Sarah B. Hon (Daughter of Tom Bender), Mary B. Barnett (Daughter of Tom Bender), David R. Barnett (Tom Bender's Son-In-Law), Charles O. Hon IV (Tom Bender's Son-In-Law), Jeffrey R. Middlekauff (Tom Bender's Son-in-Law), Leroy H. Benton III (Married to Tom Bender's First Cousin), Bender Ship Repair Company, Inc., Advance Technical Staffing Solutions, Inc., Bayou Marine, Carterdorman, LLC, Canal Street Properties, L.L.C., 363 Royal Properties, L.L.C., CE, L.L.C., Complete Equipment, Inc., Cutting Edge Metal Processing, Inc., NPT Corporation, Palmetto Properties, LLC, RAP, L.L.C., JobCrafters, Inc., Bruce J. Croushore, Joseph W. Mangin, Jr., Frank Terrell, Jr., Robert Beckmann, Thomas E. Ellison, and Danny C. Sellers.

[2] GulfMark Offshore has expressed its disagreement that this amount is "substantial."

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Related Party Contributions, which would have been unlikely realized without the agreement of GE, Marquette, and OSG to assign their guarantee and tort claims against the Related Parties so they could be aggregated with those of the Estate. For this reason, the tangible value of the substantial contributions is no less than $19.8 million. The actual value of the contributions is the difference between what creditors (other than GE, Marquette, OSG, and the Related Parties) would have received in a chapter 7 liquidation (which is expected to be zero for unsecured creditors) and what they will now receive under the Plan as summarized in the Estimated Ranges of Distribution chart in Section VIII(D) herein, which is between 1.5% to 19.2% of their Allowed Claims if all creditors opt into Class 7.

Contributor	**Summary of Property Contributed**	**~~Estimated~~Plan Proponent's Estimate of Value (not less than)**[3]
GE	1. Waiver of a portion of its secured claim. 2. Assignment of distributions on its administrative claims under section 507(b) and deficiency claims to other Class 7 creditors, who consent to the ~~non~~Non-Debtor ~~releases~~Releases. 3. Use of cash collateral (not included in estimated value). 4. Assignment to the Plan Administrator of its guarantees and tort claims against the Related Parties, which increased the value of the Related Party settlement (not included in estimated value).	$5,000,000
Marquette	1. Assignment of distributions on its secured claims for post-petition interest and fees (which includes interest at a default interest rate) to other Class 7 creditors who consent to the ~~non~~Non-Debtor ~~releases~~Releases. 2. Use of cash collateral (not included in estimated value). 3. Assignment to the Plan Administrator of its guarantees and tort claims against the Related Parties, which increased the value of the Related Party settlement (not included in estimated value).	$1,500,000
OSG	1. Assignment to the Plan Administrator of its interest in certain real properties ($2.1 million). 2. Assignment to the Plan Administrator of its guarantees and tort claims against the Related Parties. 3. Waiver of a portion of its unsecured claim as reduced to adjust for expected recoveries on the waived claims ($320,000 through claim reduction and $200,000 through not participating in Estate Share of OSG Contribution).	$2,620,000
Related Parties (including Tom Bender)	1. $1.44 million in cash. 2. Commercial real property valued at $8.5 million (approx.). 3. Life insurance policy with a $350,000 (approx.) cash value. 4. Waiver of approximately $5,000,000 in contract claims (e.g., by Job Crafters and other Related Parties) as reduced to adjust for expected recoveries on the waived claims.	$10,700,000
AGGREGATE TANGIBLE VALUE OF CONTRIBUTIONS		$19,820,000

The Debtor will remain in existence after the Effective Date, except that the Debtor's board of directors and management will no longer control the Debtor; instead, on the Effective Date, Scouler & Company, the Committee's financial advisors, will be appointed as the Plan Administrator. The Plan Administrator will be vested with the rights and obligations of a

[3] As stated above, GulfMark has expressed its disagreement that these amount are "substantial."

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chapter 11 trustee, subject to input from the Steering Committee, with the full power of a board or directors in accordance with an agreement that is consistent with the terms of the Plan. After final distributions are made, the Debtor will be dissolved under state law, the Plan Administrator will be relieved of its duties, and the Bankruptcy Court will enter a final decree closing the Bankruptcy Case. Tom Bender will remain available for consultation with the Plan Administrator, but will not be part of the Debtor's management. Tom Bender's equity interests in the Debtor will be canceled under the Plan as will all other equity interests.

The Plan Administrator will complete the liquidation of the Debtor's remaining assets, implement the terms of the Plan, and make distributions. The Plan contains a distribution mechanism referred to as a Waterfall whereby the Debtor's remaining assets and those assigned or otherwise transferred to the Plan Administrator, the Debtor, and/or the Estate under the settlements embodied in the Plan will be liquidated and distributed to the holders of Allowed Claims in accordance with the priorities under the Bankruptcy Code. In certain circumstances (e.g., Classes 4, 5 and 6), the priorities have been modified downward by consent of the negatively affected creditor. The Waterfall was developed using a multitude of factors that included where a creditor would fall in the priority scheme established under the Bankruptcy Code, whether a creditor in a single-creditor Class has valid and enforceable Liens on the Debtor's property, and whether the Estate has the ability to challenge those Liens and/or assert claim objections or other Causes of Action against the creditor, and if so, the relative strengths and weaknesses of those claims, objections, and defenses.

Creditors holding Allowed General Unsecured Claims were divided into two Classes (Classes 7 and 8). Class 7 includes holders of Allowed General Unsecured Claims who affirmatively accept the Plan or who do not vote such that they do not affirmatively vote to reject the Plan. Holders of Allowed Class 7 Claims shall be entitled to a Pro Rata Share of a portion of the proceeds of the settlement contributions from GE, Marquette, OSG, and the Related Parties. In contrast, Class 8 includes holders of Allowed General Unsecured Claims who vote to reject the Plan. Class 8 creditors will receive a substantially lower distribution consistent with (but still likely higher than) what they would have received if this were a liquidation under chapter 7 of the Bankruptcy Code. Even if a creditor votes to reject the Plan, it is possible the Plan could be confirmed anyway followed by the Plan with its release and exculpation provisions (including ~~non~~Non-Debtor ~~releases~~Releases) becoming effective and binding on the rejecting creditor. The Committee and the Debtor therefore encourage all holders of Allowed General Unsecured Claims to vote to accept the Plan. The risks associated with voting to reject the Plan and whether the Plan can and will be confirmed are described further in the Disclosure Statement.

The interplay between Classes 7 and 8 and the ~~non~~Non-Debtor ~~releases~~Releases contained in the Plan were based on conditions to the settlement contributions to be made by GE, Marquette, OSG, and the Related Parties. The settlements were conditioned on the contributors receiving releases of Claims by non-Debtor persons and entities arising from or related to transactions with the Debtor as further described below. The contributors have thus earmarked a significant portion of their contributions for distribution only to those creditors who support the Plan. Class 8 holders will still be entitled to a smaller portion of the settlement proceeds reflecting their Pro Rata Share of the estimated value of the released Claims and other Estate assets that would be otherwise distributable to unsecured creditors generally. This mechanism and the ~~non~~Non-Debtor ~~releases~~Releases are based on at least three legal principles: (i) the

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substantial contribution or "unusual circumstances" principles discussed by courts in determining whether non-debtor releases should be granted, (ii) only creditors who consent to a settlement of claims should be entitled to a distribution of the earmarked settlement proceeds, and (iii) the so-called gifting principle, whereby contributing parties may direct how their contribution will be distributed to creditors. **If you have Claims against persons and/or entities other than the Debtor that in any way arise from or are related to the Debtor or transactions therewith (including Claims arising from guarantees), they may be released under the Plan. If the Claims are in fact released, you will be prohibited from ever pursuing or collecting on them. You should therefore read the Plan carefully with a particular focus on Section VIII(L) below and Article 12 of the Plan.**

The Waterfall, the Class 7 and 8 mechanism, and the ~~non~~Non-Debtor ~~releases were determined~~Releases are believed by the Committee and the Debtor to be the ~~only~~most viable means to provide distributions to unsecured creditors while avoiding years of uncertain and expensive litigation without any clear source of funding that could ultimately prove unsuccessful.

This Disclosure Statement is provided pursuant to section 1125 of the Bankruptcy Code to all the known creditors of the Debtor. As noted above, the purpose of this Disclosure Statement is to provide sufficient information to enable creditors who are entitled to vote to make an informed decision about whether to vote to accept the Plan. This Disclosure Statement describes, among other things:

- how to vote on the Plan;
- the former business of the Debtor and the reasons the Bankruptcy Case was commenced;
- significant events that have occurred in the Bankruptcy Case;
- the Plan, how distributions under the Plan will be made and the manner in which Disputed Claims will be resolved;
- the procedure and requirements for confirming the Plan; and
- certain federal tax considerations.

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

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II. **A BRIEF OVERVIEW OF CHAPTER 11**.

Chapter 11 is the principal reorganization chapter under the Bankruptcy Code. Pursuant to chapter 11, a debtor is authorized to reorganize its financial affairs for its own benefit and that of its creditors. Unless otherwise ordered by the court, the Bankruptcy Code allows a debtor to remain in operation and to work out its financial difficulties. In a chapter 11 case, the debtor continues to manage its affairs as a debtor in possession and as a fiduciary to the creditors of the estate. Although chapter 11 is commonly used to reorganize a financially troubled company so it can emerge from bankruptcy as a viable business, it may also be used to provide a structured liquidation of a debtor's assets in such a way that will enhance the likelihood there will be distributions to creditors when compared to a liquidation under chapter 7 of the Bankruptcy Code or a dissolution under state law. The formulation of a plan or reorganization or liquidation is the primary purpose of a chapter 11 case. The plan is the vehicle for setting forth the means by which the debtor will satisfy parties who hold claims against or equity interests in the debtor.

Here, the Committee and the Debtor have determined that the Debtor is unable to continue in business and that the structured liquidation of the Debtor's assets under the Plan is the best method to liquidate the company and wind up its affairs. It is expected that there will be funds for meaningful distribution to unsecured creditors under the Plan. In contrast, the Committee and the Debtor do not believe it is likely that unsecured creditors would have a realistic chance of receiving anything approaching the level of distributions available to them under the Plan in the event of a chapter 7 liquidation or state law dissolution. In fact, with the risks, delay, costs, and uncertainty of litigation that would arise in a conversion to chapter 7 or a dismissal of the Debtor's case, the Committee and the Debtor believe there may not be any recovery to unsecured creditors in such event.

The commencement of a chapter 11 case creates an estate comprised of all of the legal and equitable interests that the debtor has in property as of the date the bankruptcy petition is filed. The filing of a petition also triggers the "automatic stay" provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides for a stay or an injunction against any attempt to collect a prepetition debt, claim or obligation from the debtor, or to otherwise interfere with its property or financial affairs. Unless the court orders otherwise, the automatic stay remains in full force and effect until a chapter 11 plan is confirmed.

The Bankruptcy Code authorizes the creation of an official creditors' committee to protect the interests of creditors. The fees and expenses of counsel and other professionals employed by such official committee are generally borne by the debtor's estate. In the Bankruptcy Case, the Committee has been formed to represent the collective interests of general unsecured creditors.

A chapter 11 plan may either be consensual or non-consensual, and provide, among other things, for the treatment of the claims of creditors and the interests of equity holders. The plan confirmation process, and the conditions for confirming either a consensual or non-consensual plan, are more fully described below.

After a plan is filed, the holders of claims or interests in a debtor whose claims or

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interests are proposed to be impaired (*i.e.*, adversely changed from the perspective of the holder) are permitted to vote to accept or reject the plan. Section 1125 of the Bankruptcy Code requires that prior to soliciting acceptances of the proposed plan, the debtor must prepare a disclosure statement which contains adequate information about the debtor, its assets and liabilities, and the plan, to enable a hypothetical, reasonable investor to make an informed judgment about the proposed plan. The Plan Proponent submits that this Disclosure Statement satisfies the requirements of section 1125 of the Bankruptcy Code.

Chapter 11 does not require that each holder of a claim against the debtor vote in favor of the proposed chapter 11 plan in order for the court to confirm the plan. The Bankruptcy Code defines acceptance of the plan by holders of a class of claims against the debtor as acceptance by at least two-thirds in dollar amount and more than one-half of the number of the holders of allowed claims in that class that actually vote. Holders of Claims in the Bankruptcy Case who fail to vote will not have their Claims counted in determining the outcome of the vote.

Classes of claims that are not "impaired" under a plan are presumed to have accepted the plan and, therefore, are not entitled to vote. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims of that class are modified. Acceptances of the Plan in the Bankruptcy Case are being solicited only from holders of Claims in impaired Classes that are not otherwise deemed to have rejected the Plan.

Even if all of the classes of claims accept a plan, the court may determine that the plan should not be confirmed if the plan does not meet the requirements of section 1129 of the Bankruptcy Code. This section requires, among other provisions, that a plan be in the "best interests" of creditors and "feasible" in order that it may be confirmed. The "best interests" test generally requires that the value of the consideration to be distributed to the holders of claims under a plan may not be less than what they would receive if the assets of the debtor were to be liquidated under a hypothetical liquidation pursuant to chapter 7 of the Bankruptcy Code (in which the debtor's estate is liquidated by a trustee under the statutory scheme set forth in chapter 7, not by a debtor in possession or a trustee under a plan). The court must also find that there is a reasonable probability that the debtor will be able to perform the obligations set forth in the plan, and that the debtor will be able to continue operations after confirmation without the need for further financial reorganization in order to fulfill the "feasibility" requirement under section 1129 of the Bankruptcy Code. The Plan Proponent believes that the Plan satisfies both of these requirements, as more fully discussed below.

Even though a creditor may choose not to vote or may choose to vote against a plan, the creditor will be bound by the terms and treatment set forth in the plan, if such plan is accepted by the required majorities in each class of claims entitled to vote on the Plan, or is otherwise confirmed by the court.

The proponent of a plan may seek confirmation of the plan under the so-called "cramdown" provisions of the Bankruptcy Code, in the event the requisite approval of impaired classes is not obtained. Pursuant to section 1129(b) of the Bankruptcy Code, a proponent may "cramdown" a plan against a non-accepting class of claims or equity interests, if the plan complies with all of the requirements of section 1129(a) (except section 1129(a)(8), which requires acceptance by all impaired classes), and the proponent establishes, among other things,

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that the plan is accepted by at least one impaired class of creditors, that the plan is fair and equitable, and that the plan does not unfairly discriminate. In the Bankruptcy Case, the Plan Proponent intends to request that the Bankruptcy Court confirm the Plan under the "cramdown" provisions of section 1129(b) of the Bankruptcy Code, in view of the fact that certain classes are considered rejecting ones for Plan voting purposes.

III. VOTING AND CONFIRMATION OF THE PLAN

A. Voting and Ballots

If one or more of your Claims is in a Class entitled to vote on the Plan, the Voting Agent (defined below) has enclosed one or more Ballots with return envelopes (WITHOUT POSTAGE ATTACHED) for voting to accept or reject the Plan. The Committee and the Debtor urge you to accept the Plan by completing, signing and returning the enclosed Ballot(s) in the return envelope(s) (WITH POSTAGE AFFIXED BY YOU), to the Voting Agent identified immediately below (the "Voting Agent"):

IF BY REGULAR MAIL, HAND DELIVERY OR OVERNIGHT COURIER:

Stewart F. Peck
Lugenbuhl, Wheaton, Peck, Rankin & Hubbard
601 Poydras Street, Suite 2775
New Orleans, LA 70130
Telephone: (504) 568-1990
Facsimile: (504) 310-9195

Every Ballot must be sent so that it is RECEIVED BY THE VOTING AGENT WITH AN ORIGINAL SIGNATURE (NOT A PHOTOCOPIED OR FACSIMILE SIGNATURE) NO LATER THAN 4:00 P.M., PREVAILING CENTRAL TIME, ON ~~OCTOBER~~NOVEMBER __, 2010 (the "Voting Deadline").

Detailed voting instructions are printed on and/or accompany each Ballot. Ballots must be received by the Voting Agent on or before the Voting Deadline, and any Ballot received after the Voting Deadline shall not be counted. Any unsigned Ballot or any Ballot that has no original signature, including any Ballot received by facsimile or other electronic means, or a Ballot with only a photocopy of a signature, shall not be counted. Any Ballot that is not clearly marked as voting for or against the Plan, or marked as both voting for and against the Plan, shall not be counted. Any Ballot that is properly completed and timely received shall not be counted if such Ballot was sent in error to, or by, the voting party, because the voting party did not have a Claim that was entitled to be voted in the relevant voting Class as of the Voting Record Date. Each holder of a Claim that is voting more than one Claim in a voting Class must vote all of its Claims within a particular voting Class either to accept or to reject the Plan, and may not split its vote in the same voting Class, and thus, a Ballot (or Ballots in the same voting Class) that partially rejects and partially accepts the Plan will not be counted. Whenever a holder of a Claim in a voting Class casts more than one Ballot voting the same Claim prior to the Voting Deadline, the last Ballot physically received by the Voting Agent prior to the Voting Deadline (or the first mail collection on the Voting Deadline, as the case may be) shall be deemed to reflect the voter's

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intent, and thus shall supersede and replace any prior cast Ballot(s), and any prior cast Ballot(s) shall not be counted.

On September 7, 2010, the Plan Proponent filed the *Motion ~~for~~For Order (A) Approving Disclosure Statement; (B) Fixing Voting Record Date; (C) Approving Solicitation And Voting Procedures With Respect To The Joint Plan Of Liquidation Under Chapter 11 Of The Bankruptcy Code Proposed By The Official Committee Of Unsecured Creditors And The Debtor; (D) Approving Form Of Solicitation Package And Notices; And (E) Scheduling Certain Dates In Connection Therewith* (the "Disclosure Statement Motion") (Docket No. 1179). On ~~September~~October __, 2010, the Bankruptcy Court approved the Disclosure Statement Motion and therefore the Plan Proponent has been authorized to and has provided you this Disclosure Statement, the Plan and the other materials that accompanied such documents as a critical part of the voting solicitation and Plan confirmation process.

B. **Confirmation Hearing**

The Bankruptcy Court will hold the Confirmation Hearing on ~~October~~December __, 2010 at 8:30 a.m. (Central Time) at the United States Bankruptcy Court for the Southern District of Alabama, Southern Division, 201 St. Louis Street, Mobile, Alabama 36602, before the Honorable Margaret A. Mahoney, United States Bankruptcy Judge. The Confirmation Hearing may be adjourned from time to time without further notice. At the Confirmation Hearing, the Bankruptcy Court will consider and determine (i) whether the requisite votes have been obtained for each Class entitled to vote under the Plan, (ii) the merits of any unresolved objections to the Plan, (iii) whether the Plan meets the confirmation requirements of the Bankruptcy Code, and (iv) whether to confirm the Plan.

Any objection to confirmation of the Plan must be in writing and filed with the Bankruptcy Court and served in a manner so as to be received on or before ~~October~~November __, 2010 at 4:00 p.m. (Central Time) by:

Counsel for the Debtor:

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P.O. Box 3083
Mobile, AL 36652-3083
Telephone: (251) 441-5435

IV. RECOMMENDATION

The Committee and the Debtor strongly recommend that you vote to ACCEPT the Plan. Your vote on the Plan is important. Non-acceptance of the Plan may result in protracted delays, a chapter 7 liquidation, or confirmation of an alternative chapter 11 plan. These alternatives may not provide for distribution of as much value to holders of Allowed Claims as does the Plan. The Committee and the Debtor believe that unsecured creditors will receive a greater distribution under the Plan than they would in a chapter 7 liquidation, as more fully discussed below.

V. IMPORTANT CONSIDERATIONS AND RISK FACTORS

A. Read this Disclosure Statement and the Plan Carefully

ALL CREDITORS ARE URGED TO CAREFULLY READ THIS DISCLOSURE STATEMENT, WITH ALL ATTACHMENTS AND ENCLOSURES IN THEIR ENTIRETY, IN ORDER TO FORMULATE AN INFORMED OPINION AS TO THE MANNER IN WHICH THE PLAN AFFECTS THEIR CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTOR, AND TO DETERMINE WHETHER TO VOTE TO ACCEPT THE PLAN.

YOU SHOULD ALSO READ THE PLAN CAREFULLY AND IN ITS ENTIRETY. THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF THE PLAN FOR YOUR CONVENIENCE, BUT THE TERMS OF THE PLAN ITSELF SUPERSEDE AND CONTROL.

B. The Plan Proponent has No Duty to Update

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE BY THE PLAN PROPONENT, 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 PLAN PROPONENT HAS NO DUTY TO UPDATE THIS DISCLOSURE STATEMENT.

C. No Representations Outside the Disclosure Statement are Authorized

NO REPRESENTATIONS CONCERNING OR RELATED TO THE DEBTOR, THE BANKRUPTCY CASE, 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

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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.

D. **All Information was Provided by the Plan Proponent, and was Relied Upon by Professionals**

ALL COUNSEL AND OTHER PROFESSIONALS FOR THE DEBTOR AND ITS ESTATE HAVE RELIED UPON INFORMATION PROVIDED BY THE PLAN PROPONENT IN CONNECTION WITH THE PREPARATION OF THIS DISCLOSURE STATEMENT. ALTHOUGH COUNSEL FOR THE PLAN PROPONENT HAS PERFORMED CERTAIN LIMITED DUE DILIGENCE IN CONNECTION WITH THE PREPARATION OF THIS DISCLOSURE STATEMENT, COUNSEL HAS NOT VERIFIED INDEPENDENTLY THE INFORMATION CONTAINED HEREIN.

E. **Projections and Other Forward Looking Statements are Not Assured, and Actual Results May Vary**

CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS, BY NATURE, FORWARD LOOKING, AND CONTAINS ESTIMATES AND ASSUMPTIONS WHICH MAY ULTIMATELY PROVE TO BE INCORRECT, AND CONTAINS PROJECTIONS WHICH MAY BE MATERIALLY DIFFERENT FROM ACTUAL FUTURE RESULTS. THERE ARE UNCERTAINTIES ASSOCIATED WITH ANY PROJECTIONS AND ESTIMATES, AND ALL SUCH PROJECTIONS AND ESTIMATES SHOULD NOT BE CONSIDERED ASSURANCES OR GUARANTEES OF THE AMOUNT OF FUNDS THAT MIGHT BECOME AVAILABLE FOR DISTRIBUTION, OR THE AMOUNT OF CLAIMS OR EQUITY INTERESTS IN THE VARIOUS CLASSES THAT MIGHT BE ALLOWED.

SPECIFICALLY, THE ALLOWED AMOUNT OF CLAIMS IN EACH CLASS COULD BE SIGNIFICANTLY MORE THAN PROJECTED, WHICH, IN TURN, COULD CAUSE DISTRIBUTIONS TO BE REDUCED SUBSTANTIALLY. IF SECURED TAX CLAIMS, OTHER SECURED CLAIMS, ADMINISTRATIVE EXPENSE CLAIMS, PRIORITY TAX CLAIMS, AND/OR OTHER PRIORITY CLAIMS EXCEED PROJECTIONS, FEWER ESTATE ASSETS OR NONE AT ALL MAY BE AVAILABLE FOR DISTRIBUTION TO THE HOLDERS OF GENERAL UNSECURED CLAIMS.

F. **This Disclosure Statement was Not Approved by the Securities and Exchange Commission**

ALTHOUGH A COPY OF THE DISCLOSURE STATEMENT HAS BEEN SERVED ON THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION ("SEC"), THIS DISCLOSURE STATEMENT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. NEITHER THE SEC, NOR ANY STATE REGULATORY AUTHORITY, HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE

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STATEMENT, THE EXHIBITS HERETO, OR THE STATEMENTS CONTAINED HEREIN, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

G. **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 HOLDER OF A CLAIM OR EQUITY INTEREST 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 SUCH PLAN.

H. **No Admissions Made**

NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY (INCLUDING, WITHOUT LIMITATION, THE DEBTOR), OR BE ADMISSIBLE IN ANY PROCEEDING OR MATTER INVOLVING THE DEBTOR OR ANY OTHER PARTY (INCLUDING, WITHOUT LIMITATION, UNDER FEDERAL RULE OF EVIDENCE 408, AND SIMILAR STATE RULES), OR DEEMED EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTOR, THE COMMITTEE OR ON HOLDERS OF CLAIMS OR EQUITY INTERESTS.

I. **No Waiver of Right to Object or Right to Recover Transfers and Estate Assets**

EXCEPT AS SPECIFICALLY PROVIDED FOR IN THE PLAN, ANY VOTE FOR OR AGAINST THE PLAN SHALL NOT CONSTITUTE A WAIVER OR RELEASE OF ANY CLAIMS OR RIGHTS OF THE DEBTOR (OR ANY PARTY IN INTEREST, AS THE CASE MAY BE) TO OBJECT TO THAT CREDITOR'S CLAIM, OR RECOVER ANY PREFERENTIAL, FRAUDULENT, OR OTHER VOIDABLE TRANSFER OR ESTATE ASSETS FROM SUCH CREDITOR, REGARDLESS OF WHETHER ANY CLAIMS OF THE DEBTOR OR ITS RESPECTIVE ESTATE ARE SPECIFICALLY OR GENERALLY IDENTIFIED HEREIN.

J. **Non-Debtor Releases and Voting to Reject the Plan May Result in Substantially Less Recovery**

IF YOU HAVE A CLAIM AGAINST PERSONS AND/OR ENTITIES OTHER THAN THE DEBTOR THAT IN ANY WAY ARISE FROM OR ARE RELATED TO THE DEBTOR OR TRANSACTIONS WITH THE DEBTOR, THEY MAY BE RELEASED UNDER THE PLAN ALONG WITH CLAIMS AGAINST THE DEBTOR. IF THE CLAIMS ARE IN FACT RELEASED, YOU WILL BE PROHIBITED FROM EVER PURSUING OR COLLECTING ON THEM. YOU SHOULD THEREFORE READ THE PLAN CAREFULLY

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WITH A PARTICULAR FOCUS ON SECTION VIII(L) BELOW AND ARTICLE 12 OF THE PLAN.

IF HOLDERS OF ALLOWED UNSECURED CLAIMS VOTE TO REJECT THE PLAN, THEY WILL RECEIVE A SUBSTANTIALLY LOWER DISTRIBUTION IF THE PLAN IS CONFIRMED OVER THEIR REJECTING VOTE. IF THE PLAN IS CONFIRMED, CREDITORS THAT VOTED TO REJECT THE PLAN WILL NOT SHARE IN A LARGE PORTION OF THE SETTLEMENT PROCEEDS BEING PROVIDED BY GE, MARQUETTE, OSG, AND THE RELATED PARTIES, YET THEY ARE STILL EXPECTED TO RECEIVE MODESTLY GREATER DISTRIBUTIONS UNDER THE PLAN WHEN COMPARED TO A CHAPTER 7 LIQUIDATION. THE COMMITTEE AND THE DEBTOR THEREFORE ENCOURAGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

K. Certain Risk Factors

HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE RISK FACTORS DISCUSSED HEREIN PRIOR TO VOTING ON THE PLAN. THESE RISK FACTORS, HOWEVER, SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN OR ITS IMPLEMENTATION.

L. Opposition to Confirmation by Certain Parties in Interest

GulfMark Offshore, Inc. After the Committee, GE, Marquette, OSG, and the Related Parties conducted multiple rounds of negotiations over a period of weeks and in a separate mediation, GulfMark was invited to participate in the mediation. The draft settlement term sheets were then shared with GulfMark, but no settlement with GulfMark was reached and GulfMark was, and remains opposed to the term sheets and the Plan because, among other things, the Non-Debtor Releases that are conditions of the settlements and that provide the value that will be distributed to creditors will foreclose any rights that a creditor may have to pursue direct litigation claims against persons or entities (such as Tom Bender) who will be released of liability if the Plan is confirmed. Regions Bank/Regions Equipment Finance, Caterpillar Financial Services Corporation, and Gulf Offshore Logistics ~~have~~had also expressed concerns over certain aspects of the Plan, which are discussed below. GulfMark has also indicated that it believes that it would do better in a chapter 7 liquidation and had joined in a motion by the Bankruptcy Administrator to convert the case to chapter 7, which motion has been held in abeyance pending the outcome of the confirmation hearing on the Plan. But as noted above, and as reflected in the attached Liquidation Analysis, the Committee and the Debtor disagree with GulfMark and believe the settlements are strongly in the best interest of creditors when considering all relevant factors, including whether they are fair and reasonable in light of the complexity, expense, and likely duration of litigation against the settling parties, the risk of the Estate losing the litigation, the possible difficulties of collecting on any judgment that might be obtained (which is important here at least with respect to the Related Parties), the substantial contributions being made by the settling parties that flow to all creditors (albeit in a lesser amount to rejecting unsecured creditors), and the merits of the claims being released by the settling parties, the Estate, and other non-Debtor parties being released. It is possible, however, that the Bankruptcy Court could find that the Plan is unconfirmable thereby preventing the Plan

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from becoming effective and perhaps leaving no alternative other than a chapter 7 conversion. Additionally, OSG, Marquette, and GE have certain rights that, if exercised, could likewise force a chapter 7 conversion. The Debtor (through its special counsel) and the Committee continue to analyze defenses to GulfMark's claims asserted in the Bankruptcy Case as well as potential claims, remedies, vote designation, and rights of setoff against GulfMark. A statement by GulfMark in opposition to the Plan and brief responses are in Section XII of this Disclosure Statement.

Caterpillar Financial Services Corporation. ("Caterpillar"). Caterpillar ~~has~~initially raised concerns, about whether the Plan will release (i) the direct loan obligations of VCMS, LLC (a Related Party) to Caterpillar obtained to fund the construction of two barges by Astilleros Bender in Mexico; (ii) the guarantee obligations of Astilleros Bender to Caterpillar in connection with same; and (iii) the guarantee obligations of Tom Bender to Caterpillar in connection with same. The Plan ~~seeks~~Proponent alleviated Caterpillar's concerns by clarifying that although the Plan does in fact seek to release Tom Bender's guarantee obligations to Caterpillar, ~~with~~ the other obligations described in (i) and (ii) ~~remaining unaffected. Although Caterpiller will lose its claim against Tom Bender, the Related Party Contribution mitigates the loss by enabling Caterpillar to receive more on its direct claim against the Debtor arising from the Debtor's guarantee of the loan to VCMS, LLC. Given the hundreds of millions in claims against Tom Bender that are likely to be asserted if this Plan is not approved, it is unlikely that the Tom Bender guarantee would have any meaningful value to Caterpillar even if it were to survive.~~ will remain unaffected by the Plan. Caterpillar no longer opposes the Plan.

Regions Bank/Regions Equipment Finance. ("Regions"). Regions has also raised concerns about whether the Plan will release (i) the liens and mortgages it has on properties owned by certain Related Parties~~, some of which~~ that will be transferred to the Estate under the Plan to be sold by ~~he Plan Administrator. The Plan seeks to release the obligations (if any) of certain individuals (including Tom Bender) who are~~the Plan Administrator; (ii) the direct lease and financing obligations between Complete Equipment, Inc. and CE, LLC and Regions; and (iii) any obligations of the Related Parties arising from guarantees ~~of the approximately $730,000 in outstanding fees and expenses claimed by Regions that are secured by such property. The Plan does not seek to avoid or otherwise eliminate or modify any of Regions' valid, perfected and enforceable liens on the property~~the Related Parties may have given to Regions to guarantee payment of obligations of non-Debtor entities. In response to Region's concerns, the Committee and the Debtor confirmed that the Plan does not seek to release the claims in clauses (i) and (ii), and any property transferred to the Debtor, its Estate or the Plan Administrator under the Plan will be transferred subject to any liens or security interests Regions holds to the same extent, priority, and validity as they had immediately prior to the transfer. The Plan does in fact seek to release the claims in clause (iii), but only as they relate to obligations arising out of the Related Parties' guaranties of Debtor's obligations to Regions. The Related Parties' guaranties of obligations owed to Regions by non-Debtor entities will not be affected in any way by the Plan. Because the property securing the balances owed to ~~Region~~Regions has value substantially greater than the outstanding debt, which is estimated to be no greater than $750,000, Regions will not be negatively affected by this treatment and will be paid once the property is liquidated by the Plan Administrator and Regions' liens and mortgages are satisfied.

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Gulf Offshore Logistics. ("GOL"). GOL has ~~raised~~likewise expressed concerns over the impact of the Non-Debtor Releases on GOL's claim against Tom Bender arising from a contract between GOL and the Debtor that Tom Bender guaranteed. The ~~Plan seeks~~Committee and the Debtor have confirmed that the Plan does in fact seek to release such guarantee claim. Although GOL will lose its claim against Tom Bender, the Committee and the Debtor believe that the Related Party Contribution mitigates the loss by enabling GOL to receive more on its direct claim against the Debtor arising from the Debtor~~'~~'s guarantee of the Debtor's obligations to GOL. Given the ~~hundreds of millions~~approximately $300 million in claims against Tom Bender that are likely to be asserted if this Plan is not approved, the Committee and the Debtor believe that any claims that GOL may have against Tom Bender directly will be so diluted that it is unlikely that the Tom Bender guarantee would have any meaningful value to GOL even if it were to survive. GOL and GulfMark have informed the Committee and the Debtor that they disagree with this conclusion.

United States of America. The United States has requested assurance that the non-Debtor injunction in the Plan does not apply to debts not dischargeable pursuant to 11 U.S.C. § 1141(d)(6) and 18 U.S.C. § 3613(e) and (f); to the rights of the United States Small Business Administration under the mortgage against property owned by Bender Ship Repair Company, Inc.; to the rights the United States may have under Title 26 U.S.C., including § 6672; under the Federal environmental laws against various of those persons and entities described as "Related Parties" in the Disclosure Statement and Plan; and does not apply to any liability of a "Related Party" to the United States for which the Related Party is primarily liable, including the Federal tax liabilities of a Related Party. The Plan Proponent is evaluating the request and anticipates resolving it through the Plan confirmation process.

M. **Bankruptcy Law Risks and Considerations**

1. *Confirmation of the Plan is Not Assured*

Although the Plan Proponent believes that the Plan (including its Debtor and non-Debtor release provisions) will satisfy all requirements necessary for confirmation under the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. There can also be no assurance that modifications to the Plan will not be required for confirmation, or that such modifications would not necessitate a resolicitation of votes. Additionally, if the conditions to confirmation set forth in the Plan are not satisfied or waived, the Plan may not, by its own terms, be confirmed by the Bankruptcy Court.

2. *Objection to Classifications*

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Plan Proponent believes that the classification of Claims and Equity are appropriate and comply with section 1122 of the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court would reach the same conclusion.

3. *The Effective Date Might Be Delayed or Never Occur*

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There can be no assurance as to the timing of the Effective Date or that it will occur. If the conditions precedent to the Effective Date set forth in the Plan have not occurred or been waived by the relevant parties in accordance with the Plan, the Plan may not become effective and the Confirmation Order could be vacated. In that event, no distributions would be made and the holders of Claims and Equity Interests would be restored to the status quo ante as of the moment before confirmation, and the Debtor's obligations for and in connection with Claims and Equity Interests would remain unchanged.

4. *Projections*

This Disclosure Statement contains the Plan Proponent's projections of Allowed Claims against the Estate. While the Plan Proponent believes that the projection of Allowed Claims is reasonable, there can be no assurance that such projections will be realized, and the amount of Allowed Claims could be significantly more than projected and the amount of distributable assets could be less than projected, resulting in a substantial reduction in the recoveries to creditors estimated herein. The liquidation of Estate assets, claims administration, and objection process may result in substantially different figures, which could have a material effect on distributions under the Plan. For example, the amount of funds ultimately distributable to creditors will be largely dependent on the amount of the claim pool after the claims objection process has concluded and the amounts realized through the sale of the Debtor's Mexican subsidiaries and/or their assets, the sale of various parcels of commercial real property in Mobile, Alabama, and recoveries on certain litigation claims against third parties. The projections are thus preliminary and subject to change and will be driven by market conditions and litigation results. The settlements with GE, Marquette, OSG, and the Related Parties have, however, significantly reduced the overall risks of litigation.

5. *Tax Considerations*

The tax consequences of the Plan will vary based on the individual circumstances of each holder of a Claim or Equity Interest. Accordingly, each holder of a Claim or Equity Interest is strongly urged to consult with his, her or its own tax advisor regarding the federal, state, and local tax consequences of the Plan.

VI. HISTORICAL INFORMATION

A. Company Organization and Equity Structure

Based in Mobile, Alabama since 1919, the Debtor was a builder of tugs, barges, drydocks and mid-sized ships and special purpose vessels. Bender-built vessels sail the world from the Far East to Africa and from Alaska to South America. The Debtor also had drydocking and repair facilities that could handle virtually any size ship that can pass through the Panama Canal.

The Debtor is an Alabama corporation. The Debtor is the parent corporation and direct owner of 100% of the voting equity in Bender International, Inc., a U.S. Virgin Islands entity. The Debtor is also the parent corporation and direct owner of 95% of the voting equity in each of the following four subsidiaries: (i) Astilleros Bender; (ii) Inmobillaria Dos Nacciones, S. de R.L. de C.V.; (iii) Servicios Administratives Panuco, S. de R.L. de C.V.; and (iv) Sorporte

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Operativo Dos Nacciones S. de R.L. de C.V., which are each organized under the laws in Mexico The remaining 5% of the voting equity in these subsidiaries is owned by Tom Bender. Astilleros Bender operates a working shipyard in Tampico, Mexico and owns one floating drydock, leases the AB DF 2 drydock from the Debtor, and owns certain shipyard operating equipment. Inmobillaria Dos Nacciones, S. de R.L. de C.V. owns the real property on which Astilleros Bender operates. The other two Mexican subsidiaries hold no material assets.

Bender Ship Repair Company, Inc. (25.46%), Tom Bender (45.28%), T. E. Ellison, Sr. (3.63%), and the Estate of Mrs. T.B. Bender, Sr. (25.63%) collectively hold 100% of the voting equity in the Debtor. Tom Bender (51.43%), Dina Bender Middlekauff (16.19%), Mary Bender Barnett (16.19%), Sarah Bender Hon (16.9%) collectively hold 100% of the voting equity in Bender Ship Repair Company, Inc., a non-Debtor affiliate.

B. **Capital Structure / Key Pre-Petition Secured Debt**

The Debtor's business was funded primarily through a factoring arrangement with Marquette and borrowing under two facilities that were assigned to GE. The Plan Proponent believes that the secured claims of Regions Bank have been satisfied.

Prior to the Involuntary Date, Marquette provided cash advances to the Debtor pursuant to: (i) the Amended and Restated Account Transfer Agreement, dated as of September 29, 2006, between the Debtor and Marquette, as amended by the First Amendment to Amended and Restated Account Transfer Agreement, executed September 18, 2007; (ii) a Letter of Credit Agreement, dated as of December 31, 2004, between the Debtor and Marquette, as amended; (iii) certain real estate mortgages; and (iv) the Amended and Restated First Preferred Fleet Mortgage, dated as of December 31, 2004, between the Debtor and Marquette, recorded as Document No. 3154304 with the National Vessel Documentation Center, covering two vessels (Vessel ARD-16 (Official Number 654208) and Vessel Quarters Boat 4501 (Official Number 1036467)) (collectively, the "Pre-Petition Marquette Transaction Agreements"). To secure obligations under the Pre-Petition Marquette Transaction Agreements, Marquette filed various UCC-1 financing statements covering substantially all of the Debtor's present and future inventory, equipment, accounts, account and contract rights, contracts, drafts, acceptances, documents, instruments, chattel paper, deposit accounts, general intangibles, and products and proceeds thereof, including returned or repossessed goods and all books and records pertaining to any of the foregoing. As of the Involuntary Date, the Debtor owed Marquette approximately $10 million. As of the Conversion Date, the Debtor owed Marquette approximately $9.9 million. As of the date of this Disclosure Statement, the Debtor owed Marquette approximately $5.6 million after including additional borrowings under the post-petition financing provided by Marquette (discussed below) and paydowns from collateral sales. The amount Marquette will be owed after the funds in the Marquette Blocked Account (as defined in the Plan) are paid to Marquette will be just under $3 million after being reduced by the approximately $1.5 million claim reduction that is part of Marquette's contribution under the global settlement.

Prior to the Involuntary Date, GE Capital Corporation ("GE Capital") took an assignment of a claim arising from financing provided to the Debtor pursuant to the Credit Agreement, dated as of March 30, 2006, among the Debtor, the other credit parties signatory thereto, GMAC Commercial Finance LLC ("GMAC") (predecessor in interest to GE Capital), as

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Agent and Lender, and the Lenders from time to time signatory thereto (as amended, modified or supplemented through the Involuntary Date, the "Pre-Petition GE Credit Agreement").

Prior to the Involuntary Date, GE Business Financial Services Inc. ("GE Business Financial") took an assignment of a claim arising from financing provided to the Debtor pursuant to the Loan and Security Agreement, dated as of August 16, 2006, between the Debtor and Merrill Lynch Capital, a Division of Merrill Lynch Business Financial Services Inc. (predecessor in interest to GE Business Financial) (the "Pre-Petition GE Loan and Security Agreement," and collectively with the Pre-Petition GE Credit Agreement, the "Pre-Petition GE Loan Agreements"). GE Capital and GE Business Financial are referred to herein and in the Plan as "GE").

Tom Bender, Bender Ship Repair Company, Inc., and Astilleros Bender are, among other things, guarantors under the Pre-Petition GE Credit Agreement. Specifically, under the Pre-Petition GE Credit Agreement, Astilleros Bender agreed to guarantee up to approximately $5.8 million to GE Capital.

GE filed a proof of claim in the amount of $30,795,035.94, which has been paid down with the proceeds from collateral sales in the amount of $17,956,629.70, leaving a current pre-petition balance of $12,838,406.26. GE's DIP Replenish Allocation (as defined in the Plan) is $3,175,476.52.

In March 2006, the Debtor and Astilleros Bender entered into a certain Time Charter Agreement (the "AB DF 2 Lease") for the use of the AB DF 2 drydock, a U.S. flag vessel with official number 1176102. On March 31, 2006, the Debtor and GMAC, as Agent, entered into the First Priority Ship Mortgage in the amount of $21,108,000 (the "AB DF 2 Mortgage"), which covered the AB DF 2. Also on March 31, 2006, the AB DF 2 Mortgage was recorded with the USCG's National Vessel Documentation Center. Effective December 15, 2006, GMAC assigned its interest in the AB DF 2 Mortgage to GE Capital.

On or about December 12, 2003, the Debtor transferred the ARD 10 drydock, a U.S. flag vessel with official number 560269, to Astilleros Bender. On March 31, 2006, Astilleros Bender and GMAC, as Agent, entered into the First Priority Mexican Maritime Mortgage in the principal amount of $5,808,000 (the "ARD 10 Mortgage"), which purportedly covered the ARD 10 drydock. Effective January 23, 2007, GMAC assigned its interest in the ARD 10 Mortgage to GE Capital.

C. **Events Leading to Chapter 11**

The Debtor's ~~bankruptcy case~~Bankruptcy Case was caused by the confluence of factors, including a lack of funds to service its indebtedness and ordinary course operations. The Committee alleged that the Debtor may have inefficiently or improperly managed its affairs, including relationships with affiliated entities. The Debtor was also unable to complete the construction of several new vessels for OSG and GulfMark as a result of substantial cost overruns that ~~led to the~~ ultimately led to the failure of the underlying shipbuilding contracts. As a result, OSG terminated its contracts, abandoned all further construction by the Debtor, and under a termination agreement with the Debtor, took possession of the incomplete vessels

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approximately 88 days before the involuntary bankruptcy petition was filed. GulfMark~~'s~~ has alleged that its agreements with the Debtor were also breached, but no agreement was reached on the disposition of the GulfMark work in progress before the bankruptcy filing. The partially constructed GulfMark hulls remain in the Debtor's possession, and the Committee, the Debtor, and other parties believe they belong to the Debtor while GulfMark believes it holds title to them. In the months preceding the bankruptcy filing, the Debtor had also fallen behind on many of its other secured and unsecured financial obligations. Ultimately, on June 9, 2009, GulfMark and three other creditors filed an involuntary chapter 7 bankruptcy petition against the Debtor. The Debtor ultimately consented to the bankruptcy filing and the case was converted to chapter 11 effective July 1, 2009.

VII. THE BANKRUPTCY CASE

A. First Day Motions

On the Conversion Date, the Debtor filed a number of motions seeking entry of so-called "first day" orders intended to facilitate the Debtor's transition into chapter 11 by approving certain regular business conduct for which approval of the Bankruptcy Court is required. The first day hearing was held on July 1, 2009.

The first day orders entered by the Bankruptcy Court consist of the following:

- approval of $300,000 in post-petition financing from Tom Bender, to fund the Debtor's payroll (Docket No. 82);
- payment of employee's accrued pre-petition wages and salaries (Docket No. 84);
- payment of workers' compensation claims (Docket No. 83); and
- interim approval of use of cash collateral (Docket No. 85).

B. Material Developments in the Bankruptcy Case

1. *Debtor-in-Possession Financing*

On September 22, 2009, the Bankruptcy Court entered an interim order (the "Interim Order") approving a $1.5 million advance from Petrus Private Investments ("Petrus") pursuant to a priming debtor-in-possession credit facility (the "Petrus DIP") (Docket No. 392). All objections to the entry of a final order approving the Petrus DIP were expressly preserved in the Interim Order.

Several parties filed objections to the Petrus DIP. GE and Marquette, for example, argued that it had not been satisfactorily established that the Debtor was in need of debtor-in-possession financing and specifically in need of the Petrus DIP (Docket Nos. 463 and 464). Other constituencies, including the Committee, supported the Petrus DIP.

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In order to avoid litigation with its secured lender constituencies, on October 12, 2009, the Debtor filed a motion for entry of an order authorizing the Debtor to (a) execute a fee letter, (b) obtain interim replacement debtor-in-possession financing with GECC and Marquette, granting security and administrative priority (the "DIP Financing"), and (c) terminate and pay off the Petrus DIP (Docket No. 489). On November 3, 2009, the Bankruptcy Court entered a final order approving the DIP Financing in the aggregate amount of $6.0 million (Docket No. 560).

Later in the case, the Bankruptcy Court entered an *Order ~~on~~On General Electric Capital Corporation ~~and~~And GE Business Financial Services Inc.'s (1) Motion Pursuant to Section 105 ~~of the~~Of The Bankruptcy Court ~~for~~For Approval ~~of~~Of Distribution ~~of~~Of Proceeds ~~from the~~From The Sale ~~of the~~Of The Debtor's Repair Business ~~and~~And (2) Motion ~~for~~For Expedited Hearing Regarding Same*, dated as of May 28, 2010 (Docket No. 1078) (the "RMS Proceeds Order"), which permitted the Debtor to release certain funds from the sale of its Restructured Mobile Shipyard (discussed below) to effectively paydown the DIP Financing and avoid future interest accrual. Pursuant to RMS Proceeds Order, the DIP Current Indebtedness was paid from the sale proceeds of the RMS, rather than from the Debtor's Unencumbered Assets; provided, however, that the Debtor's Unencumbered Assets (and all assets pledged under the DIP Credit Agreement) would continue to be liquidated and used to replenish the sale proceeds of the RMS that satisfied the DIP Current Indebtedness. The Plan provides for the foregoing.

2. *Sale of the Debtor's Assets*

After it was determined that the Debtor could no longer continue its business, the Debtor, with the support of the Committee, began an orderly liquidation of its assets. Global Hunter Securities served as the Debtor's investment banker in connection with the larger asset sales that have been completed to date.

a. Restructured Mobile Shipyard

The Restructured Mobile Shipyard (the "RMS") consisted of the Debtor's core assets for its repair business, with capability to conduct certain new construction projects. Key properties included six ~~(6)~~ yards with approximately 26 acres of total operating area. The RMS covered approximately 3,300 feet of deep-water frontage accessed by a 42-foot deep channel from the Gulf of Mexico. The ~~Restructured Mobile Shipyard~~RMS also included three (3) steel floating dry docks with lifting capacity up to 24,000 tons, which can accommodate all sizes of vessels up to, and including, Panamax class with over 600 feet in overall length.

On December 15, 2009, the Debtor filed a motion for (a) entry of an order (i) authorizing the sale of the RMS, the assumption and assignment of certain contracts, and the assumption and assignment of certain unexpired leases, to Vision Technologies Marine, Inc. ("VTM") or other successful bidder(s) at auction, free and clear of all liens, claims, encumbrances and interests, and (ii) approving the asset purchase agreement, dated as of December 14, 2009, between the Debtor and VTM (the "Purchase Agreement"), and (b) entry of an order (i) approving bidding procedures and certain bid protections in connection with the sale (the "Bidding Procedures"), including the break-up fee, expense reimbursement, and overbid

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amount, (ii) approving the form and manner of the sale notice package, and (iii) setting a date for a hearing to approve the Sale (Docket No. 617).

The Committee generally supported the Debtor's efforts to liquidate the RMS and VTM's willingness to serve as a stalking horse with a purchase price of $21 million. The Committee, however, argued that the proposed $1.25 million break-up fee and expense reimbursement were unreasonably high in the context of a $21 million transaction as it represented 5.95% of the value of the transaction. The Committee successfully negotiated a $450,000 reduction in the break-up fee and expense reimbursement required by VTM and authorized by the Debtor in connection with the sale.

At an auction conducted by the Debtor's counsel and held on January 15, 2010, and after spirited bidding between Signal International, Inc. ("Signal") and VTM with the bidding going from an initial bid of $21 million to a final bid of $31.25 million, Signal was deemed to be the successful bidder. On January 28, 2010, the Bankruptcy Court entered an order approving the sale of the RMS to Signal (Docket No. 746). Prior to the entry of the order approving the sale of the RMS, creditors holding liens and security interests had agreed to an allocation of the RMS sale proceeds and those proceeds were subsequently distributed and applied to outstanding indebtedness owed to such creditors (subject to the reservation of certain rights of the Committee).

b. Cutting Edge Metal Processing Division

The Debtor believed that its Cutting Edge Metal Processing Division was one of the most efficient and technologically advanced steel plate processing facility in the U.S. encompassing a total area of 62,500 connected square-feet. The facilities included two 75' by 330' bays; one for steel plate storage and one for production. A third bay, 50' by 150,' housed the stiffener operation. The Cutting Edge Metal Processing Facility had the capability to offer a full service of material processing with accurate shaping, cutting, and forming to reduce wasted metal and cost.

The Debtor, through Global Hunter Securities, marketed the facility and on February 25, 2010, the Debtor filed a motion requesting authority to enter a letter of intent regarding the sale of the Cutting Edge Metal Processing Division to Ryerson, Inc. ("Ryerson") for the purchase price of $1.9 million (Docket Nos. 791 and 796). At an auction held on May 14, 2010 and conducted by the Debtor's counsel, in which Triple S Steel Holdings, Inc. ("Triple S") also participated, and after spirited bidding between Triple S and Ryerson, Ryerson was deemed to be the successful bidder with a bid of $3.486 million. On May 18, 2010, the Bankruptcy Court entered an order approving the sale of the Cutting Edge Metal Processing Division to Ryerson (Docket No. 1052). The net sales proceeds were subsequently distributed to Marquette and GE (subject to the reservation of certain rights of the Committee).

c. ARD-16 Drydock

On March 12, 2010, the Debtor filed a motion for an order approving the sale of the Debtor's ARD-16 drydock and certain equipment located in Mobile, Alabama to Gulf Marine Repair Corporation ("Gulf Marine"), free and clear of all liens, claims, encumbrances and

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interests for the total purchase price of $663,800 (Docket No. 831). On April 20, 2010, the Bankruptcy Court entered an order approving the sale of the ARD-16 drydock and equipment to Gulf Marine (Docket No. 965). The net sales proceeds were distributed to Marquette (subject to the reservation of certain rights of the Committee) to be applied against the secured indebtedness owed to Marquette by the Debtor.

d. Myron Bowling Auction

On March 15, 2010, the Debtor filed a motion for an order approving and authorizing the Debtor to enter into ~~the~~ an agreement with Myron Bowling Auctioneers, Inc. to conduct a public auction of miscellaneous shipyard equipment to be held on or before May 12 and 13, 2010 (Docket No. 838). The auction yielded approximately $3 million in sale proceeds. The net sales proceeds from the auction were primarily distributed to Marquette (subject to the reservation of certain rights of the Committee) in payment of indebtedness owed to Marquette and in discharge of Marquette's security interest against the equipment sold at the auction.

e. Mexican Subsidiaries

The Debtor has been marketing its shipyard business in Tampico, Mexico, which is owned by certain of its non-Debtor Mexican subsidiaries discussed above. The Debtor has yet to sell these assets, but will continue to market them before and after the Effective Date so that the proceeds can be used to fund distributions to creditors in accordance with the Plan.

3. *The Adversary Proceedings and Key Estate Litigation Claims*

a. *GulfMark Offshore, Inc. v. Bender Shipbuilding & Repair Co., Inc. et al.* (Adv. Pro. No. 09-01094)

On September 11, 2009, GulfMark commenced an adversary proceeding against the Debtor seeking a declaratory judgment that certain equipment and materials related to the construction of three unfinished vessels under a shipbuilding contract (Hull Nos. 8184, 8188, and 8192) (the "GulfMark Hulls") are the property of GulfMark as a matter law and contract. Marquette, Louisiana Machinery Company ("Louisiana Machinery"), Sirius Technical Services, Inc. ("Sirius"), and the Committee intervened in the action.

On or about July 31, 2007, GulfMark and the Debtor entered into the shipbuilding contract that had an original contract price of $75 million, which was subsequently increased to $76.5 million. GulfMark made payments under the shipbuilding contract. On October 13, 2008, GulfMark and the Debtor entered into ~~a~~ change order #7004, which altered the payment schedule under the shipbuilding contract. By March 18, 2009, GulfMark had made approximately $44 million in payments under the shipbuilding contract. On March 19, 2009, GulfMark issued to the Debtor a written declaration of default under the shipbuilding contract. The Debtor disputed the alleged default and contended that GulfMark's stopping of payments was itself a default by GulfMark. On June 9, 2009, GulfMark, and two other creditors of the Debtor filed an involuntary chapter 7 bankruptcy petition against the Debtor.

GulfMark contends that by virtue of the terms of the shipbuilding contract and change order #7004, GulfMark is the owner of all of the goods, materials and equipment

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purchased by the Debtor in the performance of the shipbuilding contract, including the GulfMark Hulls. GulfMark further contends that GulfMark is the holder of a special interest in the GulfMark Hulls as the goods to be manufactured by the Debtor ~~are~~were unique and ~~were~~ specifically identified to the shipbuilding contract between the parties.

The Debtor and others deny that GulfMark holds title to the GulfMark Hulls. To the extent that the Debtor is determined not to have title to the hulls, the Debtor counterclaims that (a) it holds a lien on the ~~Gulf Mark~~GulfMark Hulls pursuant to (i) the terms of the parties' shipbuilding contract and the various change orders, (ii) the Alabama Watercraft Lien Act, (iii) Alabama common law, and/or (iv) Alabama's Uniform Commercial Code; and (b) any lien asserted by GulfMark on the GulfMark Hulls is avoidable as a preferential transfer under section 547 of the Bankruptcy Code.

Marquette claims it holds a perfected security interest upon the GulfMark Hulls pursuant to the Account Transfer Agreement that granted Marquette a valid and enforceable continuing security interest and lien in and to, without limitation, all of the Debtor's present and future inventory, equipment, accounts, account and contract rights, contracts, drafts, acceptances, documents, instruments, chattel paper, deposit accounts, general intangibles, and products and proceeds thereof, including returned or repossessed goods and all books and records pertaining to any of the foregoing.

Louisiana Machinery claims that it owns two engines that it delivered to the Debtor for use on the GulfMark Hulls, but for which it did not receive payment. Alternatively, Louisiana Machinery claims that it holds a lien on the engines under the Alabama Watercraft Lien Act ~~(Alabama Code § 35-11-60)~~. These claims have been disputed by the Debtor and others.

Sirius claims it holds a lien upon the GulfMark Hulls under the Alabama Watercraft Lien Act because Sirius provided technical services in connection with the construction of the GulfMark hulls but did not receive payment.

The Committee seeks to protect the Debtor's interest in the GulfMark Hulls.

On March 1, 2010, Louisiana Machinery filed a motion for summary judgment (Docket No. 48). GulfMark, the Debtor, and Marquette each filed oppositions to Louisiana Machinery's motion (Docket Nos. 68, 67, 69). On April 16, 2010, the Bankruptcy Court entered an order denying Louisiana Machinery's motion (Docket No. 78), and Louisiana Machinery appealed. Meanwhile, the Bankruptcy Court granted the Debtor authority to sell the GulfMark Hulls with the proceeds to be subject to the parties' respective interests in them. The Debtor conducted a sale process, but there were no qualifying offers received at that time. ~~It is expected that the GulfMark Hulls will be marketed and sold with the proceeds to be distributed pursuant to the Plan (assuming the Bankruptcy Court rules that the Debtor owns them) or escrowed pending a ruling on title.~~

The Plan Proponent intends to market the GulfMark Hulls so they can be sold. If the Plan is confirmed, the proceeds will be distributed under the Plan. The Plan Proponent will request that the Bankruptcy Court resolve the dispute over title to the GulfMark Hulls at the

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Confirmation Hearing. Gulmark opposes the resolution of this question as part of the confirmation process. The Debtor, the Committee, and Marquette contend that any legal or equitable interest that any party may hold in the GulfMark Hulls (or any part of them) is subject to a long-standing senior security interest held by Marquette on the Debtor's inventory and work in progress. Marquette, the Debtor, and the Committee believe that even if GulfMark were given legal or equitable title to the GulfMark Hulls (or any party of them), it would be subject to Marquette's security interest because any grant of title could not have constituted a transaction made in the ordinary course of business under prevailing law. Under the Tier 1 Term Sheet, assuming it is approved though confirmation of the Plan, the Committee, which was the only party with standing to challenge Marquette's security interest, will consent to its validity. The Bankruptcy Court will have jurisdiction to foreclose the rights of any holder of a junior lien or ownership interest in the GulfMark Hulls because the foreclosure process will bring value from the GulfMark Hulls into the Estate under the Marquette Contribution made under the Tier 1 Term Sheet. If the Bankruptcy Court determines that the value of the GulfMark Hulls exceeds the value of the senior security interests or liens on them, the Bankruptcy Court may also resolve the title dispute as part of the Plan confirmation process.

b. *GulfMark Offshore, Inc. v. Bender Shipbuilding & Repair Co., Inc. et al.* (Adv. Pro. No. 09-01125)

On November 24, 2009, GulfMark commenced an adversary proceeding against the Debtor, Tom Bender, and other officers and directors of the Debtor, Bruce J. Croushore, David Barnett, Joseph W. Mangin, Jr., and Frank Terrell, alleging (a) against the Debtor, claims of (i) breach of contract, (ii) accounting, (iii) declaratory judgment, (iv) detinue, (v) constructive trust, and (vi) unjust enrichment; (b) against Tom Bender, claims of (i) suppression, and (ii) negligent misrepresentation; and (c) against Tom Bender, Bruce J. Croushore, David Barnett, Joseph W. Mangin, Jr., and Frank Terrell, a claim of breach of fiduciary duty.

The Committee sought intervention in the action, but the Bankruptcy Court deferred ruling on intervention pending the results of the global settlement effort described herein. The Committee also objected to the Debtor's attempt to employ the law firm of Brady Radcliff & Brown LLP to represent the officers and directors as an improper use of Estate resources (Main Case Docket No. 574), and the Bankruptcy Court agreed.

On December 31, 2009, Bruce J. Croushore, David Barnett, Joseph W. Mangin, Jr., and Frank Terrell filed a motion to dismiss GulfMark's claim against them for breach of fiduciary duty (Docket No. 6). On February 24, 2010, the Bankruptcy Court entered an order dismissing GulfMark's breach of fiduciary duty claim against these officers and directors ruling that GulfMark, as a creditor, did not have a right to assert a direct claim for breach of fiduciary duty because under Alabama law, corporate directors and officers do not owe fiduciary duties to corporate creditors. (Docket No. 19).

On February 2, 2010, Tom Bender filed a motion to dismiss the claims against him for breach of fiduciary duty and suppression (Docket No. 9). On March 22, 2010, the Bankruptcy Court entered an order dismissing GulfMark's breach of fiduciary duty claim against Tom Bender for the reasons in the February 24, 2010 order (Docket No. 22). The Bankruptcy Court declined to dismiss GulfMark's suppression claim against Tom Bender (Docket No. 22).

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The Estate's claims against the officers and directors will be released under the settlement contemplated under the Related Party Term Sheet, which is incorporated in the Plan, assuming the settlement is ultimately consummated. If not, the claims will be litigated by the Plan Administrator.

c. *The Official Committee of Unsecured Creditors v. Marquette Business Credit, Inc.* (Adv. Pro. No. 09-01144)

On December 21, 2009, the Committee commenced an adversary proceeding on behalf of the Estate against Marquette challenging certain of Marquette's security interests in the Debtor's assets, seeking avoidance of certain transfers, and asserting equitable subordination claims. Certain of the Committee's claims arise out of Marquette's receipt of a $14 million paydown received in connection with transactions under the Termination Agreement (defined below). In light of the risk, delay, and cost associated with litigating these claims, in the Committee's judgment, the value the Estate will receive from the settlement of these claims under the Plan justifies the release of the claims when the Plan becomes effective.

d. *The Official Committee of Unsecured Creditors v. General Electric Capital Corp. and GE Business Financial Services, Inc.* (Adv. Pro. No. 09-00145)

Also on December 21, 2009, the Committee commenced an adversary proceeding on behalf of the Estate against GE challenging, among other things, GE's alleged security interest in the AB DF 2 drydock. The Committee's claims arise out of a complex series of transactions between the Debtor and certain of its insiders, affiliates, and lenders that give rise to causes of action, some of which squarely constitute property of the Debtor's estate and others that could ultimately be deemed property of the estate if the assets and liabilities of Astilleros Bender are substantively consolidated or otherwise combined with the Debtor's estate. In light of the risk, delay, and cost associated with litigating these claims, in the Committee's judgment, the value the Estate will ~~received~~receive from the settlement of these claims under the Plan justifies the release of the claims when the Plan becomes effective.

e. *St. Paul Fire & Marine Insurance Company et al. v. Seacor Marine LLC, et al.* (Adv. Pro. No. 09-01077) and Related Litigation

In October 2005, the Debtor and Seacor Marine LLC ("Seacor") entered into a construction contract, as amended, for the construction of six-anchor handling towing vessels. In May 2008, one of the vessels, the M/V Seacor Sherman, was substantially destroyed in a fire. Subsequently, a dispute arose between Seacor and the Debtor over whether the vessel was a constructive total loss and whether Seacor was entitled to insurance proceeds for the loss. As a result, on March 13, 2009, Seacor commenced an action against the Debtor and Tom Bender in the United States District Court for the Northern District of Alabama (*Seacor Marine LLC v. Thomas B. Bender, Jr., et al.*, ~~(~~09-cv-0504-AKK)~~ (N.D. Ala.)).~~ .

In June 2009, the Debtor initiated an adversary proceeding to enjoin Seacor from drawing on a $5 million letter of credit issued by Regions Bank to Seacor as the payee, with

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Bender as the customer/obligor (*Bender Shipbuilding & Repair, Co., Inc. v. Seacor Marine LLC and Regions* Bank, (Adv. Pro. No. 09-01064)). In July 2009, the Bankruptcy Court denied the motion and dismissed the Debtor's complaint. The Debtor appealed and Regions Bank joined in the appeal. On March 2, 2010, the United States District Court for the Southern District of Alabama affirmed the Bankruptcy Court's decision. Subsequently, the Debtor and Regions Bank appealed to the Eleventh Circuit Court of Appeals.

On June 22, 2009, Seacor filed an action in the United States District Court for the Northern District of Alabama against Regions Bank asserting that Regions Bank had wrongfully dishonored the letter of credit and that the decisions rejecting Regions Bank's and the Debtor's defenses to payment in the adversary proceeding were binding on Regions Bank (*Seacor Marine LLC v. Regions Bank,* 09-cv-1256-VEH*)*.

On July 31, 2009, certain underwriters commenced an adversary proceeding against Seacor and the Debtor to resolve Seacor's and the Debtor's competing claims for the proceeds of the insurance policy related to the damage of the M/V Seacor Sherman.

After mediation and protracted negotiations, Seacor, the Debtor, and the underwriters settled the dispute. On June 4, 2010, the Bankruptcy Court approved the settlement among the Debtor, Seacor, and the underwriters, which resolved the adversary proceeding and three related actions and appeals. On June 11, 2010, the Bankruptcy Court entered an order approving the settlement (Main Case Docket No. 1102, Docket No. 165). The settlement provided for:

- Dismissal of Seacor's claim that it is entitled to payment under the $5 million letter of credit issued by Regions Bank. As a result, the actions arising from Seacor's request to draw on the letter of credit were dismissed with prejudice.

- Assignment of a $9.3 million claim to the Debtor to seek recovery against third parties for damage to the M/V Seacor Sherman (the "Seacor Assigned Claims").

- Dismissal of Seacor's $32 million claim against the Debtor arising from the destruction of its vessel and alleged breaches of the construction contract.

- A cash payment of $702,000 from the underwriters, representing payment of sue and labor to the Debtor.

- Payment of $18.35 million by the underwriters to Seacor free and clear of any and all claims by the Debtor's creditors.

- Mutual releases.

The settlement was conditioned on Marquette releasing a purported claim to the underlying vessels covered by the insurance or the builder's risk-insurance proceeds, or entry of an order finding that Marquette does not have a valid lien on insurance proceeds that will be paid to

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Seacor. Marquette agreed to release any claims for a lien on or a security interest in the vessels or the insurance proceeds. This adversary proceeding was closed on July 27, 2010.

f. Other Potential Estate Litigation Claims

(i) Litigation Related to the M/V Seacor Sherman and the Seacor Assigned Claims

In connection with the construction of the M/V Seacor Sherman, the Debtor purchased Generator Engines manufactured by Caterpillar Inc. ("Caterpillar") from Thompson Tractor Co., Inc. ("Thompson"). In addition, the Debtor entered into a contract with Alstom Power Conversion Inc. ("Alstom") whereby Alstom agreed to supply the equipment and supervise the installation and commissioning of an Integrated AC Electrical Propulsion, Dynamic Positioning, and Vessel Automation System for the vessel.

In March 2010, the Debtor filed a complaint against Caterpillar, Thompson, Converteam, and Alstom in the Circuit Court of Mobile County, Alabama (*Bender Shipbuilding & Repair, Co., Inc. v. Caterpillar Inc. et al.,* cv-10-900126). In the complaint, the Debtor asserted tort and contract claims, including negligence, manufacturers' liability, breach of warranty, breach of contract, indemnity, wantonness, and fraud and misrepresentation arising from the fire on the M/V Seacor Sherman. Caterpillar and Thompson removed the action to the United States District Court for the Southern District of Alabama, Southern Division (10-cv-0092-CG-C). The Debtor filed a motion to remand and/or for abstention, which is under submission.

Also in March 2010, Seacor filed a complaint in the Circuit Court of Mobile County, Alabama against Caterpillar, Thompson, Converteam, and Alstom asserting various claims related to the fire on the M/V Seacor Sherman. Seacor's claims against the defendants (which may be litigated by the Debtor as the Seacor Assigned Claims) include negligent design, manufacturing, selling, and installing, manufacturers' liability, breach of warranty, and wantonness. Caterpillar and Thompson filed notices of removal of the litigation to the Southern District of Alabama (10-cv-0306-CG). ~~There is a pending~~The plaintiff's pending motion to remand and/or for abstention~~, which~~ is under submission.

The law firms of Cunningham Bounds, LLC and Hudson & Watts, LLP are engaged as special counsel to the Debtor to, among other things, litigate the Debtor's ~~litigation~~claims against Caterpillar, Thompson, Converteam, and Alstom, and the Seacor Assigned Claims. The firms are engaged on a 40% contingency fee basis plus reimbursement of expenses from money recovered by the Debtor in the litigation. It is expected that after the Effective Date, these law firms will continue to represent the Debtor in these matters.

(ii) Potential Claims Against the Related Parties

The Committee's investigation has revealed that the Debtor and the Related Parties are part of an intricate matrix of affiliated companies. The Committee has identified claims of the Estate against the Related Parties, including breach of duty, corporate waste, avoidance of preferential transfers, fraudulent transfers, and unauthorized postpetition transactions under sections 547, 548, and 549 of the Bankruptcy Code, substantive consolidation,

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alter ego, and piercing the corporation veil. The Related Parties have disputed the Committee's claims.

The Estate's claims against the Related Parties will be released under the settlement contemplated under the Related Party Term Sheet, which is incorporated in the Plan, assuming the settlement is ultimately consummated. If not, the claims will be litigated by the Plan Administrator. In light of the risk, delay, and cost associated with litigating these claims, in the Committee's judgment, the value the Estate will received from the settlement of these claims under the Plan justifies the release of the claims when the Plan becomes effective.

(iii) Potential Claims Against OSG

~~On~~During the 90-day period prior to the commencement of this Bankruptcy Case, on March 13. 2009, OSG, the Debtor, Bender Ship Repair Company, Inc., and Tom Bender entered into a termination agreement (the "Termination Agreement") relating to the Debtor's construction of six articulated tug barges and two tugs for OSG, and the Debtor's breach of its obligations under the construction contracts for these vessels (which breach, OSG asserts, gives rise to in excess of $300 million of claims against the Debtor and other Related Parties). The Committee (through ~~the~~its subcommittee) has raised informally potential claims of the Estate against OSG arising out of the Termination Agreement, including avoidance of preferential and fraudulent transfers under sections 547 and 548 of the Bankruptcy Code and equitable subordination under section 510(c) of the Bankruptcy Code. OSG disputes that any claims exist with respect to the Termination Agreement and has met in person and by phone with the Committee's professionals to discuss OSG's defenses. OSG has asserted, among other things, that it had a fully perfected security interest on all property that it received pursuant to the Termination Agreement and therefore, for this reason alone, no preference claim exits. OSG has also raised other substantial defenses to the informal claims asserted against it including, but not limited to, the following: (a) that it did not receive a transfer of an interest of the Debtor in property that would be greater than what OSG would have received in a chapter 7 liquidation, (b) any transfers made to OSG were for tens of millions of dollars (or more) in contemporaneous or subsequent new value, (c) OSG had title to certain or all of the property covered by the Termination Agreement, and (d) other defenses. In light of these defenses, OSG has asserted that the Committee cannot make ~~its~~or sustain a *prima facie* case on the potential claims it has raised (which the Committee has disputed), but given the significant risks and expense of litigation, and the dilutive impact of resulting claims of OSG against the Debtor and certain Related Parties if the litigation is successful (potentially in excess of $300 million), the Committee and the Debtor have agreed that the contributions by OSG under the Plan are fair and reasonable and critical for there to be recoveries to general unsecured creditors. The Estate's claims against OSG will be released once the global settlement contemplated under the Plan becomes effective.

Certain potential preference claims (so-called indirect preference claims) against certain vendors who provided goods or services on the OSG project will also be released under the Plan. Under the Termination Agreement, OSG was permitted to take possession of and title to its partially completed vessels and assumed up to $17.5 million in the Debtor's accounts payable liabilities for certain vendors on the terminated OSG project. OSG ultimately settled these vendor claims and through that settlement process, OSG obtained releases of the vendor

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claims against the Debtor. OSG and others dispute that any such preference claims exist and OSG believes that such alleged claims were drummed up by GulfMark as part of its efforts to derail the Plan. For example, as noted above, OSG asserts that it had a fully perfected security interest on the property covered by the Termination Agreement. As such, there could not possibly be any alleged transfer of interest of the Debtor in property to the vendors because, among other reasons, (a) there was no preference to OSG in respect to the Termination Agreement, (b) any interest of the Debtor in such property was fully encumbered by OSG's security interest; and (c) the preference defense of earmarking would apply to any alleged transfers to the vendors. Moreover, many of the vendors had watercraft liens against the OSG vessels under construction which would have given them a senior priority right to receive any proceeds form any disposition of such vessels. Further, even if any such claims could be pursued the resulting claims back from vendors would have a dilutive impact on recoveries under the Plan. Pursuant to the Plan and the global settlement incorporated therein the Plan shall release any and all claims and causes of action of the Debtor, the Committee and the Estate, arising under Chapter 5 of the Bankruptcy Code or otherwise, against any person or entity (including, without limitation, any vendor or service provider to the Debtor that received a payment or other transfer from OSG on account of a debt owed by the Debtor to such person or entity), that relate to, arise from or otherwise are in connection with the Termination Agreement. The Committee analyzed the merits and value of these potential vendor preference claims and, despite the substantial defense identified above, negotiated with OSG for a contribution of additional value as part of the settlement with OSG. After extensive negotiations, OSG agreed to reduce its $16.5 million claim against the Debtor to $12.5 million, which enhances recoveries for unsecured creditors by reducing the size of the overall claim pool.

4. *Global Settlement Process*

On March 30, 2010, the Bankruptcy Court scheduled a status hearing on May 18, 2010 for purposes of determining how to proceed in the case and placed a hold on the various litigations (Docket No. 886). The Bankruptcy Court ordered that the parties prepare to discuss when a plan could be filed, the status of the adversary cases, a time line for bringing the case to a conclusion, and possible settlement scenarios. At the May 18, 2010 status hearing, the Bankruptcy Court established a timeline for confirmation of a plan of liquidation. On May 19, 2010, the Bankruptcy Court entered an order setting a schedule of status hearings (Docket No. 1054). The Committee, the Debtor, GE, Marquette, OSG, the Related Parties, and GulfMark subsequently engaged in a mediation process before the Honorable Tamara O. Mitchell, a sitting bankruptcy judge in the United States Bankruptcy Court for the Northern District of Alabama. The settlements embodied in the Term Sheet for Plan of Liquidation and the Related Party Term Sheet, ~~which~~ attached as an exhibit to the Plan, were the result of the mediation. All parties to the mediation, except for GulfMark, supported or were parties to the term sheets (the Debtor was not a party to the term sheets). The term sheets have provided the basis and funding for the Plan.

C. **The Debtor's Professionals**

In connection with the Bankruptcy Case, the Debtor filed retention applications for certain professionals to represent and assist them in the administration of the Bankruptcy Case. The following retention orders were entered in the Bankruptcy Case with respect to the Debtor's professionals: (i) Lugenbuhl, Wheaton, Peck, Rankin & Hubbard as counsel to the

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Debtor (Docket No. 133); (ii) Irvin Grodsky, P.C. as counsel to the Debtor (Docket No. 65); (iii) Brady Radcliff & Brown Law Firm as special counsel to the Debtor (Docket No. 643); (iv) Cunningham Bounds, LLC as special counsel to the Debtor (Docket No. 761); (v) Hand Arendall LLC as special counsel to the Debtor (Docket No. 285); (vi) Hudson & Watts, LLP as special counsel to the Debtor (Docket No. 423, 761); (vii) Eddie Leitman and M. Clayborn Williams as special counsel to the Debtor (Docket No. 312); (viii) Global Hunter Securities, LLC as financial advisor and investment banker to the Debtor (Docket No. 401); (ix) RAS Management Advisors, LLC as financial advisor to the Debtor (Docket No. 583, 588); (x) Russell Thompson, Butler & Houston as accountants to the Debtor (Docket No. 336); (xi) Patrick Toomey, CPA, LLC as accountant to the Debtor (Docket No. 334); (xii) Carmack Marine Industry Service, Inc. as appraiser to the Debtor (Docket No. 584); (xiii) Independent Equipment Company as appraiser to the Debtor (Docket No. 415); (xiv) Marketing Development International as consultant and valuation expert to the Debtor (Docket No. 585); (xv) Wally Parker as consultant to the Debtor (Docket No. 337); and (xvi) Richard R. Tremayne as consultant to the Debtor (Docket No. 416).

D. **The Committee**

On July 22, 2009, the Court appointed the Committee pursuant to section 1102 of the Bankruptcy Code. The Committee is currently comprised of (i) Maritrans (OSG), (ii) Waterways Towing & Offshore Services, Inc., (iii) Rock Cable, Inc., (iv) TransMontaigne Product Services, Inc., and (v) Southern Gas and Supply. GulfMark and Job Crafters, Inc. were originally appointed to the Committee, but have since resigned.

In connection with the Bankruptcy Case, the Committee filed retention applications for certain professionals to represent and assist them in the administration of the Bankruptcy Case. The following retention orders were entered in the Bankruptcy Case with respect to the Committee's professionals: (i) Kelley Drye & Warren LLP as counsel to the Committee (Docket No. 451); (ii) Christopher Kern as local counsel to the Committee (Docket No. 333, 781); and (iii) Scouler & Company as financial advisor to the Committee (Docket No. 606).

Because OSG and GulfMark (while it was on the Committee) had conflicts of interest with respect to certain issues before the Committee, the Committee implemented an agreed structure whereby only Waterways, Rock Cable, TransMontaigne, and Southern Gas served on a subcommittee of the Committee that considered all such issues. Because of disputes between GulfMark and OSG that are outside the scope of this Disclosure Statement, both OSG and GulfMark were excluded from all subcommittee meetings even if only one of them had the direct conflict of interest. This procedure permitted the subcommittee, and in turn the Committee, to act in an objective and impartial manner as fiduciaries for all unsecured creditors generally.

E. **Claims Administration**

1. *Filing of Schedules*

On July 31, 2009, the Debtor timely filed its schedules and statement of financial affairs with the Bankruptcy Court, which were amended multiple times Copies of these

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documents may be found on the Bankruptcy Court's docket or on the Committee's website at the following address: https://kelleydrye.securespsites.com/bender/Schedules%20and%20Statements/Forms/AllItems.aspx.

2. *Meeting of Creditors*

On September 14, 2009 at 9:00 a.m. (Central Time), the Bankruptcy Administrator conducted a meeting of the Debtor's creditors in accordance with section 341 of the Bankruptcy Code (the "341 Meeting"). The 341 Meeting was adjourned and continued to October 6, 2009 at 2:00 p.m., and adjourned and continued to and completed on October 27, 2009 at 2:00 p.m.

3. *Bar Date for Prepetition Claims*

On February 19, 2010, the Bankruptcy Court entered the Order Setting Bar Date for Claims (the "Bar Date" and the "Bar Date Order") setting March 31, 2010 as the general bar date for filing proofs of claim against the Debtor. In addition, the Bar Date Order provides that, any creditor that is required to file, but fails to file a proof of claim for its Claim on or before the Bar Date, shall be forever barred from asserting such Claim against the Debtor's Estate. Numerous claims were filed after the Bar Date to which the Debtor will likely object on the basis of being late as their tardiness was inexcusable and will prejudice other parties in interest as the late claims were not contemplated in the settlement process that resulted in the Plan.

F. **Causes of Action Arising Under Chapter 5 of the Bankruptcy Code**

The Plan Administrator will continue the Debtor's and the Committee's preliminary investigation of transfers that may be avoided as preferential, fraudulent or otherwise under sections 544, 545, 547, 548, 549 and 550 of the Bankruptcy Code or applicable state law such as the Uniform Fraudulent Transfer Act (collectively, "Avoidance Actions"). The transfers being considered include preferential transfers made within 90-day period prior to the date the involuntary bankruptcy petition was filed, transfers (if any) for which the Debtor may not have received reasonably equivalent value and transfers (if any) made while the Debtor was insolvent or by which the Debtor became insolvent as a result of the transfer. The work is ongoing and, except for the releases provided for in the Plan, the Plan Proponent hereby reserves any and all rights that they may have to file Avoidance Actions against any recipients or other beneficiaries of the transfers being investigated. Except for those actions and claims expressly released under the Plan, all such Avoidance Actions and Causes of Action are expressly reserved and preserved under the Plan.

G. **Exclusivity**

The Bankruptcy Code provides for a 120-day period within which only the Debtor may file a plan in the Bankruptcy Case (the "Plan Proposal Period") and a 180-day period within which only the Debtor may solicit and obtain acceptances for a plan (the "Plan Solicitation Period"). The Committee objected to the Debtor's most recent request for an extension of the Plan Proposal Period, and argued for a modified extension that permitted only the Committee (in addition to the Debtor) to file a plan. The Bankruptcy Court agreed with the Committee and

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entered an order extending the Plan Proposal Period (as to the Committee and the Debtor only) through September 2, 2010 and the Plan Solicitation Period through November 1, 2010.

H. **Leases and Executory Contracts**

1. *Non-Residential Real Property Leases*

Prior to the Conversion Date, the Debtor entered into a number of lease agreements with various lessors for the use of certain real property located in Mobile County, Alabama. Subsequent to the Conversion Date, the Debtor sought and obtained the Bankruptcy Court's approval to assume non-residential real property leases that the Debtor determined were in the best interest of its estate because they were important to the continued operation of the Debtor's business, its contemplated sales of assets, and/or its plan of reorganization. On October 2, 2009, the Debtor filed a motion to assume a license and lease agreement with Mobile River Terminal Company for the use of certain real property located in Mobile County, Alabama, for the purposes of material storage and utility-line placement (Docket No. 432). The Debtor alleged that use of the subject property was essential to its continued operations, and additionally sought the Bankruptcy Court's approval to cure its pre-petition default under the agreement. On October 29, 2009, the Bankruptcy Court ~~ordered that~~entered an order granting the motion to assume the lease and cure the default (Docket No. 544).

The Debtor filed another motion on January 13, 2010, to assume leases of real property located in Mobile County, Alabama (Docket No. 699). The Bankruptcy Court ordered that the motion was granted in part and denied in part, and further granted the Debtor an extension of time, to April 28, 2010, to assume or reject leases of non-residential real property between it and certain of its affiliates (Docket No. 743).

In addition, the Debtor sought and obtained the Bankruptcy Court's approval after the Conversion Date to reject non-residential real property leases that were of no further use to the continued operation of the Debtor's business and that required the debtor to make monthly payments that burdened its estate. The Debtor filed a motion on January 13, 2010, to reject leases of real property located in Mobile County, Alabama (Docket No. 699), and the Bankruptcy Court ordered such rejection on January 27, 2010 (Docket No. 740).

2. *Contracts*

Before the Conversion Date, the Debtor also entered into a number of executory contracts with various counterparties to procure certain services and the use of certain equipment. After the Conversion Date, on July 17, 2009, the Debtor filed a motion seeking the Bankruptcy Court's approval to assume its Insurance Premium Finance Agreement with AICCO, Inc. ("AICCO Contract"), and to approve its proposed cure of its default in payments~~.~~ (Docket No. 154). The Debtor contended that its assumption of the insurance contract, with payment terms modified pursuant to Bankruptcy Court order, was necessary to ensure that the Debtor could provide adequate property/liability coverage for the ships and other vessels it was manufacturing and repairing in the ordinary course of its business. In addition, the Debtor sought the Bankruptcy's Court's approval to make cure payments in installments. On August 7, 2009, the Bankruptcy Court granted a consent order permitting the Debtor to assume the AICCO

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Contract, subject to the proviso that if the Debtor failed to make its first two installment payments pursuant to the order, then AICCO, Inc. was granted a superpriority claim for these amounts pursuant to Section 507(b) of ~~Title 11 of~~ the Bankruptcy Code.

In addition, the Debtor settled and compromised issues related to certain equipment leases. On August 21, 2009, the Debtor filed a motion (i) to reject approximately ten ~~(10)~~ executory equipment lease contracts for use of approximately 241 welding feeder boxes with Red-D-Arc, Inc. ("Red-D-Arc"); (ii) for approval of a settlement and a compromise with Red-D-Arc, based on the Debtor's inability to find 106 of the leased feeder boxes as of the Conversion Date; and (iii) for authority to enter into a new one-year lease agreement with Red-D-Arc based on the Debtor's continued need for the feeder boxes (Docket No. 295). The Bankruptcy Court granted the Debtor's motion in its order dated October 1, 2009 (Docket No. 425). Later, on December 9, 2009, the Debtor filed a motion seeking authority (i) to assume a pre-petition contract with Pan-Agri International, Inc. ("Pan-Agri") for the Debtor's repair, conversion and dry-docking of the Barge BIG K3 (a/k/a OFFSHORE DREAM), Official No. 569102, and (ii) to approve and authorize its settlement and compromise with Pan-Agri (Docket No. 596). The Debtor alleged in its motion that Pan-Agri paid neither the Debtor nor Marquette, which had purchased the accounts for the invoiced work. On December 17, 2009, the Bankruptcy Court granted the Debtor authority to assume the contract and to enter into the settlement and compromise with Pan-Agri~~.~~ (Docket No. 596). The Court further ordered Pan-Agri to pay and disburse payments under the settlement and compromise to the Debtor and Marquette.

After the Conversion Date, the Debtor also occasionally sought and obtained the Bankruptcy Court's approval to reject contracts for services and equipment leases that were of no further use to the continued operation of the Debtor's business, and that required the Debtor to make monthly payments that burdened its estate. On December 31, 2009, the Debtor filed a motion to reject certain pre-petition executory leases of equipment (such equipment, the "Complete Equipment") with Complete Equipment, Inc., an affiliate (Docket No. 672). The Debtor contemporaneously filed a motion for authority to purchase certain items of Complete Equipment, as the Debtor's purchase of such equipment was a condition precedent to the closing of a proposed sale of the Debtor's ship-repair business. The Bankruptcy Court granted the Debtor's motion on January 28, 2010, and authorized the rejection of the Complete Equipment leases, subject to the Committee and other fiduciaries of the Debtor's estate being able to seek standing to seek recharacterization of agreements or transactions between the Debtor and Complete Equipment, seek a declaration that any property except for the Equipment is property of the Debtor's estate, or seek other relief or asserting other claims against Complete Equipment, Inc. (Docket No. 744). The Bankruptcy Court later approved the sale of assets of the Debtor's ship-repair business to Signal International, Inc., in its order dated January 28, 2010 (Docket Nos. 746, 747). The Debtor closed the sale to Signal International, Inc. on February 1, 2010.

On March 19, 2010, the Debtor filed another motion to reject executory contracts for certain equipment and services that it deemed to be unnecessary for the continued operation of its business and therefore burdensome to its estate (Docket No. 851). The Debtor filed this motion in connection with a motion and order for authority to sell the Cutting Edge Metal Processing Division (Docket Nos. 885, 939). The Bankruptcy Court, on April 28, 2010, ordered

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that the Debtor was authorized to reject the contracts, subject to certain reservations of rights of the Committee (Docket No. 991).

VIII. SUMMARY OF THE PLAN

A. General

This section contains a summary of certain of the matters that are expected to occur either pursuant to or in connection with confirmation of the Plan. This summary highlights the substantive provisions of the Plan and is not, nor is it intended to be, a complete description or a substitute for a full and careful reading of the Plan. Statements regarding projected amounts of claims or distributions (or the value of such distributions) are only estimates by the Plan Proponent based on current information and are not a representation as to the accuracy of these amounts. For an explanation of the basis for, limitations of, and uncertainties relating to, these calculations, see the section entitled "Certain Risk Factors to be Considered."

B. Plan Overview

As described above, the principal goal of a chapter 11 bankruptcy case is to reorganize or liquidate a debtor's business for the benefit of itself and its creditors and to the extent applicable, its interest holders. The plan of reorganization or liquidation is the blueprint by which these goals are accomplished. It provides the rules and procedures pursuant to which a debtor's creditors and interest holders may be paid and lists the steps a debtor will take to either reorganize or wind up its business.

The Plan provides for the appointment of Scouler & Company, the Committee's financial advisors, as the Plan Administrator to (among other things) complete the liquidation of the Debtor's remaining assets, implement the terms of the Plan, and make distributions of the net proceeds to creditors holding Allowed Claims in accordance with the priorities under the Bankruptcy Code. In certain circumstances, the priorities have been modified downward by consent of the negatively affected creditor. The Debtor will remain in existence after the Effective Date, and the Plan Administrator will have the rights and obligations of a chapter 11 trustee with the full power of a board or directors, subject to input from the Steering Committee in accordance with an agreement that is consistent with the terms of the Plan. After final distributions are made, the Debtor will be dissolved under state law, the Plan Administrator will be relieved of its duties, and the Bankruptcy Court shall enter a final decree closing the Bankruptcy Case. Nothing in the Plan will modify any obligations the Debtor or the Plan Administrator may have with respect to placing the Debtor's funds in approved depositories or to report to or pay fees to the Bankruptcy Administrator. The Plan Administrator will obtain and file with the Bankruptcy Administrator an appropriate bond securing the administration of the cash in the Debtor's bank accounts. Tom Bender will remain available for consultation with the Plan Administrator, but will not be part of the Debtor's management. Tom Bender's equity interests in the Debtor will be canceled under the Plan as will all other equity interests.

C. Treatment of Claims and Equity Interests

The Plan classifies Claims and Equity Interests into three unclassified categories and nine Classes and provides different treatment for the different categories or Classes of

Claims and Equity Interests. A Claim or Equity Interest is placed in a particular unclassified category or Class only to the extent that the Claim or Equity Interest falls within the description of that category or Class. A Claim is also placed in a particular category or Class for the purpose of receiving distributions pursuant to the Plan only to the extent that such Claim is an Allowed Claim in that category or Class and such Claim has not been paid, released or otherwise settled prior to the Effective Date.

The following table sets forth a brief summary of the classification and general treatment of Claims and Equity Interests under the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, (i) Administrative Expense Claims, (ii) Fee Claims of Professionals, and (iii) Priority Tax Claims have not been classified and, with the exception of the Professional Fee Deferment, will be paid in full in Cash to the extent such Claims become Allowed Claims. All other Claims and Equity Interests have been classified.

The information set forth in the table is for convenience of reference only. Each holder of a Claim or Equity Interest should refer to Articles 2, 3, and 4 of the Plan, and the liquidation analysis annexed as **Exhibit B** hereto (the "Liquidation Analysis"), for a full description of the classification and treatment of Claims and Equity Interests provided under the Plan. ALTHOUGH THE PLAN PROPONENT BELIEVES THAT THE ESTIMATED RECOVERIES ARE REASONABLE, NO REPRESENTATION CAN BE OR IS BEING MADE WITH RESPECT TO WHETHER THE ESTIMATED RECOVERIES SHOWN WILL BE REALIZED BY THE HOLDER OF AN ALLOWED CLAIM IN A PARTICULAR CLASS. THE ACTUAL RECOVERIES UNDER THE PLAN BY HOLDERS OF CLAIMS WILL DEPEND UPON A VARIETY OF FACTORS, INCLUDING BUT NOT LIMITED TO WHETHER, AND IN WHAT AMOUNT, CONTINGENT CLAIMS AGAINST THE DEBTOR BECOME NON-CONTINGENT AND FIXED; WHETHER, AND TO WHAT EXTENT, DISPUTED CLAIMS ARE RESOLVED IN FAVOR OF THE DEBTOR; AND TO WHAT EXTENT RECOVERIES ARE OBTAINED FROM THE DEBTOR'S TANGIBLE ASSETS AND CAUSES OF ACTION. FOR AN EXPLANATION OF THE BASIS FOR, LIMITATIONS OF, AND UNCERTAINTIES RELATING TO THESE CALCULATIONS SEE SECTION ENTITLED "CERTAIN RISK FACTORS TO BE CONSIDERED," BELOW.

Class	Description of Claims or Equity Interests	Status	Summary of Treatment Under the Plan
Unclassified	Administrative Claims	Unimpaired	Except to the extent (i) that any Entity entitled to payment of an Allowed Administrative Expense Claim agrees to a less favorable treatment, (ii) of the Professional Fee Deferment, and (iii) of the payment or reallocation of the DIP Financing in accordance with the Waterfall, the DIP Replenishment and the DIP Replenishment Allocation, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on the later of the Effective Date and the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim, or as soon thereafter as is practicable. The Debtor shall pay in

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Class	Description of Claims or Equity Interests	Status	Summary of Treatment Under the Plan
			full when due all of the amounts owing to the Bankruptcy Administrator as described in Section 15.5 of the Plan.
Unclassified	Priority Tax Claims	Unimpaired	Except to the extent that a holder of an Allowed Priority Tax Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Priority Tax Claim, at the option of the Debtor, (i) Cash in an amount equal to such Allowed Priority Tax Claim on the later of the Effective Date and the date such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is practicable, or (ii) in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, equal annual Cash payments commencing on the first anniversary of the Effective Date in an aggregate amount equal to such Allowed Priority Tax Claim, together with interest on any outstanding balance from the Effective Date at the applicable rate under non-bankruptcy law, over a period not exceeding five years after the Conversion Date; provided, however, that the Plan Administrator shall have the right to pay any Allowed Priority Tax Claim, or any remaining balance, in full or in part, at any time on or after the Effective Date, without premium or penalty. All Allowed Priority Tax Claims that are not due and payable on or before the Effective Date shall be paid in the ordinary course of business as such obligations become due. No holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any interest accrued on such Claims from and after the Involuntary Date or other Post-Petition Interest or penalty with respect to or in connection with an Allowed Priority Tax Claim.
Class 1	Other Priority Claims	Unimpaired	Except to the extent that a holder of an Allowed Other Priority Claim has been paid by the Debtor prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Other Priority Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Other Priority Claim, Cash in an amount equal to such Allowed Other Priority Claim on the later of the Effective Date and the date such Other Priority Claim becomes an Allowed Other Priority Claim, or as soon thereafter as is practicable.
Class 2	Secured Tax Claims	Unimpaired	Except to the extent that a holder of an Allowed Secured Tax Claim has been paid prior to the Effective Date or

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Class	Description of Claims or Equity Interests	Status	Summary of Treatment Under the Plan
			agrees to a different treatment, each holder of an Allowed Secured Tax Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Secured Tax Claim, at the option of the Debtor, (i) Cash in an amount equal to such Allowed Secured Tax Claim, including any interest on such Allowed Secured Tax Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Secured Tax Claim becomes an Allowed Secured Tax Claim, or as soon thereafter as is practicable, (ii) commencing on the first anniversary of the Effective Date and continuing on each anniversary thereafter over a period not exceeding five years after the Conversion Date, equal annual Cash payments in an aggregate amount equal to such Allowed Secured Tax Claim, together with interest at the applicable rate under non-bankruptcy law, subject to the option of the Debtor to prepay the entire amount of the Allowed Secured Tax Claim or any remaining balance at any time, or (iii) upon such other terms determined by the Bankruptcy Court to provide the holder of such Allowed Secured Tax Claim with deferred Cash payments having a value, as of the Effective Date, equal to such Allowed Secured Tax Claim.
Class 3	Other Secured Claims	Unimpaired	Except to the extent that a holder of an Allowed Other Secured Claim has been paid prior to the Effective Date or agrees to a different treatment, each holder of an Allowed Other Secured Claim shall receive, in full and complete settlement, satisfaction and discharge of its Allowed Other Secured Claim, at the option of the Debtor, (i) Cash in an amount equal to such Allowed Other Secured Claim, including any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable, or (ii) the Collateral securing its Allowed Other Secured Claim and any interest on such Allowed Other Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, on the later of the Effective Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim, or as soon thereafter as is practicable.
Class 4	Marquette Secured Claim	Impaired & Entitled to	As part of the settlement embodied in the Plan, Marquette's Claims shall be fixed and allowed as two separate Allowed

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Class	Description of Claims or Equity Interests	Status	Summary of Treatment Under the Plan
		Vote	Claims (which Allowed Claims will not be subject to further challenge, avoidance, setoff, recoupment, surcharge, trust claims, disgorgement of any proceeds received in prior sales or otherwise, or other reduction) with the Marquette Allowed Class 7 Claim receiving the treatment set forth in Section 4.7 of the Plan, and the Marquette Allowed Class 4 Claim receiving the treatment set forth in Section 4.4 of the Plan, in full and complete settlement, satisfaction and discharge of such Claims as follows: ~~(a)~~ (i) Marquette Allowed DIP Claim. Marquette shall receive its share of the DIP Replenishment Allocation. (ii) Marquette Allowed Class 4 Claim. Marquette shall receive a distribution under Part E and Part C(Tier 2(E)) of the Waterfall.
Class 5	GE Secured Claim	Impaired & Entitled to Vote	~~1.1.2~~ As part of the settlement embodied in the Plan, GE's Claims shall be fixed and allowed as two separate Allowed Claims (which Allowed Claims will not be subject to further challenge, avoidance, setoff, recoupment, surcharge, trust claims, disgorgement of any proceeds received in prior sales or otherwise, or other reduction) with the GE Allowed Class 7 Claim receiving the treatment set forth in Section 4.7 of the Plan, and the GE Allowed Class 5 Claim receiving the treatment set forth in Section 4.5 of the Plan, in full and complete settlement, satisfaction and discharge of such Allowed Claims as follows: ~~1.1.3~~ (i) GE Allowed DIP Claim. GE shall receive its share of the DIP Replenishment Allocation. (ii) GE Allowed Class 5 Claim. GE shall receive a distribution under Part D and Part C(Tier 2(C)) of the Waterfall.
Class 6	OSG Secured Claim	Impaired & Entitled to Vote	~~1.1.4~~ As part of the settlement embodied in the Plan, the amount of OSG's Claims shall be fixed at the OSG Fixed Claim Amount. The OSG Fixed Claim Amount, in turn, will be allowed and treated as two separate Allowed Claims (which Allowed Claims will not be subject to further challenge, avoidance, setoff, recoupment, surcharge, trust claims, disgorgement of any proceeds received in prior sales or otherwise, or other reduction) with the OSG Allowed Class 7 Claim receiving the treatment set forth in Section 4.7 of the Plan, and the OSG Allowed Class 6 Claim receiving the

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Class	Description of Claims or Equity Interests	Status	Summary of Treatment Under the Plan
			treatment in Section 4.6(c) of the Plan as follows: (i) OSG Allowed Class 6 Claim. In full and complete settlement, satisfaction and discharge of the OSG Allowed Class 6 Claim, OSG shall receive Cash payments equal to the OSG Share pursuant to Part F of the Waterfall.
Class 7	General Unsecured Claims Consenting to Non-Debtor Releases	Impaired & Entitled to Vote	~~(a)~~ (i) The holder of an Allowed General Unsecured Claim Consenting to Non-Debtor Releases shall receive, in full and complete settlement, satisfaction and discharge of such Allowed Claim, a Pro Rata Share of the share of proceeds available under the Waterfall to creditors holding Allowed Class 7 Claims (Part A(Tier 6), Part B(Tier 2), Part C(Tier 2(A) and (B)), and Part C(Tier 3(A)) of the Waterfall). ~~(b)~~ (ii) Marquette Allowed Class 7 Claim. Marquette shall contribute its Pro Rata Share of its Class 7 distribution to the other creditors holding allowed Class 7 Claims. ~~(c)~~ (iii) GE Allowed Class 7 Claim. GE shall contribute its Pro Rata Share of its Class 7 distribution to the other creditors holding allowed Class 7 Claims. (iv) OSG Allowed Class 7 Claim. OSG shall receive (i) a Pro Rata Share of share of proceeds distributed to creditors holding Allowed Class 7 Claims pursuant to Section 4.7(b)(i) of the Plan, but not including any settlement proceeds paid to creditors holding Allowed Class 7 Claims from the OSG Proceeds Contribution; and (ii) the distribution provided in Part C(Tier 2(D)) of the Waterfall.
Class 8	General Unsecured Claims Opting Out of Non-Debtor Releases	Impaired & Entitled to Vote	The holder of an Allowed General Unsecured Claim Opting Out of Non-Debtor Releases shall receive, in full and complete settlement, satisfaction and discharge of such Allowed Claim, a Pro Rata Share of the share of proceeds available under the Waterfall to Class 8 (Part A(Tier 6), Part C(Tier 2(B)), Part C(Tier 3(B))).
Class 9	Equity Interests	Impaired & Deemed to Reject	The holders of Allowed Equity Interests shall not receive any distributions on account of such Equity Interests, except to the extent that Cash after satisfaction in full of all other distributions under the Waterfall exceeds the amount necessary to satisfy, in full, the amount distributable under the Waterfall plus Post-Petition Interest, in which case such excess shall be distributed *pro rata* to the holders of Allowed Equity Interests. Notwithstanding the foregoing, because the value of the Debtor's assets is believed to be

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Class	Description of Claims or Equity Interests	Status	Summary of Treatment Under the Plan
			less than the total value of its debts and liabilities, it is not anticipated that the holders of Allowed Equity Interests will receive any distributions on account of such Equity Interests. The Plan Proponent will request that the Bankruptcy Court make a finding that Equity Interests have no value for purposes of the "best interests" test under section 1129(a)(7) of the Bankruptcy Code.

D. **Anticipated Distributions**

Holders of Allowed (i) Administrative Expense Claims, subject to the Professional Fee Deferment, (ii) Priority Tax Claims, (iii) Other Priority Claims, (iv) Secured Tax Claims, and (v) Other Secured Claims will receive 100% distribution on account of their Claims. As reflected on the Liquidation Analysis attached hereto as **Exhibit B**, the Plan Proponent does not anticipate that any funds will be available on the Effective Date to distribute to holders of Allowed General Unsecured Claims. Yet through the Waterfall (described below) and the liquidation of the assets of the Estate that will continue after the Effective Date, the Plan Proponent expects that holders of Allowed General Unsecured Claims will ultimately receive a meaningful distribution on their claims. Because the value of the Debtor's assets is believed to be less than the total value of its liabilities, it is virtually certain that the holders of Equity Interests will not receive any distribution on account of their Equity Interests.

The chart below summarizes the foregoing and includes estimated percentages of Allowed Claim amounts that holders in each claim category are expected to receive under the Plan and if the Plan ~~were~~is not confirmed, what they would likely receive in a chapter 7 liquidation. These ranges are based on numerous assumptions. The actual distributions will depend on a variety of factors, including, without limitation, the outcome of the claims objection process, which will determine the scope of Allowed Claims in each category, the outcome of the litigation of Causes of Action against third parties, and the net proceeds ultimately received from the sale of the real properties to be contributed under the settlements embodied in the Plan as well as the Debtor's Mexican businesses and/or assets.

Estimated Ranges of Distribution

	Chapter 7 Liquidation	Plan Low End	Plan Expected Recovery	Plan High End
Administrative Claims	0%	100%	100%	100%
Priority Tax Claims	0%	100%	100%	100%
Class 1 - Other Priority Claims	0%	100%	100%	100%

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	Chapter 7 Liquidation	Plan Low End	Plan Expected Recovery	Plan High End
Class 2 - Secured Tax Claims	100%	100%	100%	100%
Class 3 - Other Secured Claims	100%	100%	100%	100%
Class 4 - Marquette Secured Claim	100%	89.1%	89.3%	89.3%
Class 5 - GE Secured Claim	82.3%	87.5%	90.4%	95.8%
Class 6 - OSG Secured Claim (Plus its Class 7 Claim with all Creditors Opting into Class 7)	24.4%	10.7%	17.9%	32%
Class 6 – OSG Secured Claim (Plus its Class 7 Claim with GulfMark Opting Out of Class 7)	24.4%	11.5%	21.7%	40.7%
Class 7 - General Unsecured Claims Consenting to Non-Debtor Releases (All Opting in to Class 7)	0%	1.6%	8.6%	19.5%
Class 7 - General Unsecured Claims Consenting to Non-Debtor Releases (Only GulfMark Opting Out of Class 7)	0%	3.3%	15.1%	32.7%
Class 8 - General Unsecured Claims Opting Out of Non-Debtor Releases (Only GulfMark Opting Out of Class 7 into Class 8)	0%	0%	2.1%	6%
Class 9 - Equity Interests	0%	0%	0%	0%

As set forth in the chart below, there are approximately $106 million in unsecured claims primarily asserted by the providers of good and services and buyers of vessels under shipbuilding contracts with the Debtor. After a preliminary review of the claims register, the Plan Proponent believes that the unsecured claims will be reduced through the claims resolution process to approximately $85 million, which does not assume any reduction in the claim by GulfMark in the approximate amount of $46 million. Although the Plan Proponent's financial assumptions used in the chart above were based on GulfMark's claim being allowed in the full amount, the Debtor and the Committee have filed an objection to GulfMark's claim arguing that it is barred by GulfMark's breach of contract and by the terms of the relevant shipbuilding contract, and even if the entire claim is not barred, the Debtor cannot be liable for more than $7.65 million under the contract. Given the size of GulfMark's claim, the distribution percentages in the chart above could substantially increase if GulfMark's claim is disallowed or reduced. Other factors that could negatively or positively affect the distribution percentages include (i) the outcome of the litigation over whether GulfMark or the Estate is entitled to the proceeds from the liquidation of the Gulfmark Hulls, (ii) the ultimate size of the unsecured claim pool once all claims are resolved, (iii) the actual sale proceeds obtained from the real properties being contributed under the settlement contributions to be made by OSG and the Related Parties as well as the other remaining personal property of the Debtor, and (iv) the results of litigation of

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the Estate claims against third parties arising from the fire on the M/V Seacor Sherman and other claims against third parties, including avoidance actions arising under Chapter 5 of the Bankruptcy Code.

The following is a summary of scheduled claims and claims filed both before and after the Bar Date, as of August 30, 2010.

SUMMARY OF ALL CLAIMS FILED		
Claim Description	**Amount (US Dollars) As of Date Filed**	**Comments**
Priority	1,724,956.17	83 Claims Filed
Secured	95,102,649.72	27 Claims Filed
Unsecured	105,567,634.93	198 Claims Filed
Unknown	659,593.63	71 Claims Filed
Total	**203,054,834.45**	
SUMMARY OF SIGNIFICANT CLAIMS FILED		
Priority Claims		
B & D Contracting, Inc	1,190,268.50	This is for temporary labor from 11/08 through 02/09. This will subject to an objection at least as to classification as an alleged priority claim.
April Lathan Clough	232,252.74	This is a sex discrimination claim. This will likely be the subject of an objection.
Ship Constructor USA, Inc.	37,967.00	This will subject to an objection at least as to classification as an alleged priority claim.
Ship Constructor Software, Inc.	62,351.00	This will subject to an objection at least as to classification as an alleged priority claim.
Other Priority Claims	157,675.04	Under review. Some of these will likely be subject to objections.
Total Priority Claims	**1,680,514.29**	
Priority Tax Claims		
Alabama Dept. of Industrial Relations	37,994.03	This is for unemployment taxes. Under review.
IRS	5,914.47	Under review.
City of Mobile	533.39	This is for a sales tax penalty and is under review.
Total Priority Tax Claims	**44,441.89**	
Total of All Priority Claims	**1,724,956.17**	
Claims Filed as Secured		
GE Capital	15,709,993.52	This amount has been reduced through the sale of collateral and is subject to consensual compromise and resolution under the Plan.
GE Business Finance	15,085,042.42	This amount has been reduced through the sale of collateral and is subject to consensual compromise and resolution under the Plan.
Maritrans / OSG	14,000,000.00	Subject to consensual compromise and resolution under the Plan.

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Marquette	9,953,241.24	This amount has been reduced through the sale of collateral (adjusted upwards by post-petition borrowings) to 3,936,026.30 and is subject to consensual compromise and resolution under the Plan.
SBA	9,716,387.87	Under review.
Caterpillar	7,000,000.00	Under review.
GulfMark	6,570,029.00	GulfMark has also asserted unsecured claims for a total secured and unsecured claim of $46 million (approx.). The unsecured amount of $39,676,796.56 is reflected in the unsecured claim figures above). GulfMark's claims will be subject to objections as to classification and amount.
Prudential	5,822,339.57	This amount has been reduced through the sale of collateral.
Regions	7,011,377.88	This amount has been reduced through the cancellation of the letter of credit facility, among other things, and remains under review.
Intercontinental Engineering	762,593.00	Under review.
Hancock Bank	683,398.28	Under review.
Marilyn E Wood Revenue Commissioner	523,159.55	This amount has been paid down through the asset sales and remains under review.
Regions Bank	500,000.00	Under review.
Thompson Tractor Co., Inc.	493,093.00	Under review.
Caterpillar Financial Services Corporation	237,784.66	Under review.
Key Equipment Finance Inc.	196,527.79	Under review.
AICCO, Inc. c/o Imperial A. I. Credit Companies, Inc	195,231.57	Under review.
Gulf Coast Power & Control, Inc.	175,210.00	Under review.
First Insurance Funding	157,131.13	Under review.
Claims Filed After the Bar Date		
Priority	135,550.05	These are primarily employee vacation pay claims. These will be subject to objection.
Secured		None.
Unsecured	26,385,709.90	This includes a claim by Converteam in the amount of $23.75 million (approx.), which is related to the Debtor's litigation against Converteam and others related to the pre-petition fire on the M/V Seacor Sherman at the Debtor's facilities. This also include a claim by Louisiana Machinery for $1.66 million (approx.). These are subject to objection and litigation.
Unknown	291,434.75	These are primarily the residual of the employee claims for vacation pay. These will be subject to objection.
Total Claims Filed After the Bar Date	**26,812,694.70**	The late filed claims are included in the summary totals at the top of this chart.

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E. **Methods For Distributions Under Plan**

1. *Distributions of Cash*

All distributions under the Plan will be made in accordance with the priorities established by the Plan and the Waterfall. At the option of the Plan Administrator, any Cash payment to be made pursuant to the Plan may be made by check or wire transfer.

2. *First Distribution Date*

Other than the distributions that must be made on or as soon as practicable after the Effective Date in accordance with (or unless otherwise provided in) the Plan, any distributions and deliveries to be made under the Plan will begin on a date (after the Effective Date) on which the Plan Administrator determines there is sufficient Cash available to make an initial distribution in accordance with the Waterfall.

3. *Distributions Subsequent to the First Distribution Date*

To the extent there is Cash available for distributions in accordance with the Waterfall subsequent to the First Distribution Date, the Plan Administrator will, on each Subsequent Distribution Date, and the Final Distribution Date, distribute to holders of Allowed Claims an amount of Cash in accordance with the Waterfall and in the amounts required to be maintained for the Disputed Claims Reserve.

4. *Distribution Record Date*

A Distribution Record Date will be established for fixing the identities of the holders of Claims for the purpose of making distributions under the Plan. Except as otherwise provided in the Plan, as of the close of business on the Distribution Record Date, the various lists of holders of Claims and Interests in each of the Classes, as maintained by the Debtor, will be deemed closed and there will be no further changes in the record holders of any of the Claims and Interests. The Plan Administrator will not have any obligation to recognize any transfer of Claims or Interests occurring after the close of business on the Distribution Record Date.

F. **Assets To Be Distributed**

The Plan contemplates the liquidation of and distributions from various assets in accordance with the Waterfall.

1. *Unencumbered Assets*

These assets include (i) all assets against which no Liens have been asserted, (ii) the proceeds of all assets that would otherwise constitute Marquette's and GE's Collateral after the Marquette Allowed Class 4 Claim and GE Allowed Class 5 Claim have been satisfied under the Waterfall, (iii) proceeds from the Retained Causes of Action, and (iv) the allocations from Part C(Tier 2(B) and Tier 3(B)) of the Waterfall. Assets that may be included in this category are Chapter 5 avoidance actions to the extent they are not required to fund the DIP

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Replenishment because the GulfMark Hulls and/or Mexican shipyard assets fail to yield sufficient net sale proceeds, causes of action against third parties that were not subject to prior security interests because they were not identified in the UCC-1 financing statement with specificity, the proceeds from the liquidation of BCAP LLC's assets (approximately $180,000), any remaining personal property (including software or licenses) that may have been subject to Marquette's security interests, but once Marquette is no longer entitled to any additional distributions under the Plan, the personal property becomes unencumbered (e.g., the Estate's litigation claims against certain third parties arising out of the fire on the M/V Seacor Sherman, uncollected account receivables, and a small amount of miscellaneous assets not yet liquidated).

2. *Settlement Assets*

These assets include (i) all assets against which GE has asserted Liens excluding the GE Mexico Collateral, (ii) the OSG Proceeds Contribution, (iii) the distributions in Part C(Tier 2(A)) and Tier 3(A)) of the Waterfall, (iv) any excess from the GE Mexico Collateral in Part D(Tier 2) of the Waterfall, and (v) any excess from the Marquette Collateral in Part E(Tier 2) of the Waterfall.

3. *Related Party Assets*

These assets include the property and proceeds received from either:

a. the settlement contemplated in the Related Party Term Sheet, or

b. if the Related Party Term Sheet has not been rescinded or otherwise terminated in accordance with its terms, the proceeds resulting from the litigation or settlement of Claims, Causes of Action and Retained Causes of Action against the Related Parties.

4. *GE Mexico Collateral*

These assets include specific assets that will be liquidated by the Plan Administrator with the proceeds being distributed to the holder of the senior lien on the particular asset, which lien will be deemed to be a valid, enforceable, perfected, and senior to all other liens as part of the settlement embodied in the Plan. Only the property of the Debtor and Astilleros Bender on which GE has a first priority lien, including, without limitation, the AB DF 2 and ARD 10 drydocks in Mexico, will be in this category of assets. Nothing in the Plan will affect the validity or enforcement of that certain guaranty issued by Astilleros Bender in favor of GE, or GE's right to receive and retain payment under such guaranty. Further, the guaranty issued by Astilleros Bender in favor of GE will be an asset inuring solely for GE!'s benefit.

5. *Marquette Collateral*

These assets include specific assets (not including Cash Collateral under the DIP Financing, but including prepetition Cash Collateral work in process, inventory, equipment, machinery, intellectual property, and any other collateral covered by Marquette's valid and perfected security interest) that will be liquidated ~~by Marquette~~ with the proceeds being distributed to the holder of the senior Lien on the particular asset, which lien will be deemed to

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be a valid, enforceable, perfected, and senior to all other liens as part of the settlement embodied in the Plan. Only Marquette's Collateral is in this category. Upon confirmation of the Plan, Marquette will immediately be entitled to apply the full amount of pre-petition Cash Collateral in the Marquette Blocked Account in the approximate amount of $1 million as of such date to its allowed Class 4 Claim and the Marquette Blocked Account will be closed. After applying the full amount of the pre-petition cash collateral, the balance on the Marquette Class 4 Claim will be just under $3 million after applying the $1.5 million (approx.) claim reduction that is part of Marquette's settlement contribution under the Plan.

6. *OSG Collateral*

These assets include the OSG Collateral, the proceeds of which will be distributed to OSG and the Estate in accordance with Part F of the Waterfall.

7. *Estimated Liquidation Recoveries On Post-Effective Date Assets Of Estate*

The chart below describes the categories of assets that will remain as or will become property of the Estate as of the Effective Date. The Committee has estimated the gross recoveries from these assets will be approximately $26.9 million resulting from a liquidation occurring over a 18 to 36-month period.

Asset Description & Basis for Value	**Value** (rounded)
Related Party Contribution ● Cash and insurance policy with cash surrender value (Per Related Party Term Sheet) ($1.8 million) ● Four Real Properties (Yard 4, Yard 11 (CEMP Property), Yohn Property, and Block Yard, with a $11.3 million aggregate value based on September 14, 2010 valuations by Courtney & Morris Appraisals, Inc., however, only $8.5 million of value transfers to the Estate under the Related Party Term Sheet)	$10,300,000

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Asset Description & Basis for Value	**Value** (rounded)
GulfMark Hulls & Associated Equipment ~~(1)~~[4] (Values are based on the purchase price of the equipment and machinery at cost, but without factoring the scrap value of the partially constructed hulls.) ● 5 Engines ($3.5 million) ● 6 Thrusters ($1.0 million) ● 3 Generators ($0.4 million) ● 5 Bulk Mud Tanks ($0.4 million) ● Other Misc. ($0.7 Million)	$6,000,000
Other Assets Including Litigation ● Other Assets (Winship ERP software system, accounts receivable, C&G license) ($2.1 million) ● Litigation (Claims against third parties arising from, among other claims and events, the fire of the M/V Seacor Sherman) ($12.4 million)	$14,500,000
Mexican Assets ● Real Property (Value is based on an appraisal) ($14.7 million) ● ABDF2 Drydock (Value is based on cost) ($6.0 million)	$20,700,000
OSG Collateral ● Assignment of mortgages on and transfer to Estate of three real properties (Values based on 2009 appraisals.)	$6,000,000
Total Asset Value (Per above sources)	$57,500,000
Estimated Recovery (47% of Total Asset Value based on a liquidation over 2 to 3 years)	$26,900,000

[4] The asset values assume that the GulfMark Hulls will be deemed to be property of the Estate or that the Court will foreclose any competing claims to legal or equitable title to the hulls. As noted above, Marquette, the Debtor, and the Committee contend that even if GulfMark were given legal or equitable title to the GulfMark Hulls (or any party of them), it would be subject to Marquette's security interest because any grant of title could not have constituted a transaction outside the ordinary course of business under prevailing law. Under the Tier 1 Term Sheet, assuming it is approved though confirmation of the Plan, the Committee, which was the only party with standing to challenge such security interest, will consent to its validity. The Bankruptcy Court will have jurisdiction to foreclose the rights of any holder of a junior lien or ownership interest in the GulfMark Hulls because the foreclosure process will bring value from the GulfMark Hulls into the Estate under the Marquette Settlement Contribution and the Tier 1 Term Sheet. If the Bankruptcy Court determines that the value of the GulfMark Hulls exceeds the value of the senior security interests or liens on them, the Bankruptcy Court may also resolve the title dispute as part of the confirmation process. It is possible the Bankruptcy Court could rule that GulfMark was a buyer of the GulfMark Hulls in the ordinary course of business. If that is the case, the value of the assets to be distributed under the Plan will less than expected above. It should be noted that the Plan Proponent has only estimated a 47% recovery value on the assets listed above, although the actual recovery could be higher or lower.

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G. **Waterfall**

The Waterfall is the priority and distribution protocol set forth in Article 8 of the Plan to be used by the Plan Administrator in making distributions of and from the asset groups described herein and set forth in Article 7 of the Plan. Several categories of assets will be distributed to creditors in accordance with a payment waterfall corresponding to each category.

Although the sequence of "Parts" has no significance with respect to priority of distribution, each category expressly indicated as a "Tier" does reflect distribution priority (except for Part C(Tier 2), which does not reflect a distribution priority and proceeds under such tier will be distributed ratably as set forth therein). Unencumbered Assets are intended to be used to satisfy the obligations in Part A(Tiers 1-3) prior to using the Settlement Assets or Related Party Assets. Settlement Assets are intended to be used to satisfy the obligations in Part A(Tiers 1-3) prior to using the Related Party Assets. Because the proceeds from Settlement Assets and Related Party Assets may become available before the proceeds from Unencumbered Assets and because the obligations in Part A(Tiers 1-3) ~~get~~ must be paid earlier than other obligations under the Waterfall (other than the OSG Share in Part F of the Waterfall), any Settlement Assets and Related Party Assets used to pay the obligations in Part A(Tiers 1-3) will be replenished with proceeds from Unencumbered Assets once they become available, with Related Party Assets replenished prior to Settlement Assets.

Part A: Unencumbered Assets

Tier 1. The first proceeds from the Unencumbered Assets shall be used to reimburse Marquette for the use of pre-petition Cash Collateral prior to the Confirmation Date as set forth in the Related Party Term Sheet and to pay the costs of administering the Plan in accordance with a budget to be determined and overseen by the Steering Committee.

Tier 2. The next available proceeds shall be used to pay *pro rata* 33.3% of the Professional Fee Deferment.

Tier 3. The next available proceeds shall be used *pro rata* (i) to fund the DIP Replenishment; and (ii) pay *pro rata* the remaining balance of the Professional Fee Deferment.

Tier 4. The next available proceeds shall be used to replenish any Related Party Assets or Settlement Assets used to pay the obligations in Tiers 1-3 above.

Tier 5. The next available proceeds shall be used to pay accrued interest on the Professional Fee Deferment.

Tier 6. The next available proceeds shall be used to make distributions *pro rata* to unsecured creditors in Classes 7 and 8.

Part B: Settlement Assets

Tier 1. If there are insufficient Unencumbered Assets available, the first proceeds from the liquidation of Settlement Assets shall be used to pay the obligations in Part A(Tiers 1-3) of the Waterfall, in such priority. If Unencumbered Assets later become available, they shall be used to

replenish and any Settlement Assets used to pay the obligations in Part A(Tiers 1-3) of the Waterfall.

Tier 2. The next available proceeds shall be used to make distributions to creditors holding Allowed Class 7 Claims.

Part C: Related Party Assets

Tier 1. If there are insufficient Unencumbered Assets available, the first proceeds from the liquidation of Related Party Assets shall be used to pay the obligations in Part A(Tiers 1-3) of the Waterfall, in such priority. If Unencumbered Assets later become available, they shall be used to replenish any Related Party Assets used to pay the obligations in Part A(Tiers 1-3) of the Waterfall.

Tier 2. The next $5 million in proceeds from the liquidation of Related Party Assets shall be used to make distributions ratably as follows:

A. $1 million shall be distributed *pro rata* to holders of Allowed Claims in Class 7.

B. $500,000 to shall be distributed *pro rata* to all unsecured creditors holding Allowed Claims in Classes 7 and 8.

C. The lesser of $2.5 million or 50% of GE's deficiency claim on its Allowed GE Class 5 Claim, but not to exceed such allowed claims, shall be distributed to GE.

D. $750,000 shall be distributed to OSG, but not to exceed the Allowed OSG Class 7 Claim.

E. $250,000 shall be distributed to Marquette on account of, but not to exceed the Allowed Marquette Class 4 Claim on account of a portion of Marquette's post-petition fees, interest and expenses only.

If less than $5 million in proceeds are distributable under Tier 2, the foregoing parties entitled to distributions under Tier 2 shall receive only their *pro rata* portion, with such pro rata distribution to be calculated based on the specific distribution amounts to be paid under clauses A to E set forth in this Tier 2.

Tier 3. The remaining available proceeds shall be used to make distributions as follows:

A. 66.7% shall be distributed *pro rata* to holders of Allowed Claims in Class 7.

B. 33.3% shall be distributed *pro rata* to all unsecured creditors holding Allowed Claims in Classes 7 and 8.

Part D: GE Mexico Collateral

Tier 1. The first proceeds from the GE Mexico Collateral shall be distributed to GE on account of and up to the amount of the Allowed GE Class 5 Claim.

Tier 2. The next available proceeds shall become Settlement Assets.

Part E: Marquette Collateral

Tier 1. The first proceeds from the Marquette Collateral shall distributed to Marquette on account of and up to the amount of the Allowed Marquette Class 4 Claim.

Tier 2. The next available proceeds shall become Settlement Assets.

Part F: OSG Collateral

The proceeds from the disposition of the OSG Collateral shall be distributed to OSG and the Estate (with the Estate's share to be further distributed in accordance with the Waterfall) as follows:

Tier 1. The first $750,000 shall be distributed to the Estate as part of the OSG Proceeds Contribution.

Tier 2. 75% of the next $1 million shall be distributed to the Estate as part of the OSG Proceeds Contribution, and the remaining 25% shall be distributed to OSG as part of the OSG Share.

Tier 3. 50% of the next $1 million shall be distributed to the Estate as part of the OSG Proceeds Contribution, and the remaining 50% shall be distributed to OSG as part of the OSG Share.

Tier 4. 25% of all excess proceeds from the OSG Collateral shall be distributed to the Estate as part of the OSG Proceeds Contribution, and the remaining 75% shall be distributed to OSG as part of the OSG Share.

Notwithstanding the sharing percentages set forth above, if at any time the aggregate amount of the OSG Proceeds Contribution equals $2.6 million, any and all proceeds from the OSG Collateral in excess of that amount shall be paid 100% to OSG. Distributions under this Part F of the Waterfall shall be made to the Estate and OSG at the closing of the sales of the respective properties comprising the OSG Collateral.

ILLUSTRATION OF OPERATION OF THE WATERFALL UNDER A SAMPLE LIQUIDATION TIMELINE WITH HYPOTHETICAL LIQUIDATION VALUES

(The values below should not be relied on for any purpose as they are for illustration purposes only.)

The Waterfall is a complex formula for distributing the cash proceeds from the liquidation of the Estate's assets under virtually any timeline, sequence or realized value that could occur in this Bankruptcy Case. As an illustration of how the Waterfall operates, the Plan Proponent provides the following illustration that applies a sample timeline for the liquidation of the assets using hypothetical values. No significance should be ascribed to any values listed below as there are used solely for the purposes of this illustration. The actual value of a particular asset category may be substantially higher or lower. Creditors and other parties in interest should thus refrain from relying on these figures or liquidation dates for any purpose other than understanding how the Waterfall operates under one hypothetical scenario.

Asset	Hypothetical Date of	Hypothetical Amount of	Hypothetical Distribution Under Waterfall

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	Liquidation	Proceeds (Net of Cost of Liquidation and Contingency Fees)	
Marquette Blocked Account	January 2011	$1,000,000	* $1 million distributed to Marquette on account of the Marquette Class 4 Claim. Marquette will have approximately $2.9 million still outstanding on its Marquette Class 4 Claim.
REMAINDER TO FOLLOW			

H. **Procedures for Resolving and Treating Disputed Administrative Expense Claims**

1. *Objections to and Resolution of Administrative Expense Claims and Claims*

Except as to applications for allowance of compensation and reimbursement of expenses under sections 330, 331, and 503 of the Bankruptcy Code, the Debtor (through the Plan Administrator) will, on and after the Effective Date, have the exclusive right to make and file objections to Administrative Expense Claims and Claims. On and after the Effective Date, the Debtor (through the Plan Administrator) will have the authority to compromise, settle, otherwise resolve or withdraw any objections to Administrative Expense Claims and Claims and compromise, settle or otherwise resolve Disputed Administrative Expense Claims and Disputed Claims without approval of the Bankruptcy Court. Unless otherwise ordered by the Bankruptcy Court, the Debtor (through the Plan Administrator) shall file all objections to Administrative Expense Claims that are the subject of proofs of claim or requests for payment filed with the Bankruptcy Court (other than applications for allowances of compensation and reimbursement of expenses) and Claims and serve such objections upon the holder of the Administrative Expense Claim or Claim as to which the objection is made as soon as is practicable, but in no event later than one hundred and twenty (120) days after the Effective Date or such later date as may be approved by the Bankruptcy Court.

2. *No Distribution Pending Allowance*

Notwithstanding any other provision of the Plan, no Cash will be distributed under the Plan on account of any Disputed Claim unless and until such Claim is deemed Allowed.

3. *Estimation*

The Plan Proponent (or following the Effective Date, the Plan Administrator) may, at any time, request that the Bankruptcy Court estimate any contingent or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the there has been previous objection to such Claim. In the event the Bankruptcy Court estimates any contingent or Disputed Claim, the estimated amount may constitute a maximum limitation on such Claim, as determined by the Bankruptcy Court. Notwithstanding this, the Plan Proponent (or following the Effective Date, the Plan Administrator) may elect to pursue any supplemental proceedings to

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object to the allowance and payment of such Claim. All of the aforementioned Claims objection and estimation procedures are cumulative and not exclusive of one another.

4. *Reserve for Disputed Claims*

On and after the Effective Date and only after Cash becomes available pursuant to the Waterfall to pay Allowed Claims, the Debtor will hold in the Claims Reserve Cash in an aggregate amount sufficient to pay to each holder of a Disputed Claim at the time distributions are made pursuant to the Plan the amount of Cash that such holder would have been entitled to receive if such Claim had been an Allowed Claim on the Effective Date. Cash withheld and reserved for payments to holders of Disputed Claims will be held and deposited in one or more segregated bank accounts to be used to satisfy such Claims as such Disputed Claims become Allowed Claims. If practicable, the Debtor may invest Cash in the Disputed Claims Reserve in a manner that will yield a reasonable net return, taking into account the safety of the investment.

5. *Allowance of Disputed Claims*

If, on or after the Effective Date, any Disputed General Unsecured Claim is deemed Allowed, the Debtor will, on the Subsequent Distribution Date that is at least fifteen (15) Business Days following the date on which the Disputed Claim becomes an Allowed Claim, distribute from the Disputed General Unsecured Claims Reserve to the holder of such Allowed Claim the amount of Cash that would have been distributed to such holder under the Plan on the dates distributions previously were made to holders of Allowed General Unsecured Claims had such Claim been an Allowed Claim on such dates, which amount shall not exceed the amount of Cash reserved on account of such Claim.

I. **Treatment of Executory Contracts and Unexpired Leases**

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code, all executory contracts and unexpired leases that exist between the Debtor and any Person or Entity shall be deemed rejected by the Debtor on the Confirmation Date and effective as of the Confirmation Date, except for any executory contract or unexpired lease (i) under which the Debtor is entitled to rents, royalties or other payments or that is an insurance policy, which contracts and leases shall be deemed assumed, (ii) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date, or (iii) as to which a motion for approval of the assumption or rejection of such executory contract or unexpired lease has been filed and served prior to the Confirmation Date.

Claims arising out of the rejection of an executory contract or unexpired lease must be filed with the Bankruptcy Court and served upon the Debtor by no later than thirty (30) days after the later of (i) notice of the approval of the rejection of such executory contract or unexpired lease, and (ii) such other date as may be fixed by order of the Bankruptcy Court. All such Claims not filed within such time will be forever barred from assertion against the Debtor, its Estate and its property.

J. **Means for Implementation of the Plan**

1. *Debtor's Continued Existence*

From and after the Effective Date, under the direction and control of the Plan Administrator, the Debtor will continue in existence under the direction and control of the Plan Administrator for the purpose of (i) winding up its affairs, (ii) liquidating, by conversion to Cash or other methods, any remaining assets of its bankruptcy Estate, as expeditiously as reasonably possible in order to maximize the value of such assets, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Debtor and its Estate, including, without limitation, Causes of Action, (iv) resolving Disputed Claims, (v) administering the Plan and taking such actions as are necessary to effectuate the Plan, and (vi) filing appropriate tax returns.

Upon the distribution of all remaining assets of the Debtor and the Estate pursuant to the Plan and the filing by or on behalf of the Debtor of a certification to that effect with the Bankruptcy Court, the Debtor will be dissolved in accordance with applicable law and the Debtor shall file with the appropriate offices of the State of Alabama, a certificate of dissolution, to the extent necessary.

2. *Funding of the Plan*

The Debtor's obligations under the Plan on the Effective Date and thereafter shall be funded through the liquidation of all of the Debtor's remaining assets and through the following:

a. Professional Fee Deferment.

Professionals will defer payment of their allowed fees and expenses on a *pro rata* basis as to the balance of their unpaid allowed fees and expenses to enable the Plan Administrator to pay the other Administrative Expense Claims, Priority Tax Claims, and Other Priority Claims for the Plan to become effective. The unpaid allowed fees and expenses subject to the Professional Fee Deferment will accrue interest commencing on the first day of the second month after the month in which they were incurred. The interest rate shall be the non-default rate provided in the order entered in the Bankruptcy Case approving the DIP Financing. The Professional Fee Deferment will be paid in accordance with the Waterfall. **Exhibit C** hereto is a chart of the estimated accrued, paid, unpaid and projected professional fees and expenses through the Effective Date (listed by professional). All professional fees and expenses that are unpaid as of the Effective Date will be subject to the Professional Fee Deferment. That figure is estimated to be approximately $2.89 million.

b. Marquette Settlement Contribution.

Marquette will contribute: (i) its limited consent to use of its pre-petition Cash Collateral to the extent required to comply with the Related Party Term Sheet; (ii) an assignment to the Plan Administrator of Marquette's tort, contract, deficiency and guarantee claims against the Related Parties; (iii) consent to the use of the proceeds from assets that would otherwise be used to pay the DIP Financing in the Waterfall; (iv) an assignment of Marquette's Liens in Collateral that shall be liquidated by the Plan Administrator and distributed under the Waterfall;

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and (v) consent to the fixing and allowing of Marquette's claims as set forth in Section 4.4 of the Plan.

c. GE Settlement Contribution.

GE will contribute: (i) its consent to the use of its pre and post-petition Cash Collateral; (ii) an assignment to the Plan Administrator of GE's tort, contract, deficiency and guarantee claims against the Related Parties; (iii) consent to the use of the proceeds from assets that would otherwise be used to pay the DIP Financing in the Waterfall; (iv) an assignment of GE's liens in Collateral that will be liquidated by the Plan Administrator and distributed under the Waterfall; and (v) consent to the fixing and allowing of GE's Claims as described in Section 4.5 of the Plan.

d. OSG Settlement Contribution.

OSG will contribute the following:

(i) its agreement to subordinate its right to receive the proceeds from the disposition of OSG Collateral in accordance with the distribution tranches described in the Waterfall;

(ii) an assignment to the Plan Administrator of any Claims of OSG against the Debtor and the Related Parties (but specifically excluding (a) OSG's Allowed Class 6 Claim, Allowed Class 7 Claim, and the claims of OSG described in Part C(Tier 2(D)) of the Waterfall, (b) all rights of OSG to receive distributions in respect of the foregoing Claims, and (c) the Claims and rights described in the *proviso* below) for damages under or in connection with its shipbuilding contracts with the Debtor (whether based in contract (including under any guaranty), tort, equity or otherwise); provided, however, that OSG shall not assign (and shall specifically retain) any and all rights, Claims and Causes of Action of OSG arising under, pursuant to or in connection with the OSG Termination Agreement including, without limitation, (a) all commercial, contract and other rights and Claims of OSG arising under, pursuant to or in connection with the OSG Termination Agreement, and (b) title to all property assigned, transferred or otherwise conveyed to OSG pursuant to or in connection with the OSG Termination Agreement; and

(iii) its consent to the fixing and allowing of OSG's Claims as described in Sections 4.6 and 4.7 of the Plan and Part C(Tier 2(D)) of the Waterfall, as described in Article 8 of the Plan.

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e. Related Party Contribution.

The Related Parties will contribute approximately $10.29 million in cash and property on the terms set forth more fully in the Related Party Term Sheet and Section 7.3 of the Plan. If the conditions to the effectiveness of the settlement contained in the Related Party Term Sheet are not satisfied or waived, then the Plan Administrator (if after the Effective Date) or the Committee (if before the Effective Date) will file with the Bankruptcy Court a notice of the Related Parties' default under the Related Party Term Sheet and the Plan Administrator will commence litigating or otherwise seeking recoveries on the Claims and Causes of Action against the Related Parties held by or assigned to the Estate, and the Related Parties will not receive the benefit of the releases and exculpation provisions described in Article 12 of the Plan and the Plan will be deemed modified to delete each of the Related Parties from such releases and exculpation provisions.

3. *The Plan Administrator*

As of the Effective Date, the Plan Administrator will be vested with the rights and obligations of a chapter 11 trustee with the full power of a board of directors, subject to input from the Steering Committee in accordance with an agreement that is consistent with the terms of the Plan. The Plan Administrator will replace the Debtor's existing management and board of directors and will become the representative of the Debtor's Estate. The Plan Administrator will act for the post-Effective Date Debtor in the same fiduciary capacity as applicable to an officer of the Debtor, subject to the provisions hereof (and all bylaws, articles of incorporation, and related corporate documents are deemed amended by the Plan to permit and authorize the same). All distributions to be made under the Plan will be made by the Plan Administrator. The duties and powers of the Plan Administrator, subject to oversight and governance by the Steering Committee as set forth below will include, but not be limited to, the following:

- To exercise all power and authority that may be necessary to implement the Plan, commence and prosecute all proceedings that may be commenced and take all actions that may be taken by any officer, director or shareholder of the Debtor with like effect as if authorized, exercised, and taken by unanimous action of such officers, directors, and shareholders, including consummating the Plan;

- To maintain all bank accounts, make distributions and take other actions consistent with the Plan, including the maintenance of appropriate reserves, in the name of the Debtor;

- To take all steps reasonably necessary and practicable to terminate the corporate existence of the Debtor;

- To make decisions regarding the retention or engagement of professionals or other Persons by the post-Effective Date Debtor, and to pay, without court approval, all reasonable fees and expenses of the Debtor and its Estate accruing from and after the Effective Date;

- To prosecute and/or settle Causes of Action where a net recovery is probable;

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- To take all other actions not inconsistent with the provisions of the Plan which the Plan Administrator deems reasonably necessary or desirable in connection with the administration and consummation of the Plan; and

- To exercise all authority as a majority shareholder of the Debtor's wholly-owned and/or majority owned subsidiaries, and to exercise such other powers as may be vested in the Plan Administrator by order of the Bankruptcy Court.

K. **Steering Committee**

The Plan contemplates that on the Effective Date, a Steering Committee shall be constituted to oversee the liquidation and wind up of the Debtor and its Estate and shall consult with the Plan Administrator and have certain rights.

The initial Steering Committee shall be constituted by members each holding one vote appointed as follows: (i) the Plan Administrator (1 member)~~,~~; (ii) the Committee (1 member)~~,~~; (~~ii~~iii) OSG (1 member); (~~iii~~iv) GE (1 member); and (~~iv~~v) Marquette (1 member).

OSG, GE, and Marquette must each resign from the Steering Committee once it is no longer entitled to any further distributions under the Plan, and the Steering Committee will be appropriately reconstituted if reasonable and necessary in accordance with the ongoing interests of the remaining entities entitled to distributions under the Plan in the Bankruptcy Case.

OSG shall have veto power, which may be only exercised reasonably, with respect to the disposition of the OSG Collateral. GE shall have veto power, which may be only exercised reasonably, with respect to the disposition of the GE Mexico Collateral. Marquette shall have veto power, which may be only exercised reasonably, with respect to the disposition of the Marquette Collateral.

An agreement that is mutually acceptable to the Plan Proponent, GE, Marquette, and OSG that establishes the scope of oversight the Steering Committee shall have over the Plan Administrator shall be filed as part of the Plan Supplement. The agreement shall, among other things, require Steering Committee approval, pursuant to enumerated voting procedures contained in the agreement, of substantial actions proposed to be taken by the Plan Administrator, including without limitation, the liquidation, abandonment or other disposition of enumerated assets and other assets or groups of assets of certain minimum value thresholds (except those assets where the individual creditor has veto rights as set forth in Section 11.9(c)), resolution of claims above a certain dollar threshold, making Cash distributions, the incurrence and payment of significant post-confirmation expenses, and reconstituting the Steering Committee based on vacancies or otherwise.

L. **Effect of Confirmation of Plan**

1. *Term of Bankruptcy Injunction or Stays*

Unless otherwise provided, all injunctions or stays provided for in the Bankruptcy Case 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 dissolution of the Debtor.

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2. *Preservation of Causes of Action*

Except as expressly provided otherwise in the Plan, (i) nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any rights, Claims, or Causes of Action, rights of setoff, or other legal or equitable defenses that the Debtor had immediately prior to the Effective Date on behalf of the Estate or of itself, and (ii) all claims and Causes of Action accruing to the Debtor and Debtor-in-Possession shall be preserved and retained by the Debtor, who shall have the exclusive right (including through the Plan Administrator) to enforce any such Causes of Action, including but not limited to the Causes of Action listed on Exhibit C to the Plan (collectively, the "Retained Causes of Action"). The Debtor (through the Plan Administrator) may pursue, abandon, settle or release any or all such Causes of Action, as it deems appropriate, without the need to obtain approval or any other or further relief from the Bankruptcy Court.

3. ***Injunction***

Except as otherwise expressly provided in the Plan, the Confirmation Order or a separate order of the Bankruptcy Court, all Entities who have held, hold or may hold Claims against the Debtor and/or its Estate, are permanently enjoined, from and after the Effective Date, from (I) (a) commencing or continuing in any manner any action or other proceeding of any kind with respect to any such Claim, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtor on account of any such Claim, (c) creating, perfecting or enforcing any Lien or encumbrance of any kind against the Debtor or against the property of the Debtor, (d) asserting any right of setoff or subrogation of any kind against any obligation due from the Debtor or against the property or interests in property of the Debtor, and (e) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims and Causes of Action which are extinguished, dismissed or released pursuant to the Plan, and (II) the Confirmation Order shall (a) contain a finding that all ~~releases~~released Causes of Action are the exclusive property of the Debtor as the case may be pursuant to section 541 of the Bankruptcy Code, (b) contain a ruling that all released Causes of Action against the Released Parties are fully settled and released under the Plan pursuant to Bankruptcy Rule 9019 and section 105 of the Bankruptcy Code, and (c) permanently enjoin any creditor or a holder of a Claim against the Debtor from pursuing any released Cause of Action against any of the Released Parties. Such injunction shall extend to successors of the Debtor and its property and interests in property. Nothing in Section 12.4 of the Plan shall operate as a waiver of the conditions to the settlements with GE, Marquette, OSG, and the Related Parties that such parties receive Non-Debtor Releases, which releases shall remain absolute conditions to the Plan becoming effective and may only be waived by the beneficiary of the Non-Debtor Releases.

4. *Exculpation*

As of the Effective Date, the Released Parties, and any property of such parties, or direct or indirect predecessor in interest to any of the Released Parties, shall not have or incur

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any liability to any Entity for any act taken or omission occurring in connection with or related to the Debtor, the Plan Administrator or the Bankruptcy Case, including, but not limited to: (a) formulating, preparing, disseminating, implementing, confirming, consummating or administering the Plan (including soliciting acceptances or rejections thereof); (b) the Disclosure Statement or any contract, instrument, release or other agreement or document entered into or any action taken or omitted to be taken in connection with the Plan; (c) any distributions made pursuant to the Plan, except for acts constituting willful misconduct or gross negligence as determined by Final Order of a court of competent jurisdiction, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

5. *Conditions to Inclusion of Related Parties in Releases*

The Related Parties shall become Released Parties only if the Related Party Term Sheet has not been rescinded or otherwise terminated in accordance with its terms, and the Related Parties have complied with their obligations under the Related Party Term Sheet, including, without limitation, satisfaction of each of the following conditions: (i) confirmation of the Plan, (~~i~~ii) Tom Bender's timely payment in full of $440,750 to the Plan Administrator as provided in the Related Party Term Sheet, (iii) timely payment to the Plan Administrator of the full $1,000,000 to be contributed by or on behalf of Tom Bender as provided in the Related Party Term Sheet, and (iv) the transfer to the Plan Administrator of title to the Contributed Properties on the Effective Date as required under the Related Party Term Sheet.

6. *Debtor's Releases*

Pursuant to section 1123(b) of the Bankruptcy Code, and except as otherwise specifically provided in the Plan or any Plan Supplement, for good and valuable consideration, including the substantial contributions of the Released Parties (that are non-Debtors), to facilitate the implementation of the structured liquidation contemplated by the Plan, on and after the Effective Date, the Released Parties are deemed released and discharged by the Debtor, its Estate and any representative thereto or any other party asserting legal standing of the Debtor or its Estate from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative claims, asserted or assertable on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity or otherwise, that the Debtor and its Estate or its Affiliates or Insiders and any Related Parties would have been legally entitled to assert in their own right (whether individually or collectively) or on behalf of the holder of any Claim or Interest or other Entity, based on or relating to, or in any manner arising from, in whole or in part, the Debtor, the Bankruptcy Case, the subject matter of, or the transactions or events giving rise to any Claim or Interest that is treated in the Plan, the business or contractual arrangements between any Debtor and any Released Party, the restructuring of Claims and Interests before or during the Bankruptcy Case, the negotiation, formulation or preparation of the Plan and Disclosure Statement, or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct (including fraud) or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective

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Date obligations of any Released Party under the Plan or any document, instrument or agreement (including those set forth in the Plan Supplement) executed to implement the Plan, nor does it release any Cause of Action, obligation or liability expressly set forth in or preserved by the Plan or the Plan Supplement; provided, further, that in addition to, and without limitation of, the foregoing releases, the Debtor and its Estate hereby waive and release any Causes of Action arising under chapter 5 of the Bankruptcy Code or otherwise against any Entity (including, without limitation, any vendor or service provider to the Debtor that received a payment or other transfer from OSG on account of a debt owed by the Debtor to such person or Entity), that relate to, arise from or otherwise are in connection with the OSG Termination Agreement.

7. ***Non-Debtor Releases by Holders of Claims or Interests***

As of the Effective Date, for good and valuable consideration, including the substantial contributions of the Released Parties (that are non-Debtors), and to facilitate the implementation of the structured liquidation contemplated by the Plan for the benefit of creditors, each holder of a Claim (including guarantee Claims) or an Interest shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtor, its Estate, and the Released Parties from and is permanently enjoined from asserting any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any direct Claims and derivative Claims asserted on behalf of the Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtor, pre- or post-petition transactions with the Debtor, the Debtor's liquidation, the Bankruptcy Case, the subject matter of, or the transactions or events giving rise to any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtor and any Released Party or other Entity, the restructuring of Claims and Interests before or during the Bankruptcy Case, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or fraud. Notwithstanding anything to the contrary in the foregoing, the releases set forth above do not release any post-Effective Date obligations of any party under the Plan or any document, instrument or agreement (including those set forth in any Plan Supplement) executed to implement the Plan.

8. *Releases by Related Parties*

As of the Effective Date, the Related Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably and forever, released and discharged the Debtor, its Estate, and the Released Parties (that are not Related Parties) from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies and liabilities whatsoever, including any derivative Claims, asserted on behalf of a Debtor, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively),

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based on or relating to, or in any manner arising from, in whole or in part, the Debtor, transactions with the Debtor, the Debtor's liquidation, the Bankruptcy Case, the subject matter of, or the transactions or events giving rise to any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtor and any Released Party or other Entity, the restructuring of Claims and Interests before or during the Bankruptcy Case, the negotiation, formulation or preparation of the Plan, the Disclosure Statement, any Plan Supplement or related agreements, instruments or other documents, upon any other act or omission, transaction, agreement, event or other occurrence taking place on or before the Effective Date, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or fraud. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

9. *Indemnification of Post-Confirmation Actions*

The reorganized Debtor shall indemnify the Indemnified Parties for, and to hold them harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense (including, without limitation, the reasonable fees and expenses of legal counsel), incurred without gross negligence or willful misconduct on the part of the Indemnified Parties (which gross negligence, or willful misconduct must be determined by a Final Order of a court of competent jurisdiction), for any action taken, suffered or omitted to be taken by the Indemnified Parties in connection with the acceptance, administration, exercise and performance of their duties under the Plan. The Steering Committee and the Plan Administrator may consult with legal counsel, and the advice or opinion of such counsel will be full and complete authorization and protection to the Steering Committee or the Plan Administrator and the Steering Committee or the Plan Administrator, as applicable, shall incur no liability and shall be fully indemnified for or in respect of any action taken, suffered or omitted by it and in accordance with such advice or opinion. The costs and expenses incurred in enforcing the right of indemnification in this Section shall be paid by the reorganized Debtor. Section 12.10 of the Plan shall survive the resignation, replacement or removal of the Plan Administrator or the dissolution of the Steering Committee

10. *Post-Confirmation Activity*

As of the Effective Date, the Plan Administrator, subject to the rights of the Steering Committee, may conclude the wind-down of the Debtor's business, and settle and compromise claims or interests without supervision or approval of the Bankruptcy Court free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan and Confirmation Order. Without limiting the foregoing, the Plan Administrator may pay the charges the Debtor incurs for taxes, professional fees, disbursements, expenses, or related support services after the Confirmation Date without any application to the Bankruptcy Court. Provided, however, such charges shall be subject to the review of the Steering Committee and, if disputed, would be further subject to review by the Bankruptcy Court.

M. **Post-Confirmation Jurisdiction of the Bankruptcy Court**

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After confirmation of the Plan, the Bankruptcy Court retains jurisdiction to oversee various aspects of the administration of the Debtor's Estate and the Plan Administrator, as enumerated in the Plan.

IX. CONFIRMATION OF THE PLAN.

A. Introduction

The Bankruptcy Code requires the Bankruptcy Court to determine whether a plan of reorganization or liquidation complies with the technical requirements of chapter 11 of the Bankruptcy Code. It requires further that a plan proponent's disclosures concerning such plan have been adequate and have included information concerning all payments made or promised by the debtor in connection with the plan.

To confirm the Plan, the Bankruptcy Court must find that all of these, and certain other requirements, have been met. Thus, even if the requisite vote is achieved for each Class of impaired Claims, the Bankruptcy Court must make independent findings respecting the Plan's conformity with the requirements of the Bankruptcy Code before it may confirm the Plan. Some of these statutory requirements are discussed below.

B. Conditions to Confirmation and Effective Date

The Plan may not be confirmed unless the Disclosure Statement has been approved by the Bankruptcy Court and all other requirements for confirmation under the Bankruptcy Code have been met.

The Effective Date may not occur, and thus the Plan will not become effective, unless:

(a) the Bankruptcy Court shall have entered the Confirmation Order approving the settlements embodied in the Plan, including the Non-Debtor Releases, which order shall be in form and substance reasonably satisfactory to the Plan Proponent, GE, Marquette and OSG; (b) no stay of the Confirmation Order shall then be in effect; and (c) there shall exist sufficient Available Cash to satisfy Allowed Administrative Claims with the exception of the Deferred Professional Fees, Priority Tax Claims, Other Priority Claims, Secured Tax Claims, and Other Secured Claims, which are Allowed.

C. Voting Procedures and Standards

Holders of Claims that are "impaired" under the Plan but not deemed to reject the Plan by virtue of receiving no distributions thereunder will receive a Ballot with this Disclosure Statement for the acceptance or rejection of the Plan. Only holders of Class 4, Class 5, Class 6, Class 7, and Class 8 are entitled to vote. Holders of Claims or Equity Interests whose legal, contractual or equitable rights are altered, modified or changed by the proposed treatment under the Plan or whose treatment under the Plan is not provided for in section 1124 of the Bankruptcy Code are considered "impaired."

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Instructions on how to complete a Ballot and the deadline for voting on the Plan are contained in the solicitation materials accompanying this Disclosure Statement and the Plan.

IF A BALLOT IS DAMAGED OR LOST OR IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES, PLEASE CONTACT:

Stewart F. Peck
Lugenbuhl, Wheaton, Peck, Rankin & Hubbard
601 Poydras Street, Suite 2775
New Orleans, LA 70130
Telephone: (504) 568-1990
Facsimile: (504) 310-9195

A VOTE MAY BE DISREGARDED IF THE BANKRUPTCY COURT DETERMINES, AFTER NOTICE AND A HEARING, THAT SUCH ACCEPTANCE OR REJECTION WAS NOT MADE OR SOLICITED OR PROCURED IN GOOD FAITH OR IN ACCORDANCE WITH THE PROVISIONS OF THE BANKRUPTCY CODE.

Any impaired Class of Claims that fails to achieve the requisite "accepted" vote will be deemed to have rejected the Plan.

D. **Acceptance**

The Bankruptcy Code defines acceptance of a plan by an impaired class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of claims of that class that actually vote. Acceptance of the Plan need only be solicited from holders of Claims whose Claims are "impaired" and not deemed to have rejected the Plan. Except in the context of a "cram down" (*i.e.*, confirmation of a plan that has not been accepted by all impaired classes), as a condition to confirmation of the Plan, the Bankruptcy Code requires that, with certain exceptions, each Class of impaired Claims accepts the Plan.

The Plan is predicated Classes 4, 5, and 6 voting to accept the Plan as embodied in the Term Sheet for Plan of Liquidation. The Plan Proponent also hopes that Class 7 will vote to accept the Plan. Classes 4, 5, 6, and 7 are each impaired. In the event the requisite votes are not obtained, the Debtor has the right, assuming that at least one class of impaired Claims has accepted the Plan, to request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) permits confirmation of a plan notwithstanding rejection by one or more classes of impaired claims or impaired interests if the court finds that the plan does not discriminate unfairly and is "fair and equitable" with respect to the rejecting class or classes. This procedure is commonly referred to as "cramdown." If only Classes 4, 5, and 6 vote to accept the Plan, the Debtor may seek a cramdown of any rejecting Class at the Confirmation Hearing. The Plan Proponent will, in any event, seek a cram down of the Plan on Classes deemed to reject the Plan by virtue of receiving no distributions thereunder.

E. **Confirmation and Consummation**

At the Confirmation Hearing, the Bankruptcy Court will determine whether the requirements of section 1129(a) of the Bankruptcy Code have been satisfied with respect to the

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Plan. Section 1129(a) of the Bankruptcy Code requires that, among other things, for a plan to be confirmed:

- The plan complies with the applicable provisions of the Bankruptcy Code.
- The proponents of the plan 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 by the proponents under the plan for services or for costs and expenses in, or in connection with, the chapter 11 case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of, the court as reasonable.
- The proponents have disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in the plan with the debtor, or a successor to the debtor under the plan. The appointment to, or continuance in, such office of such individual, must be consistent with the interests of creditors and equity security holders and with public policy and the proponents must have disclosed the identity of any insider that the reorganized debtor will employ or retain, and the nature of any compensation for such insider.
- With respect to each class of impaired claims or interests, either each holder of a claim or interest of such class has accepted the plan, or will receive or retain under the plan on account of such claim or interest, 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 debtor were liquidated on such date under chapter 7 of the Bankruptcy Code.
- Each class of claims or interests has either accepted the plan or is not impaired under the plan.
- Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that allowed administrative expenses and priority claims (other than tax claims) will be paid in full on the effective date and that priority tax claims will receive on account of such claims deferred cash payments, over a period not exceeding six (6) years after the date of assessment of such claim, of a value, as of the effective date, equal to the allowed amount of such claim.
- If a class of claims is impaired, at least one (1) impaired class of claims has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim in such class.
- Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor under

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the plan (unless, as here, such liquidation is proposed in the plan).

Subject to receiving the requisite votes in accordance with section 1129(a)(8) of the Bankruptcy Code and the "cram down" of Classes not receiving any distribution under the Plan, the Plan Proponent believes that (i) the Plan satisfies all of the statutory requirements of chapter 11 of the Bankruptcy Code, (ii) the Plan Proponent has complied, or will have complied, with all of the requirements of chapter 11, and (iii) the Plan has been proposed in good faith.

Set forth below is a more detailed summary of the relevant statutory requirements.

1. *Best Interests of Holders of Claims and Equity Interests*

The "best interests of creditors" test requires that the court find either that all members of each impaired class have accepted the plan or that each holder of an allowed claim or interest of each impaired class of claims or interests will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under chapter 7 of the Bankruptcy Code on such date. The Liquidation Analysis annexed as **Exhibit B** hereto demonstrates that the Plan Proponent has satisfied the "best interests of creditors" test.

To calculate what holders of Claims would receive if the Debtor was hypothetically liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first determine the dollar amount that would be realized from the liquidation (the "Chapter 7 Liquidation Fund") of the Debtor. The Chapter 7 Liquidation Fund would consist of the net proceeds from the disposition of the Debtor's remaining assets (after satisfaction of all valid liens) augmented by the Available Cash held by the Debtor and recoveries on Causes of Actions against third parties, if any. The Chapter 7 Liquidation Fund would then be reduced by the costs of the liquidation. The costs of liquidation under chapter 7 would include the fees and expenses of a trustee, as well as those of counsel and other professionals that might be retained by the trustee, selling expenses, any unpaid expenses incurred by the Debtor during the Bankruptcy Case (such as fees for attorneys and financial advisors) which would be allowed in the chapter 7 proceedings, interest expense on secured debt, and claims incurred by the Debtor during the pendency of the Bankruptcy Case. These claims would be paid in full out of the Chapter 7 Liquidation Fund before the balance of the Chapter 7 Liquidation Fund, if any, would be made available to holders of Claims. In addition, other claims which would arise upon conversion to a chapter 7 case would dilute the balance of the Chapter 7 Liquidation Fund available to holders of Claims. Moreover, additional claims against the Debtor's Estate might arise as the result of the establishment of a new bar date for the filing of claims in the chapter 7 case for the Debtor. The present value of the distributions out of the Chapter 7 Liquidation Fund (after deducting the amounts described above) are then compared with the present value of the property offered to each Class of Claims and holders of Equity Interests under the Plan to determine if the Plan is in the best interests of each holder of a Claim.

The Plan Proponent believes that a Chapter 7 liquidation of the Debtor's remaining assets would result in diminution in the value to be realized under the Plan by holders of Claims. That belief is based upon, among other factors: (a) the additional administrative

expenses involved in the appointment of a trustee, attorneys, accountants, and other chapter 7 professionals; (b) the substantial time which would elapse before creditors would receive any distribution in respect of their Claims due to a trustee's need to become familiar with the Bankruptcy Case and the Debtor's books and records, and the trustee's duty to conduct independent investigations; (c) the additional Claims that may be asserted against the Debtor; and (d) the uncertainty of a trustee's ability to retain key personnel of the Debtor to assist in identifying the bases for Claims objections and Causes of Action.

2. *Financial Feasibility*

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the debtor or any successor to the debtor unless such liquidation or reorganization is proposed in the plan. The Plan is a liquidating plan. Accordingly, the Plan satisfies section 1129(a)(11) of the Bankruptcy Code.

3. *Acceptance by Impaired Classes*

A class is "impaired" under a plan unless, with respect to each claim or interest in such class, the plan: (i) leaves unaltered the legal, equitable and contractual rights to which the claim or interest entitles the holder of such claim or interest; or (ii) notwithstanding any contractual provision or applicable law which entitles the holder of such claim or interest to demand or receive accelerated payment on account of a default, cures any default, reinstates the original maturity of the obligation, compensates the holder for any damages incurred as a result of reasonable reliance on such provision or law and does not otherwise alter the legal, equitable or contractual rights of such holder based upon such claim or interest. A class that is not impaired under a plan is deemed to have accepted the plan and, therefore, solicitation of acceptances with respect to such class is not required. See Section VIII, above, for identification of whether a Class is deemed impaired or unimpaired under the Plan.

4. *Cramdown*

THE PLAN PROPONENT RESERVES THE RIGHT TO CRAM DOWN THE PLAN AGAINST ANY NON-ACCEPTING CLASS(ES) OF HOLDERS OF CLAIMS OR EQUITY INTERESTS.

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted the Plan. The "cramdown" provisions of the Bankruptcy Code are set forth in section 1129(b) of the Bankruptcy Code. Under the cramdown provisions, upon the request of a plan proponent the bankruptcy court will confirm a plan despite the lack of acceptance by an impaired class or classes if the bankruptcy court finds that (i) the plan does not discriminate unfairly with respect to each non-accepting impaired class, (ii) the plan is fair and equitable with respect to each non-accepting impaired class, and (iii) at least one impaired class has accepted the plan. These standards ensure that holders of junior interests, such as common stockholders, cannot retain any interest in the debtor under a plan that has been rejected by a senior class of impaired claims or interests unless such impaired claims or interests are paid in full.

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As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have narrow and specific meanings unique to bankruptcy law. A plan does not discriminate unfairly if claims or interests in different classes but with similar priorities and characteristics receive or retain property of similar value under a plan. By establishing separate Classes for the holders of each type of Claim and Equity Interest and by treating each holder of a Claim and Equity Interest in each Class identically, the Debtor believes that they have structured the Plan so as to meet the "unfair discrimination" test of section 1129(b) of the Bankruptcy Code.

The Bankruptcy Code sets forth different standards for establishing that a plan is "fair and equitable" with respect to a dissenting class, depending on whether the class is comprised of secured or unsecured claims or interests. In general, section 1129(b) of the Bankruptcy Code permits confirmation notwithstanding non-acceptance by an impaired class if that class and all junior classes are treated in accordance with the "absolute priority" rule, which requires that the dissenting class be paid in full before any junior class may receive anything under the plan. In addition, case law surrounding section 1129(b) requires that no class senior to a non-accepting impaired class receives more than payment in full on its claims.

With respect to a Class of Claims that does not accept the Plan, the Plan Proponent must demonstrate to the Bankruptcy Court that either (i) each holder of a Claim in the dissenting Class receives or retains under the Plan property of a value equal to the allowed amount of its Claim, or (ii) the holders of Claims or Equity Interests that are junior to the Claims of the holders of such Claims or Equity Interest will not receive or retain any property under the Plan. Additionally, the Debtor must demonstrate that the holders of Claims that are senior to the Claims of the dissenting Class of Claims receive no more than payment in full on their Claims under the Plan. The Plan is designed to satisfy these standards. Holders of Equity Interests are not expected to receive any distributions on account thereof, and will only receive a distribution if and to the extent that claimants holding general unsecured claims are paid in full with Postpetition Interest.

If all the applicable requirements for confirmation of the Plan are met as set forth in sections 1129(a)(1) through (13) of the Bankruptcy Code, except that one or more of Classes of impaired Claims or Equity Interests have failed to accept the Plan pursuant to section 1129(a)(8) of the Bankruptcy Code, the Plan Proponent will request that the Bankruptcy Court confirm the Plan over the dissenting votes of such Classes in accordance with section 1129(b) of the Bankruptcy Code. The Plan Proponent believes that the Plan satisfies the cramdown requirements of the Bankruptcy Code. The Plan Proponent may seek confirmation of the Plan over the objection of dissenting Classes, as well as over the objection of individual holders of Claims or Equity Interests who are members of an accepting Class. In addition, the Plan Proponent intends to seek cramdown of the Plan on Classes deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code by virtue of receiving no distributions thereunder. There can be no assurance, however, that the Bankruptcy Court will determine that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.

5. *Classification of Claims and Equity Interests*

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The Plan Proponent believes that the Plan meets the classification requirements of the Bankruptcy Code which require that a plan of reorganization place each claim or interest into a class with other claims or interests which are "substantially similar."

X. STATEMENT CONCERNING INCOME TAX CONSEQUENCES

Confirmation of a plan of liquidation can have a number of tax implications upon the holders of Claims and Equity Interests against the Debtor, including, but not limited to, discharge/cancellation of indebtedness and capital gains/losses. Given the relative size of the Debtor's Estate and the diverse nature of the holders of Claims and Equity Interests, the Plan Proponent has not undertaken an analysis of the tax consequences of the Plan upon holders of Claims and Equity Interests. Accordingly, creditors and parties in interest should consult competent tax counsel and other professionals for purposes of determining the specific tax consequences of the Plan with respect to a particular holder of a Claim or Equity Interest.

THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS OR EQUITY INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER. MOREOVER, THE TAX CONSEQUENCES OF CERTAIN ASPECTS OF THE PLAN MAY BE UNCERTAIN DUE TO, IN SOME CASES, THE LACK OF APPLICABLE LEGAL PRECEDENT AND THE POSSIBILITY OF CHANGES IN THE LAW. NO RULING HAS BEEN APPLIED FOR OR OBTAINED FROM THE INTERNAL REVENUE SERVICE WITH RESPECT TO ANY OF THE TAX ASPECTS OF THE PLAN AND NO OPINION OF COUNSEL HAS BEEN REQUESTED OR OBTAINED BY THE DEBTOR WITH RESPECT THERETO.

THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE INTERNAL REVENUE SERVICE WILL NOT CHALLENGE ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE UPHELD. ACCORDINGLY, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, LOCAL, OR OTHER TAX CONSEQUENCES OF THE PLAN.

IRS CIRCULAR 230 DISCLOSURE: To ensure compliance with requirements imposed by the IRS, we inform you that any U.S. federal tax advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter that is contained in this document.

Any federal, state, or local withholding taxes or other amounts required to be withheld under applicable law shall be deducted from distributions to holders of Allowed Claims. All Persons holding Claims shall be required to provide any information necessary to effect the withholding of such taxes, and the Debtor and Plan Administrator shall be authorized to withhold distribution on account of such Claims until the requisite information is received.

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If any Allowed Claim holders distribution is returned as undeliverable, the Plan Administrator will take reasonable steps to attempt to deliver the distribution to the holder of the Allowed Claim. Any holder of an Allowed Claim that does not advise the Plan Administrator that it has not received its, his or her distribution within ninety (90) days after the date of attempted distribution will have its, his or her Claim for such undeliverable distribution discharged and will be forever barred from asserting any such Claim against the Debtor or its property. Distributions must be negotiated within ninety (90) days of the date of distribution. Any distributions which are undeliverable and unclaimed or have not been cashed within the time periods set forth above shall become available for distribution to the holders of Allowed Claims in accordance with the Plan and the holder of an unclaimed or undeliverable distribution shall not be entitled to any further distribution under the Plan.

XI. ALTERNATIVES TO LIQUIDATING PLAN

The Debtor has sold the majority of its assets and ceased all business operations as of the date of this Disclosure Statement. Accordingly, there is no viable alternative to the Plan that would envision a continuation of the Debtor as an ongoing business.

Since there is no alternative to liquidation, the Plan embodies what the Plan Proponent considers to be the best and most cost-effective method of completing the orderly liquidation and distribution of the Debtor's remaining assets to creditors. If the Plan is not confirmed, then the Bankruptcy Case may be converted to a case under Chapter 7 of the Bankruptcy Code. In that event, the Plan Proponent would cease their liquidation and distribution efforts and a trustee would be appointed to liquidate and eventually distribute the remaining assets of the Estate. The Plan Proponent believes that a liquidation under Chapter 7 would likely result in a lower return to creditors, for the reasons described above, and that the timing of any distributions would be substantially delayed.

XII. STATEMENT BY GULFMARK AND RESPONSES

[TO FOLLOW]

XIII. ~~XII.~~ CONCLUSION

The Committee and the Debtor believe that confirmation and implementation of the Plan will provide each creditor with the same or a greater recovery than he, she or it would receive if the Plan Proponent was to liquidate and distribute their assets under Chapter 7. Thus, the Committee and the Debtor recommend confirmation and implementation of the Plan as the best possible outcome for creditors. The Committee and the Debtor therefore urge holders of impaired Claims that are entitled to vote to cast their Ballots in favor of the Plan and to evidence such acceptance by returning their Ballots so they will be received by the Voting Agent on or before the Voting Deadline.

Dated: ~~September 21,~~October __, 2010

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: /s/ *Craig A. Wolfe*
Name: Craig A. Wolfe
Title: Counsel to The Official Committee of Unsecured Creditors

BENDER SHIPBUILDING & REPAIR CO., INC.

By: */s/ Stewart F. Peck*
Name: Stewart F. Peck
Title: Counsel to the Debtor

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EXHIBIT A

PLAN OF LIQUIDATION

[FILED SEPARATELY]

EXHIBIT B

LIQUIDATION ANALYSIS

EXHIBIT C

ESTIMATED ACCRUED, PAID, UNPAID AND PROJECTED PROFESSIONAL FEES

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