AMENDED DISCLOSURE STATEMENT

I. INTRODUCTION

A. General

The purpose of this amended disclosure statement (the "Disclosure Statement") is to provide holders of all Claims and Equity Interests in the Debtors with adequate information, within the meaning of Section 1125(a) and 1126 of the Bankruptcy Code, of a kind, and in sufficient detail, to make an informed judgment about the amended joint chapter 11 plan of reorganization submitted to the Bankruptcy Court on August ~~5,~~ **8,** 2008 (the "Plan") by BHM Technologies Holdings, Inc., a Delaware corporation (the "Parent" or "BHM Holdings"), and its direct and indirect domestic subsidiaries, BHM Technologies, LLC ("BHM Technologies"), The Brown Corporation of America, The Brown Company International, LLC, The Brown Company of Ionia, LLC, The Brown Company of Moberly, LLC, The Brown Company of Waverly, LLC, The Brown Corporation of Greenville, Inc., The Brown Realty Company, LLC, Heckethorn Holdings, Inc., Heckethorn Manufacturing Co., Inc., Midwest Stamping, Inc., Midwest Stamping & Manufacturing Co., Morton Welding Holdings, Inc., and Morton Welding Co., Inc. (collectively, the "Domestic Subsidiaries") (BHM Holdings and the Domestic Subsidiaries are each individually referred to as a "Debtor" and collectively, as the "Debtors").[1] A copy of the Plan is attached hereto as Exhibit A. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Plan.

THE PLAN IS PROPOSED JOINTLY BY ALL OF THE DEBTORS, BUT CONSTITUTES A SEPARATE PLAN FOR EACH DEBTOR. THE ESTATES OF THE DEBTORS HAVE NOT BEEN CONSOLIDATED, SUBSTANTIVELY OR OTHERWISE. EXCEPT AS SPECIFICALLY SET FORTH IN THE PLAN, NOTHING IN THE PLAN OR THIS DISCLOSURE STATEMENT WILL CONSTITUTE OR BE DEEMED TO CONSTITUTE AN ADMISSION THAT ONE OF THE DEBTORS IS SUBJECT TO OR LIABLE FOR ANY CLAIM AGAINST ANOTHER DEBTOR. EXCEPT AS EXPRESSLY PROVIDED IN THE PLAN, THE CLASSIFICATIONS OF CLAIMS AND EQUITY INTERESTS SET FORTH IN THE PLAN WILL BE DEEMED TO APPLY WITH RESPECT TO EACH PLAN PROPOSED BY EACH DEBTOR.

The Debtors are debtors and debtors-in-possession in jointly administered Chapter 11 Cases under Chapter 11 of the Bankruptcy Code. The Debtors are reorganizing and continuing to conduct their businesses as debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code and are soliciting votes to accept or reject the Plan.

[1] The Debtors have two non-Debtor affiliates incorporated in Mexico: The Brown Corporation de Saltillo, S. de R.L. de C.V. and The Brown Corporation de Coahuila, S. de R.L. de C.V. (~~together~~**collectively**, the "Non-Debtor ~~Subsidiaries~~**Subsidiary**"). ~~Neither of the~~**The** Non-Debtor ~~Subsidiaries~~**Subsidiary** has **not** commenced, ~~or~~**nor** is **it** subject to, a case under Chapter 11 of the Bankruptcy Code or similar insolvency proceedings in any other jurisdiction. The Non-Debtor ~~Subsidiaries continue~~**Subsidiary continues** to operate ~~their~~**its** businesses in the ordinary course of business.

08044130808080000000000007

The Debtors believe that acceptance of the Plan is in the best interests of all holders of Claims against the Debtors.

HOLDERS OF CLAIMS AGAINST ANY OF THE DEBTORS SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN, TOGETHER WITH THE EXHIBITS, IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

B. Voting on the Plan

1. *Voting Procedures*

The Plan sets forth two alternatives for the restructuring of the Debtors' balance sheet: (1) a "New Money Alternative," which provides for a $12.5 million cash investment from Atlantic Equity Partners IV, L.P. ("AEP"), the largest shareholder of the Debtors,[2] in exchange for 26.75% (after "gifting" 0.25% to the Prepetition Second Lien Lenders) of New Common Stock; and (2) a "No New Money Alternative," which does not provide for or contemplate a new money investment from AEP.

THE DEBTORS WILL SEEK FIRST TO CONFIRM THE NEW MONEY ALTERNATIVE AND WILL FALL BACK TO THE NO NEW MONEY ALTERNATIVE ONLY IF THE NEW MONEY ALTERNATIVE IS NOT CONFIRMED OR IS OTHERWISE UNSUCCESSFUL. IN SOLICITING ACCEPTANCES FOR THE PLAN, THE BALLOT WILL NOT PROVIDE FOR SEPARATE VOTES ON THE TWO ALTERNATIVES. **RATHER, AN ACCEPTANCE OF THE PLAN SHALL BE DEEMED TO BE AN ACCEPTANCE OF EITHER ALTERNATIVE IN THE ORDER OF PREFERENCE SET FORTH ABOVE**.

Under the Bankruptcy Code, the only Classes that are entitled to vote to accept or reject the Plan are Classes of Claims that are impaired[3] under the Plan. The impaired Classes, as to all Debtors and under both alternatives, are Class S-3 (Prepetition First Lien Secured Debt Claims), Class U-2 (Unsecured Ongoing Operations Claims), and Class U-4 (General Unsecured Claims). Thus, these Classes are entitled to vote to accept or reject the Plan. Class S-1 (Secured Tax Claims), Class S-2 (Other Secured Claims), Class P-1 (Other Priority Claims), Class U-1 (Convenience Claims), Class U-3 (Intercompany Claims) and Class E-2 (Subsidiary Debtor Equity Interests), as to all Debtors and under both alternatives, are unimpaired and are therefore

[2] AEP is a fund through which First Atlantic Capital, Ltd. ("First Atlantic") makes investments. In 2006, as further described below, First Atlantic acquired the Debtors in a leveraged buyout transaction.

[3] Under Section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a plan unless (i) the plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof, or (ii) notwithstanding any contractual provision or applicable law that entitles the holder of such claim or interest to demand or receive accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of the bankruptcy); reinstates the maturity of such claim or interest as it existed before the default; compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on such contractual provision or such applicable law; and does not otherwise alter the legal, equitable or contractual rights to which such claim or interest entitles the holder of such claim or interest.

presumed to have accepted the Plan and are not entitled to vote on the Plan. Holders of Class E-1 (Parent Equity Interests) will not receive any distribution and, accordingly, such holders are deemed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code and are not entitled to vote on the Plan.

Creditors that hold Claims in more than one impaired Class are entitled to vote separately in each Class. To the extent that such multiple Claims can be identified by Kurtzman Carson Consultants, LLC (the "Balloting Agent"**)**, such a Creditor will receive a separate Ballot for its Claims in each Class and should complete and sign each Ballot separately.

Except as otherwise ordered by the Bankruptcy Court, votes on the Plan will be counted only with respect to Claims: (a) that are listed on the Schedules other than as disputed, contingent or unliquidated; or (b) for which a proof of claim was filed in a liquidated amount on or before the applicable claims filing bar date. Any vote by a holder of a Claim will not be counted if such Claim has been disallowed or is the subject of an unresolved objection, or is otherwise not entitled to a vote pursuant to the Bankruptcy Code or Bankruptcy Rules or a Bankruptcy Court order, absent an order of the Bankruptcy Court allowing such Claim for voting purposes pursuant to Section 502 of the Bankruptcy Code and Rule 3018 of the Bankruptcy Rules.

Voting on the Plan by each holder of a Claim in an impaired Class entitled to vote is important. After carefully reviewing the Plan and this Disclosure Statement, each holder of such a Claim should use the enclosed Ballot or Ballots to vote either to accept or reject the Plan, and then return the Ballot or Ballots by mail to the Balloting Agent.

IN ORDER FOR YOUR VOTE TO BE COUNTED, YOUR BALLOT MUST BE COMPLETED PROPERLY AS DESCRIBED IN THIS DISCLOSURE STATEMENT, THE ORDER APPROVING THE DISCLOSURE STATEMENT, AND IN ACCORDANCE WITH THE BALLOT AND THE VOTING INSTRUCTIONS ON THE BALLOT AND RECEIVED BY THE BALLOTING AGENT NO LATER THAN THE VOTING DEADLINE.

By signing and returning the Ballot, each holder of a Claim entitled to vote will also be confirming that (i) such holder and/or agents acting on its behalf have had the opportunity to ask questions of and receive answers from the Debtors concerning the terms of the Plan, the businesses of the Debtors and other related matters; (ii) the Debtors have made available to such holder or its agents all documents and information relating to the Plan and related matters reasonably requested by or on behalf of such holder; (iii) except for information provided by the Debtors or its agents in writing, such holder has not relied on any statements made or other information received from any person with respect to the Plan; (iv) if such holder will receive Parent Preferred Stock, New Common Stock, Warrants and/or Options, such holder agrees to be bound by the stockholders' agreement, registration rights agreement, warrant agreement and/or option agreement, as applicable and as described in Section VI below; and (v) if such holder qualifies and wishes to be treated as a Released Party, such holder acknowledges and affirms that it agrees to the releases described in Section IX below.

2. *Waivers of Defects, Irregularities, Etc.*

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility, acceptance, and revocation or withdrawal of Ballots will be determined by the Balloting Agent and the Debtors in their sole discretion, which determination will be final and binding. As indicated below under "Withdrawal of Ballots; Revocation," effective withdrawals of Ballots must be delivered to the Balloting Agent prior to the Voting Deadline. The Debtors reserve the absolute right to contest the validity of any such withdrawal. The Debtors also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to waive any defects or irregularities or conditions of delivery as to any particular Ballot. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors or the Bankruptcy Court determines. Neither the Debtors nor any other person will be under any duty to provide notification of defects or irregularities with respect to delivery of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived.

3. *Withdrawal of Ballots; Revocation*

Any party who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Balloting Agent at any time before the Voting Deadline. A notice of withdrawal, to be valid, must (i) contain the description of the Claim(s) to which it relates and the aggregate principal amount represented by such Claim(s), (ii) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the Ballot sought to be withdrawn, and (iv) be received by the Balloting Agent in a timely manner at the address set forth below.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of a Ballot that is not received in a timely manner by the Balloting Agent will not be effective to withdraw a previously cast Ballot.

4. *Further Information; Additional Copies*

IF A BALLOT IS DAMAGED, LOST OR MISSING, A REPLACEMENT BALLOT MAY BE OBTAINED BY SENDING A WRITTEN REQUEST TO THE BALLOTING AGENT. IF YOU HAVE ANY QUESTIONS ABOUT THE PROCEDURE FOR VOTING YOUR CLAIM OR WITH RESPECT TO THE PACKET OF MATERIALS THAT YOU HAVE RECEIVED, OR IF YOU WISH TO OBTAIN AN ADDITIONAL COPY OF THE PLAN, THIS DISCLOSURE STATEMENT OR ANY APPENDICES OR EXHIBITS TO SUCH DOCUMENTS, PLEASE CONTACT THE BALLOTING AGENT AT KURTZMAN CARSON CONSULTANTS LLC, 2335 ALASKA

AVENUE, EL SEGUNDO, CALIFORNIA 90245 OR BY TELEPHONE AT (310) 823-9000.

C. Background of the Restructuring and Events Leading to Commencement of Bankruptcy

1. *Changes in the Automotive Industry and the Resulting Business Challenges*

The Debtors and their Non-Debtor ~~Subsidiaries~~**Subsidiary** are leading independent designers and manufacturers of highly engineered, complex welded assemblies and precision machined components for a diverse customer base in a variety of end markets, including automotive (primarily on a Tier 2 basis), construction, agricultural, and lawn and garden. The Debtors sell products to major North American and Asian automotive original equipment manufacturers (the "OEMs") and Tier 1 suppliers, along with a number of major non-automotive OEMs (the OEMs, Tier 1 suppliers and non-automotive OEMs are collectively referred to as the "Customers"). The Debtors have a strong manufacturing platform with excellent capabilities, market position and customer relationships. However, recent challenges in the automotive industry, particularly the North American light vehicle industry, resulted in operating performance declines for the Debtors.

The Debtors' rapid growth through acquisitions coincided with an extended period of increasing OEM automotive production, which resulted in high utilization levels of the Debtors' acquired resources and capacity, thus providing strong operating results for several years. Historically, the Debtors were also able to generate sufficient cost savings to offset any price concessions made to Customers. The Debtors' operational flexibility has, however, been severely restricted as a result of declining North American OEM production levels and increased raw material and other costs that the Debtors cannot fully pass along to Customers, as well as continued price pressure from Customers.

Beginning in mid-2006, the Debtors began to experience the effects of negative trends in the automotive industry. North American build volumes began to decline, and domestic OEMs lost market share. Production cuts were the deepest in selected platforms, such as light trucks, that were very important to the Debtors. To address the resulting shortfall in operating performance, during 2007 the Debtors substantially replaced their management team and implemented action plans to expand revenue, reduce material and manufacturing costs through aggressive efficiency, productivity and cost programs, and rationalize operations by implementing an organizational structure to integrate their disparate operating divisions.

Despite meaningful achievements under the action plans, the continued weakening of the automotive industry caused further shortfalls in the Debtors' operating performance, which in turn caused liquidity constraints. The liquidity constraints were exacerbated by the carrying costs of the Debtors' highly leveraged balance sheet. As a result, beginning in March 2007, the Debtors entered into a series of amendments to the Prepetition First

and Second Lien Credit Agreements,[4] including waivers of certain covenants and financial defaults. In October 2007, the Debtors obtained substantial amendments to the Prepetition First and Second Lien Credit Agreements, as well as an equity infusion of $15 million from AEP.

Market conditions continued to worsen. Industry downward volume pressures and raw material cost increases in late 2007 and early 2008 forced another round of debt restructuring discussions beginning in early February 2008. Further industry deterioration as well as the negative impact of steel prices and the American Axle strike again constrained the Debtors' liquidity, rendering the Debtors' pre-petition balance sheet unsustainable. As a result of the Debtors' extensive leveraging, the Debtors were obligated to use a substantial portion of their cash flow from operations to service existing indebtedness. With the cumulative adverse effects of the above-mentioned factors and the Debtors' inability to reduce costs or increase prices sufficiently to compensate, the Debtors were not able to generate sufficient cash flow from operations to service their indebtedness and to meet other obligations. The Debtors needed a comprehensive restructuring under Chapter 11 to de-leverage their balance sheet, in order to position themselves for future growth.

D. Overview of the Plan

The Plan is a largely consensual one negotiated by and among the Debtors, the Prepetition First Lien Lenders, the Prepetition Second Lien Lenders and AEP. Prior to the Commencement Date, holders of approximately 60.5% of the Prepetition First Lien Debt and over 70% of the Prepetition Second Lien Debt signed a Plan Support Agreement with the Debtors. A copy of the executed Plan Support Agreement is attached to the Plan as Exhibit V. AEP also signed the AEP Plan Support Agreement, attached to the Plan as Exhibit VI.

The primary purpose of the Plan is to substantially de-leverage the Debtors' balance sheet and put in place a sustainable long-term capital structure. The Plan sets forth two alternatives: a New Money Alternative and a No New Money Alternative. Under both the New Money and No New Money Alternatives, approximately $172,350,000.00 of the $264,850,000.00 claims held by the Prepetition First Lien Lenders will be converted to equity, and all of the approximately $72,200,000.00 claims held by the Prepetition

[4] On or about July 21, 2006, BHM Technologies LLC, as borrower, and the other Debtors and Non-Debtor Subsidiary, as guarantors, entered into that certain $270,000,000.00 credit agreement, as amended, restated, modified or waived from time to time, with various lenders (the "Prepetition First Lien Lenders") and Lehman Commercial Paper, Inc. ("LCPI"), in its capacity of administrative agent, along with certain pledge agreements, ~~guarantees~~**guaranties**, warrants and other agreements, instruments and documents executed and delivered in connection therewith, which constitute the "Prepetition First Lien Credit Agreement".
On or about July 21, 2006, BHM Technologies LLC, as borrower, and the other Debtors and Non-Debtor Subsidiary, as guarantors, entered into that certain $65,000,000.00 credit agreement, with various lenders (the "Prepetition Second Lien Lenders") and LCPI, in its then capacity as administrative agent, along with certain pledge agreements, ~~guarantees~~**guaranties**, warrants and other agreements, instruments and documents executed and delivered in connection therewith, which constitute the "Prepetition Second Lien Credit Agreement".

Second Lien Lenders will be converted to equity (assuming Class U-4 votes to accept the Plan).

Under both the New Money and the No New Money Alternatives, the Claims of all ongoing trade creditors that the Debtors expect will continue to provide goods and/or services to the Reorganized Debtors (the "Unsecured Ongoing Operations Claims") will be paid in full, without Postpetition Interest, in six equal monthly installments.

Under both alternatives, all Classes of Claims are unimpaired, except for Class S-3 (Prepetition First Lien Secured Debt Claims), Class U-2 (Unsecured Ongoing Operations Claims), Class U-4 (General Unsecured Claims) and Class E-1 (Parent Equity Interests).

The only Classes whose treatment is different under the two alternatives are Class S-3 and Class U-4. Under both alternatives, however, Class S-3 and Class U-4 (if it votes to accept the Plan) will receive New Common Stock of the Parent as distribution on their claims.

Under the New Money Alternative, because of the investment made by AEP, AEP will hold 27% of the primary (*i.e.*, non-diluted) New Common Stock, Class S-3 will hold 65% and Class U-4 will hold 8%. Pursuant to two settlement agreements, further described below, the Prepetition First Lien Lenders (the only holders of Class S-3 Claims) and AEP have agreed to distribute a portion of the New Common Stock that they receive under the Plan to the Prepetition Second Lien Lenders. Under this alternative, the Prepetition First Lien Lenders will "gift" the Prepetition Second Lien Lenders the entire amount of New Common Stock to which the First Lien Lenders are entitled on account of their Class U-4 Prepetition First Lien Deficiency Claims. AEP will gift the Second Lien Lenders shares of New Common Stock equal to the number of shares received by holders of Class U-4 claims other than Prepetition First Lien Deficiency Claims and Claims under the Prepetition Second Lien Credit Agreement, up to a maximum of 24,098 shares.

Under the No New Money Alternative, AEP will not purchase any New Common Stock, and Class S-3 and Class U-4 will hold 89% and 11%, respectively, of the primary (*i.e.*, non-diluted) New Common Stock, provided Class U-4 votes to accept the Plan. Under this alternative, holders of claims in Class S-3 will also receive options to acquire 180,422 shares of New Common Stock (the "Secured Creditors' Options").

The Plan is a settlement of any and all avoidance actions or other claims or defenses that could be asserted against the Prepetition First Lien Lenders, the Prepetition Second Lien Lenders (together, the "Prepetition Lenders") or First Atlantic by the Debtors, their estates or any Released Party in connection with the 2006 Acquisition (as defined below). The Plan is also a settlement of the Prepetition Lenders' claims against the Debtors. The Debtors believe the terms of such settlements, as embodied in the Plan, easily satisfy applicable standards for bankruptcy court approval of settlements. Under the Plan, substantially all of the Debtors' unsecured creditors that were not involved in the 2006 Acquisition (those creditors holding Allowed Claims in Class U-2) are being paid in full, in Cash, in six equal monthly installments. The aggregate amount of those payouts is

estimated to exceed $50,000,000 which amount may fairly be regarded as the settlement consideration obtained by the Debtors from the Prepetition Lenders and First Atlantic.

In evaluating a settlement, one factor to be considered is the probability of success in the litigation, if the settlement is rejected. The Debtors believe for multiple reasons that any fraudulent transfer litigation against the Prepetition Lenders or First Atlantic based on the 2006 Acquisition would face substantial difficulties and would be unlikely to produce a result for unsecured creditors superior to the terms of the Plan. Among those reasons, the ~~guarantees~~**guaranties** executed by the Domestic Subsidiaries and the Non-Debtor ~~Subsidiaries~~**Subsidiary** (the "Guarantors") in connection with the First Lien Credit Agreement and the Second Lien Credit Agreement limit the maximum liability of each of the Guarantors to the extent of such Guarantor's solvency under applicable state and federal laws. Prior to the 2006 Acquisition, the Guarantors may have had substantial capacity to service debt; thus, giving effect to the ~~guarantees~~**guaranties**' limitation should result in some substantial amount of the secured debt that financed the 2006 Acquisition surviving any fraudulent transfer challenge. If that were the case, then, absent the settlement embodied in the Plan, unsecured creditors would likely receive no distribution, as the value of the Guarantors has deteriorated substantially since the 2006 Acquisition and could well have fallen below the amount of secured debt that would have been permitted at the time of the 2006 Acquisition. Thus, the settlements embodied in the Plan provide a substantially greater benefit to unsecured creditors, in the Debtors' judgment, than would likely be obtained in any such fraudulent transfer litigation. Additionally, any such litigation would be very expensive, would take a great deal of time to prepare and try to a final judgment, and quite possibly **would** be subject to further delay due to appeals.

As a further reason, the Debtors are aware that case law in the Western District of Michigan has been unfavorable toward fraudulent transfer attacks on leveraged buyout transactions that are similar to the 2006 Acquisition. *See In re Quality Stores, Inc.*, 355 B.R. 629 (Bankr. W.D. Mich. 2006), *aff'd sub nom. QSI Holdings, Inc. v. Alford*, 382 B.R. 731 (W.D. Mich. 2007) (payments to defendant shareholders resulting from a leveraged buyout were settlement payments from a financial institution and thus were exempt from avoidance based on the settlement payment exception established in Bankruptcy Code section 546(e)).

For more information about the terms of the Plan, see Part VI, "Summary of the Plan," below.

II. OPERATIONS OF THE DEBTORS

A. Corporate Structure

BHM Technologies was formed through the strategic combination of three separate manufacturing companies: The Brown Corporation of America, Inc. ("Brown"), a leading full-service supplier of complex welded light vehicle interior and body-in-white assemblies; Heckethorn Manufacturing Company, Inc. ("Heckethorn"), a leading supplier of vehicle exhaust hangers and other components; and Morton Welding Company

("Morton"), a top supplier of fabricated tubular products and precision machined components to the construction and agricultural markets.

In early 2004, Thayer Capital Partners ("Thayer") acquired a 49% equity position in Brown. Following its investment in Brown, Thayer completed the stand-alone acquisitions of Heckethorn and Morton. In 2005, Brown acquired Midwest Stamping & Manufacturing Co. and its wholly owned subsidiary Midwest Stamping, Inc. (together, "Midwest Stamping").

In 2006, in anticipation of their acquisition by First Atlantic Capital, Ltd. ("First Atlantic"), Brown, Heckethorn and Morton were combined as three wholly-owned subsidiaries of BHM Technologies, LLC ("BHM Technologies"). First Atlantic formed BHM Technologies Holdings, Inc. ("BHM Holdings"). BHM Holdings acquired BHM Technologies from Thayer for an aggregate purchase price of $385 million (the "2006 Acquisition"). BHM Technologies entered into the Prepetition First Lien Credit Agreement and the Prepetition Second Lien Credit Agreement in connection with the 2006 Acquisition.

The Debtors' operations consist of four distinct lines of business (collectively, the "Operating Divisions"[5]), doing business under the following names: (a) The Brown Corporation (the "Brown Division"); (b) Heckethorn Manufacturing Co., Inc. (the "Heckethorn Division"); (c) Morton Welding Company (the "Morton Division"); and (d) Midwest Stamping, Inc. (the "Midwest Division").

As of the Commencement Date, and as set forth on the organizational chart attached hereto as Exhibit B, the Debtors are organized as follows. BHM Technologies Holdings, Inc. is a Delaware corporation and its largest shareholder is AEP, which is not a Debtor in these Chapter 11 Cases. BHM Technologies, LLC, is a Delaware limited liability company and is a wholly-owned subsidiary of BHM Technologies Holdings, Inc. The Heckethorn, Brown and Morton Divisions are directly and wholly-owned by BHM Technologies, LLC. The Midwest Division is a part of the Brown Division.

B. Business Operations

1. *The Brown Division*

a. Overview

The Brown Division consists of The Brown Corporation of America, a Michigan corporation, and its wholly owned subsidiaries: The Brown Corporation of Greenville, Inc., a Michigan corporation; The Brown Company of Ionia, LLC, The Brown Company of Moberly, LLC, The Brown Realty Company, LLC, and The Brown Company International, LLC, each of which is a Michigan limited liability company; The Brown Company of Waverly, LLC, an Ohio limited liability company; and the Non-Debtor ~~Subsidiaries~~**Subsidiary**.

[5] Although the Debtors commonly refer to the four lines of business as "Divisions," each line of business consists of one or more corporations or LLCs.

The Brown Division is a leading full-service supplier of complex welded light vehicle instrument panel, seat frames and console assemblies, as well as a variety of other stampings. The Brown Division specializes in full-service program implementation, including computer-aided design and computer-aided engineering services (commonly known as "CAD" and "CAE," respectively). Founded in 1955, the Brown Division operates facilities in Michigan, Ohio, Missouri and Mississippi, and employs approximately 180 salaried and 932 hourly employees. The Brown Division includes the Debtors' corporate headquarters in Ionia and a technical center in Madison Heights, Michigan.

The Debtors' operations under the Brown Division also include the Non-Debtor ~~Subsidiaries~~**Subsidiary**: The Brown Corporation de Saltillo, S. de R.L. de C.V.; and The Brown Corporation de Coahuila, S. de R.L. de C.V., with operations in Saltillo and Hermosillo, Mexico. As indicated on Exhibit B, the **subsidiaries constituting the** Non-Debtor ~~Subsidiaries~~**Subsidiary** are wholly-owned by a partnership consisting of Debtors The Brown Company International, LLC (98% of each), and The Brown Realty Company, LLC (2% of each). The **subsidiaries constituting the** Non-Debtor ~~Subsidiaries~~**Subsidiary**, which employ a total of approximately 509 hourly and salaried employees, are not Debtors in any bankruptcy or insolvency proceedings and continue to operate in the ordinary course of business.

2. *The Heckethorn Division.*

The Heckethorn Division consists of Heckethorn Holdings, Inc., and its wholly-owned subsidiary Heckethorn Manufacturing Co., Inc., each of which is a Delaware corporation. Founded in 1939, the Heckethorn Division is a leading supplier of light vehicle exhaust hangers and other exhaust hardware components, specializing in tube and solid-rod forming, cold-heading, robotic and MIG welding, and progressive stamping for exhaust assemblies, as well as in-house engineering capabilities including CAD, research and development, and product testing. The Heckethorn Division currently employs approximately 35 salaried and 285 hourly employees and operates a facility in Dyersburg, Tennessee.

3. *The Morton Division.*

The Morton Division consists of Morton Welding Holdings, Inc., and its wholly-owned subsidiary Morton Welding Co., Inc., both of which are Delaware corporations. Founded in 1946, the Morton Division is a top supplier of fabricated tubular products and precision machined components to construction and agricultural OEMs. Additionally, Morton offers its OEM customers design, prototype development and precision tool-making services. The Morton Division employs approximately 57 salaried and 520 hourly employees and operates a facility in Morton, Illinois.

4. *The Midwest Division.*

The Midwest Division is wholly-owned by The Brown Corporation of America and consists of Midwest Stamping & Manufacturing Co. and its wholly owned subsidiary

Midwest Stamping, Inc., each of which is an Ohio corporation. On October 14, 2005, The Brown Corporation of America acquired the Midwest Division for a total purchase price of $50.5 million. The Midwest Division is a leading manufacturer of medium to large value-added critical assemblies used in frame, chassis, engine, and seat applications (known as "body-in-white assemblies") for Tier 1 automotive customers and automotive OEMs. Originally founded in 1952, the Midwest Division employs approximately 60 salaried and 388 hourly employees and operates facilities in Edgerton, Ohio, and Sumter, South Carolina, and a technical center in Maumee, Ohio.

5. *The Debtors' Holding Companies.*

Four of the Debtors do not properly fall within any of the Operating Divisions. BHM Technologies Holdings, Inc., BHM Technologies, LLC, The Brown Company International, LLC ("Brown International"), and The Brown Realty Company, LLC, are holding companies that do not have any employees and are not involved in the Debtors' day-to-day business operations. Although the Debtors maintain an account in the name of Brown International to fund the Non-Debtor ~~Subsidiaries'~~**Subsidiary's** operations, that account is managed by the Debtors' corporate offices and management team.

6. *General Financial Information*

In 2007, the Debtors' annual sales exceeded $403.5 million, and the Debtors' combined sales for the months of January through May, 2008 exceeded $164.6 million. The Brown Division generated approximately $213.1 million in sales for 2007 and $86.1 million in sales for the first five months of 2008. The Heckethorn Division generated approximately $37.2 million in sales for 2007 and $14.0 million in sales for the first five months of 2008. The Morton Division generated approximately $59.1 million in sales for 2007 and $27.8 million in sales for the first five months of 2008. Finally, the Midwest Division generated approximately $94.1 million in sales for 2007 and $36.7 million in sales for the first five months of 2008.

Recent historical revenue information for the Debtors is summarized below:

	2007 Annual Sales	**January-May 2008 Sales**	**Percentage of Debtors' 2008 Aggregate Sales**
All Debtors[6]	$403.5 million	$164.6 million	100%
Brown Division	$213.1 million	$86.1 million	52.3%
Heckethorn Division	$37.2 million	$14.0 million	8.5%
Morton Division	$59.1 million	$27.8 million	16.9%
Midwest Stamping			

[6] Aggregate revenue information includes revenue information for the Non-Debtor ~~Subsidiaries~~**Subsidiary**.

Division	$94.1 million	$36.7 million	22.3%

7. *The Debtors' Markets*

The Debtors design and manufacture products for a broad group of Customers including light vehicle Tier 1 suppliers and OEMs, construction and agricultural OEMs and lawn and garden OEMs. The Debtors' Customer base is highly diversified and no single Customer accounts for more than approximately 20% of overall sales. The Debtors maintain dominant market positions in the markets and product lines where they compete, and their strategically located facilities contribute significantly to their competitive advantage in the marketplace, allowing them to deliver products on a just-in-time basis at low total delivered cost.

a. The Automotive Market

Through its welded assemblies (the Brown and Midwest Divisions) and exhaust components (the Heckethorn Division), the Debtors supply the North American light vehicle industry. The Debtors generated approximately 23% of their 2007 revenues from direct sales to automotive OEMs. Sales to the "Big Three" North American OEM Customers (GM, Ford, and Chrysler) constituted 14% of the Debtors' 2007 sales. Approximately 29% of the Company's overall light vehicle sales in 2007 were derived from content on Asian OEM platforms.

Global competition for the Debtors' welded assemblies is limited, and the Debtors have historically been very effective competitors. With respect to exhaust hardware components, the Debtors compete with only a few smaller domestic competitors and there is limited risk potential for exhaust products being sourced to offshore competition.

b. Construction, Agricultural, and Lawn-and-Garden Markets

Through its Morton Division, the Debtors design and manufacture products for construction and agricultural equipment market OEMs and other industrial manufacturers. Additionally, the Brown Division designs and manufactures welded assemblies and other products for lawn and garden equipment market OEMs. These customers accounted for approximately 14% of the Debtors' consolidated revenue in 2007.

In recent years, the agricultural and lawn and garden equipment markets have experienced stable growth, while construction equipment spending has been in a cyclical upturn. Additionally, the Debtors' major construction equipment customers have forecasted increased and sustained growth and additional manufacturing outsourcing. The Debtors also have very few competitors in their largest product category, large-diameter fabricated tubes.

8. *The Debtors' Products*

The Debtors sell a portion of their products directly to OEMs as finished components; however, most of the Debtors' products are used to produce "systems" or "subsystems," i.e., groups of component parts located in the vehicle operating together to fulfill a specific vehicle function. Generally, the Debtors' products can be classified into the following categories: (a) welded assemblies, including instrument panel reinforcements, seat frames, body-in-white assemblies, and center console reinforcements and other welded assemblies; (b) fabricated tubular products and precision machined components; and (c) exhaust hardware components, including exhaust hangers, exhaust clamps, and body hangers.

a. Welded Assemblies

Sales of instrument panel ("IP") reinforcement assemblies, which is the structural metal element that supports the instrument panel, houses the airbags, and supports a number of critical electrical and mechanical control systems, including the instrument cluster, steering column, heating, ventilation and air conditioning units, and electrical equipment, generated approximately $103 million of revenue (26% of total sales) for the Debtors in 2007, and represent the highest-selling product group in the Debtors' portfolio. IP assemblies are produced through a multi-step process that involves the fabrication, welding, and assembly of numerous stamped or tubular metal components into a complete module. The Debtors work closely with their customers to design and engineer IP assemblies that are structurally sound and able to accommodate rapidly evolving instrument panel requirements.

Sales of seat frame assemblies, which are the structural skeleton supporting the seating system, generated approximately $87 million in revenue (22% of total sales) for the Debtors in 2007. Seat frame modules are produced through a multi-step process that involves the fabrication, welding and assembly of numerous stamped or tubular metal components into a complete frame system. The Debtors work closely with their customers to design and engineer seat frame modules that are functionally superior, cost-effective and adaptive to rapidly evolving seating requirements.

Sales of body-in-white assemblies generated approximately $74 million in revenue (18% of total sales) for the Debtors in 2007. The Debtors' body-in-white assemblies include roof bows, floor rails, seat mounting reinforcements, and engine mounts. These assemblies are manufactured out of heavy gauge steel using transfer press and progressive die stamping technology, with additional automated assembly operations involving robotic MIG and resistance welding. The Debtors acquired this product offering with their 2005 acquisition of the Midwest Division.

Sales of center console reinforcements, which are the structural element that provides stability to the center console, and other assemblies, such as lawn mower decks, generated approximately $43 million in revenue (11% of total sales) for the Debtors in 2007. The company began manufacturing lawn mower decks in its Saltillo, Mexico facility in 2003, with annual volumes of approximately 600,000 decks per year.

b. Fabricated Tubular Products and Precision Machined Components

Sales of fabricated tubular products generated approximately $42 million in revenue (10% of total sales) for the Debtors in 2007. The Debtors manufacture specialty, niche, low-volume tubular products for construction and agricultural applications. Specific products include: (a) air and fluid carriers used in engine and hydraulic applications in combines, excavators, and other construction and agricultural equipment; (b) external handrails used on agricultural equipment; (c) structural components used in and around the vehicle; (d) rollover protection systems that utilize high-strength material to protect equipment in the event of rollover accidents; and (e) exhaust system components. The majority of the Debtors' fabricated tubular products involve difficult-to-fabricate large-diameter tubes, as well as tubes using materials such as aluminum, stainless copper, and brass, which are difficult to manufacture.

Sales of precision machined components generated approximately $17 million in revenue (4% of total sales) for the Debtors in 2007. The Debtors manufacture precision machined components primarily for transmissions used in off-highway machinery and equipment, such as construction, oil rig, and marine applications. Specific components include large valve bodies, pump bodies, large pistons, turbines, precision manifolds, and junction blocks.

c. Exhaust Hardware Components

The Debtors offer the most complete line of exhaust hardware in the industry, consisting of over 1,200 distinct products designed to exacting specifications and manufactured to close tolerances to meet OEM and Tier 1 customer needs. Exhaust hardware components serve to connect the exhaust system to the automotive chassis and to secure connections between various pieces of the exhaust system. Exhaust systems are engineered in the latter phases of the overall vehicle design process and are therefore required to fit into the confines of complex underbody structures. Content per vehicle for these products continues to increase as automakers attempt to reduce noise, vibration, and harshness and vehicle emissions.

Sales of exhaust hangers generated approximately $32 million in revenue (8% of total sales) for the Debtors in 2007. Sales of exhaust clamps generated approximately $3 million in revenue (0.6% of total sales) for the Debtors in 2007, and the Debtors sell approximately 75 different designs of exhaust clamps directly to OEMs and Tier 1 suppliers.

Sales of body hangers generated approximately $2 million in revenue (0.5% of total sales) for the Debtors in 2007, and the Debtors sell approximately 15 designs of body hangers to various Tier 1 suppliers and OEMs.

9. *The Debtors' Competitive Position*

As set forth above, the Debtors' overall operations and competitive position are robust. The depth and breadth of the Debtors' Customer relationships have been built through

their significant engineering and manufacturing capabilities and strategy of partnering with their Customers early in the product design phase. This early involvement solidifies the Debtors' position as their Customers' preferred source and promotes a more efficient product launch. In addition to their full-service capabilities, the ability to respond quickly to specialty or custom low volume requirements (particularly in many of the Debtors' construction and agricultural applications) is an important competitive advantage. The Debtors' dominant position in niche product segments is a barrier to entry for competitors and often allows the Debtors to transition Tier 2 business from one Tier 1 supplier to another as the OEMs change their suppliers.

The Debtors' strategically located facilities contribute significantly to their competitive advantage in the marketplace. The Debtors have carefully selected facility locations that are in close proximity to Customers in order to deliver products on a just-in-time basis at the lowest total delivered cost. The Debtors also continuously invest in flexible equipment, which allows the Debtors to redeploy equipment and robotic cells more easily than their competitors for newly awarded programs. This flexible, world-class manufacturing footprint, which the Debtors believe is unique among their competitors, is a significant contributing factor to the Debtors' overall low levels of capital expenditures.

The unique characteristics of the Debtors' products have proven to insulate the Debtors from the threat of offshore competition. Many of the Debtors' products, such as IP and seat frame assemblies, are bulky and expensive to transport and are required on a just-in-time basis, making it difficult for overseas competitors to ship products in a cost effective manner. Other products, such as fabricated tubes and machined components used in construction and agricultural applications, are manufactured in low volumes, require numerous late-stage design and engineering changes and involve significant tooling investments, further mitigating the threat from overseas competitors. Exhaust hardware components are insulated from low-labor-cost country competition due to low labor content and frequent design changes.

10. *Raw Materials; Steel Prices*

Since October 2007, steel prices have risen dramatically. According to the American Metal Market Index, over the past eight months, the price of hot rolled steel increased 103.7%, and the price of cold rolled steel increased 84%. Another steel index, the CRU Steel Price Index, showed price increases of 102.8% for hot rolled steel and 88.6% for cold rolled steel over the same period. The Debtors' consumption of steel is approximately 80% hot rolled steel and 20% cold rolled steel. The increased cost of steel, coupled with the Debtors' limited ability to offset or pass on these increased costs to their Customers, is one of the most significant operational challenges faced by the Debtors.

The Debtors have partial protection against steel pricing increases through Customer resale and pass through arrangements. The Debtors do not hedge their steel purchases.

The Debtors participate in steel resale programs with certain of their Customers (collectively, the "Steel Resale Programs"). Approximately 31% of the Debtors' steel

purchases are made under Steel Resale Programs. Under the Steel Resale Programs, the Debtors have the opportunity to purchase steel at a Customer-negotiated price by buying through their Customers' accounts with various steel manufacturers. In such instances, the Customer will purchase steel on the Debtors' behalf, and most will subsequently deduct the steel cost from payables owed to the Debtors for the goods the Debtors manufacture with such steel. In some instances, the Debtors pay for the steel directly. The Debtors realize cost savings by purchasing their primary raw material through their Customers' high-volume steel programs. In 2007, Customers deducted $9.3 million for steel and parts purchases from invoices they paid.

Approximately 46% of the Debtors' supply contracts with their Customers permit the Debtors to pass through all or a portion of increased raw material costs. Under these arrangements, steel price increases are typically determined by reference to a steel price index and are evaluated semi-annually or quarterly. However, given the high level of volatility in the steel market, even quarterly price adjustments may not keep pace with the Debtors' increased costs.

The remaining 23% of the steel used by the Debtors is purchased by the Debtors directly from suppliers, without any form of price protection.

As part of the Chapter 11 Cases, the Debtors are attempting to mitigate the impact of rising steel prices, including by monetizing existing pass-through agreements and negotiating improved product pricing and additional pass-through agreements.

Other than as noted above, the Debtors do not have specific arrangements in place to adjust product prices for fluctuations in the costs of raw materials.

11. *Employees*

The Debtors have approximately 2,457 non-union employees, including 332 salaried and 2,125 hourly employees. The Debtors strategically locate their facilities in smaller communities in order to be one of the largest employers in a specific locale to attract the highest skilled workers. Management views its workforce as a critical element of its overall business strategy and promotes a culture of entrepreneurial thinking and accountability. The Debtors historically have had strong average employee tenure. Hourly employees are compensated with a market based hourly wage and additional incentive compensation. The Debtors have no significant pension or legacy costs.

C. Properties

1. *The Debtors' Offices and Manufacturing Facilities*

The Debtors are headquartered in Ionia, Michigan (approximately 30 miles east of Grand Rapids, Michigan). The headquarters house corporate, finance, engineering and testing facilities. The Debtors also operate 10 manufacturing facilities strategically located in the United States and Mexico, a dedicated engineering and technical center in Madison Heights, Michigan, a technical center and sales office in Maumee, Ohio, and sales offices in Ionia, Michigan, Dyersberg, Tennessee and Morton, Illinois. Each manufacturing

facility is strategically located near key customer facilities, enabling the Debtors to provide their products on a just-in-time basis. Each facility is responsible for managing its engineering and manufacturing resources.

Six of the Debtors' 10 manufacturing facilities are owned, as is its corporate office in Ionia, Michigan. All of the Debtors' owned properties are subject to liens securing debt and/or tax claims. (For further information on the Debtors' debt, see Part III below.) A chart showing the Debtors' leased and owned properties is forth on Exhibit C hereto.

2. *Environmental-Related Issues*

The Debtors are aware of actual or potential violations of various federal, state and local environmental statutes, regulations and/or ordinances but are not aware of any significant enforcement efforts by any governmental agencies with regard to such violations at this time. The Debtors are aware of releases and/or potential releases at several of their current or former facilities; however, only three such facilities are known to have soil or groundwater contamination at significant levels. These three sites include the Heckethorn facility located in Dyersburg, Tennessee and the former Midwest Stamping facility in Bowling Green, Ohio (which are both subject to indemnification from prior owners and/or operators) and the Sumter, South Carolina facility (which may have been contaminated by operations at an adjacent property). In addition, it has been alleged that Heckethorn is responsible for contamination at the Colonial Rubber Works property adjacent to its Dyersburg facility, although to the Debtors' knowledge, no active remediation has been undertaken or required at that site. The Debtors or their predecessors have also been named as a potentially responsible party (PRP) at the Ionia City Landfill Superfund Site in Ionia, Michigan, the Enterprise Recovery System Site in Byhalia, Mississippi, and the Diaz Refinery Site near Newport, Arkansas.

D. Directors and Executive Officers of the Debtors

The following table shows the current list of directors and executive officers of each of the Debtors:

Entity	Name	Title
BHM Technologies Holdings, Inc. and BHM Technologies, LLC	Donald Dees	President and Chief Executive Officer
	Thomas Berglund	Vice President
	Emilio Pedroni	Vice President and Assistant Secretary
	Ray VanderKooi	Secretary and Chief Financial Officer
	Thomas A. Berglund Roberto Buaron Emilio Pedroni Steven Torok Don Dees James Grover Eugene I. Davis	Directors
Entity	**Name**	**Title**

Entity	Name	Title
The Brown Corporation of America, The Brown Company of Waverly, LLC, The Brown Company of Ionia, LLC, The Brown Corporation of Greenville, Inc., The Brown Company of Moberly, LLC, The Brown Realty Company, LLC, The Brown Company International, LLC, Midwest Stamping & Manufacturing Co., Midwest Stamping, Inc.	Donald Dees	President and Chief Executive Officer
	Ray VanderKooi	Treasurer, Chief Financial Officer & Secretary
	Thomas A. Berglund Roberto Buaron Emilio Pedroni Steven Torok Don Dees James Grover Eugene I. Davis	Directors

Entity	Name	Title
Heckethorn Holdings, Inc.	Jon Walter	President and Chief Executive Officer
	Donald Dees	Executive Vice President
	Ray VanderKooi	Assistant Secretary
	Thomas A. Berglund Roberto Buaron Emilio Pedroni Steven Torok Don Dees James Grover Eugene I. Davis	Directors
Entity	**Name**	**Title**
Heckethorn Manufacturing Co., Inc.	Jon Walter	President and Chief Executive Officer
	Donald Dees	Executive Vice President
	Phillip Morris	Vice President – Operations
	Ray VanderKooi	Assistant Secretary
	Gary Whittle	Vice President – Engineering
	Tim McKinney	Vice President – Purchases
	Bruce Kerr	Vice President – Finance
	Thomas A. Berglund Roberto Buaron Emilio Pedroni Steven Torok Don Dees James Grover Eugene I. Davis	Directors
Entity	**Name**	**Title**
Morton Welding Holdings, Inc.	Chris McCoy	President and Chief Executive Officer
	Donald Dees	Executive Vice President
	Bob Dittmar	Vice President
	Ray VanderKooi	Assistant Secretary
	Thomas A. Berglund Roberto Buaron Emilio Pedroni Steven Torok Don Dees James Grover Eugene I. Davis	Directors

Entity	Name	Title
Morton Welding Company, Inc.	Chris McCoy	President and Chief Executive Officer
	Donald Dees	Executive Vice President
	Bob Dittmar	Vice President
	Charles Rinkenberger	Vice President – Facilities and Capital Acquisitions; and Assistant Secretary
	Jan Christiansen	Vice President – Finance; and Assistant Secretary
	Ray VanderKooi	Assistant Secretary
	Thomas A. Berglund Roberto Buaron Emilio Pedroni Steven Torok Don Dees James Grover Eugene I. Davis	Directors

1. *Background of Key Management Personnel*

Donald Dees joined BHM in May 2007. He has over 30 years of leadership experience in the automotive industry that includes the domestic "Big 3," European and Asian manufacturers. Prior to joining BHM, Mr. Dees held positions of Vice President, Advanced Programs and Service at Hyundai Motor America; Vice President, Manufacturing and Vice President, Quality at DaimlerChrysler; General Manager of Quality & Manufacturing at Toyota Motor Manufacturing; and, while at General Motors Corporation, positions of increasing responsibility in the United States, Canada, England, and Germany. Mr. Dees also spent time with Ford Motor Company leading assembly plant vehicle paint operations. Mr. Dees has a Bachelor of Science Degree in Industrial Administration from General Motors Institute.

Ray VanderKooi, Chief Financial Officer, joined The Brown Corporation in October 2002 as Corporate Controller. He was promoted to CFO in July 2004. Prior to joining The Brown Corporation, Mr. VanderKooi held the position of Senior Manager Tax Services, Ernst & Young, Grand Rapids, Michigan. He has a Bachelor of Science degree in Accounting from Calvin College, and he is a Certified Public Accountant.

Jon D. Walter, President of Heckethorn, joined the Heckethorn Manufacturing Company in August 1998. Prior to joining Heckethorn, Mr. Walter held the position of Plant Manager, Lear Corporation Interior Systems Group, Roscommon, Michigan. Prior to Lear Corporation, Mr. Walter held manufacturing management positions of increasing responsibility at ITT Automotive in both the United States and Germany. Earlier in his career, he held manufacturing engineering positions with General Motors Corporation in Lansing, Michigan. Mr. Walter has a Bachelor of Science degree in Electrical Engineering from General Motors Institute and a Masters of Management in Manufacturing degree from the J.L. Kellogg Graduate School of Management.

Chris McCoy, President of Morton Welding, joined the company is August 2007. Previously, Mr. McCoy held the position of General Manager of Vehicle Assembly, Toyota Motor Manufacturing, Princeton, Indiana. Over his ten years with Toyota, Mr. McCoy was a significant contributor to the implementation of the Lean Manufacturing System. While at Toyota, he held several positions of increasing responsibility in Quality, Materials, and Production Management. Prior to his experience at Toyota, Mr. McCoy was with Ford Motor Company. Mr. McCoy has a Bachelor of Science Degree in Mechanical Engineering from Auburn University, and a Masters Degree in Manufacturing Management from General Motors Institute.

2. *Compensation of Directors and Officers*

The Debtors' Schedules set forth the annual salaries as of 2008 for the Debtors' employee directors and key management personnel.

III. THE DEBTORS' DEBT OBLIGATIONS

A. Long-Term Debt Obligations

As of the Commencement Date, the Debtors' total secured liabilities were approximately $323.5 million. The Debtors' pre-petition, long-term debt structure was composed of two pieces of senior secured debt: (a) loans issued under the Prepetition First Lien Credit Agreement dated as of July 21, 2006; and (b) loans issued under the Prepetition Second Lien Credit Agreement dated as of July 21, 2006 (together with the First Lien Credit Agreement, the "Credit Agreements"). Additionally, The Brown Corporation of America is liable on an unsecured promissory note issued in favor of Robert L. Netherton, Jr. ("Mr. Netherton"), on February 12, 1999 (the "Netherton Note"). The remainder of this section summarizes the Debtors' primary long-term debt obligations in order of priority:

1. *The Prepetition First Lien Credit Agreement*

On July 21, 2006, BHM Technologies (as Borrower) and BHM Holdings entered into the Prepetition First Lien Credit Agreement in order to refinance certain existing senior secured indebtedness with a syndicate of institutional lenders led by Lehman Commercial Paper, Inc. ("LCPI") as administrative agent, in connection with the 2006 Acquisition of BHM Technologies by First Atlantic. The Prepetition First Lien Credit Agreement originally provided for aggregate borrowings by BHM Technologies of up to $270 million, secured by a first-priority lien against all of the Debtors' assets, consisting of: (i) a six-year, $35 million, asset-based revolving credit facility (the "Revolver") with availability supported by calculation under a borrowing base formula, which had $9 million outstanding at the time of closing of the 2006 Acquisition; and (ii) a seven-year, $235 million term loan (the "First Term Loan").

The Prepetition First Lien Credit Agreement is guaranteed by a First Lien ~~Guarantee~~**Guaranty** and Collateral Agreement, executed by each of the Debtors other than BHM Technologies, granting certain guaranties and a security interest in the Debtors' collateral with respect to amounts loaned under the Prepetition First Lien Credit

Agreement. On April 16, 2007, the Debtors executed a First Amendment and Waiver to the Prepetition First Lien Credit Agreement which capped borrowings under the Revolver at $25 million. Current borrowing base calculations have been capped under the Revolver at $24.7 million in borrowings and $300,000 of letter of credit commitments. On June 8, 2007, the Debtors executed a Second Amendment and Third Waiver that further amended the Prepetition First Lien Credit Agreement. On October 12, 2007, the Debtors executed a Third Amendment to Prepetition First Lien Credit Agreement. As of the Commencement Date, the total amount outstanding (including accrued interest) under the Prepetition First Lien Credit Agreement was approximately $265 million.

2. *The Prepetition Second Lien Credit Agreement*

Also on July 21, 2006, BHM Technologies (as Borrower) and BHM Holdings entered into the Prepetition Second Lien Credit Agreement with a syndicate of institutional lenders, also in connection with the 2006 Acquisition, for which LCPI originally served as administrative agent and for which S.A.C. Domestic Investments, L.P. is serving as successor administrative agent ("S.A.C."). The Prepetition Second Lien Credit Agreement originally provided for aggregate borrowings by BHM Technologies of up to $65 million, secured by a second-priority lien against all of the Debtors' assets, consisting of a seven and one-half year term loan (the "Second Term Loan"). The Prepetition Second Lien Credit Agreement is guaranteed by a Second Lien ~~Guarantee~~**Guaranty** and Collateral Agreement, executed by each of the Debtors other than BHM Technologies, granting certain guaranties and a security interest in the Debtors' collateral with respect to amounts loaned under the Prepetition Second Lien Credit Agreement (together with the First Lien ~~Guarantee~~**Guaranty** and Collateral Agreement, the "~~Guarantee~~**Guaranty** and Collateral Agreements").

On June 8, 2007, the Debtors executed a First Amendment and Second Waiver to the Prepetition Second Lien Credit Agreement, which amended the Prepetition Second Lien Credit Agreement to provide that interest payments due during the applicable waiver period could be paid in kind. On October 12, 2007, the Debtors executed a Second Amendment to the Prepetition Second Lien Credit Agreement which further amended the Prepetition Second Lien Credit Agreement. As of the Commencement Date, the total amount outstanding under the Prepetition Second Lien Credit Agreement (including accrued interest) was approximately $72 million.

3. *The Intercreditor Agreement*

Contemporaneous with the execution of the Credit Agreements, BHM Holdings and BHM Technologies entered into an Intercreditor Agreement (the "Intercreditor Agreement") with LCPI in its capacity as collateral agent for the Debtors' collateral pledged under the ~~Guarantee~~**Guaranty** and Collateral Agreements. Among other provisions, the Intercreditor Agreement sets forth the relative priorities of the liens in the various Debtors' collateral created by the ~~Guarantee~~**Guaranty** and Collateral Agreements in favor of the loans issued under the Credit Agreements.

B. Other Secured Obligations

Certain parties have or may have possessory or statutory Liens on the Debtors' goods and/or equipment. These parties may include (1) creditors such as shippers, warehousemen, third party processors, manufacturers and finishers of the Debtors' goods and capital equipment, repair persons and artisans (collectively, the "Lienholders"); (2) the Debtors' custom brokers and freight brokers (collectively, the "Brokers"); and (3) third parties that provide specialized tools, moldings and capital equipment for use in the Debtors' production processes and may have Liens on such tools, dies, molds and capital equipment (the "Toolmakers"). Many states provide certain Toolmakers with Liens on tooling, dies, molds and capital equipment manufactured for the Debtors and on the products manufactured with such tools (the "Statutory Liens"). As of the Commencement Date, the Debtors owed approximately $2.5 million to the Lienholders and the Brokers, collectively. The Debtors owe additional amounts to the Toolmakers, which are expected to be paid in the ordinary course of business. However, the Debtors have not validated the propriety, validity or perfection of the Liens described herein, and the Debtors reserve all rights with respect to such Liens.

C. The Netherton Note

The Netherton Note was issued in satisfaction of equity held by Mr. Netherton at the time of a shareholder buy-out in 1999. Subsequently, Mr. Netherton assigned the Netherton Note to First National Bank of Waverly and Oak Hill Financial Services, Inc. As of the Commencement Date, the total amount owing on the Netherton Note was approximately $217,600 in general unsecured, long-term debt. This Claim is classified in Class U-4.

D. Trade Debt

The Debtors estimate that they have approximately $58,969,000 in the aggregate of trade debt, including trade debt claims classified as Unsecured Ongoing Operations Claims and General Unsecured Claims and trade debt that may give rise to statutory or possessory liens (collectively, the "Trade Debt Claims"), which may be allowed against the Debtors (subject to the claims objection and reconciliation process). These Trade Debt Claims are allocated among the Debtors as follows:

Debtor	Approximate Amount of Trade Debt Claims
BHM Technologies Holding, Inc.	$0
BHM Technologies, LLC	$0
The Brown Corporation of America	$19,072,000
The Brown Company of Waverly, LLC	$8,791,000
The Brown Company of Ionia, LLC	$4,958,000
The Brown Corporation of	

Debtor	Approximate Amount of Trade Debt Claims
Greenville, Inc.	$1,963,000
The Brown Company of Moberly, LLC	$6,320,000
The Brown Realty Company, LLC	$0
The Brown Company International, LLC	$0
Midwest Stamping & Manufacturing Co.	$0
Midwest Stamping, Inc.	$10,825,000
Heckethorn Holdings, Inc.	$0
Heckethorn Manufacturing Co., Inc.	$3,123,000
Morton Welding Holdings, Inc.	$0
Morton Welding Company, Inc.	$3,917,000

The Debtors anticipate that some of these Trade Debt Claims are subject to disallowance or reduction.

E. Section 503(b)(9) Administrative Expense Claims

Under Section 503(b)(9) of the Bankruptcy Code, a claim for payment for goods shipped to a debtor in the twenty days *before* the commencement of a bankruptcy case may be entitled to priority status as an administrative expense claim. The Debtors intend to pay Allowed Claims under Section 503(b)(9) in full on the later of the date the Claim is Allowed or the Effective Date.

As of this writing, approximately 330 claimants have filed applications and/or claims for payment of administrative expenses under Section 503(b)(9), totaling approximately $11.5 million. These claims are subject to the claims objection and reconciliation process.

IV. SIGNIFICANT POST-PETITION ACTIONS

The Debtors commenced the Chapter 11 Cases on the Commencement Date, May 19, 2008, and the following significant actions have been taken since the Commencement Date:

A. First Day Motions and Orders

Together with their petitions for relief, the Debtors filed a number of "first day" motions on or near the Commencement Date as listed in Exhibit D (the "First Day Motions"). The First Day Motions and orders (the "First Day Orders") were intended to facilitate the

transition between the Debtors' pre-Commencement Date and post-Commencement Date business operations by approving certain regular business practices that may not have been specifically authorized under the Bankruptcy Code or as to which the Bankruptcy Code requires prior approval by the Bankruptcy Court. The First Day Orders obtained in these Chapter 11 Cases are typical of orders entered in other substantial Chapter 11 cases around the country. Among other things, such orders provided for:

- Joint administration of the Debtors' Chapter 11 Cases;
- Interim and final authorization to obtain post-petition financing and to use cash collateral;
- Interim and final authorization to maintain the Debtors' bank accounts and operation of their cash management systems substantially as such systems existed prior to the Commencement Date;
- Authorization to pay certain pre-petition wages, salaries, payroll taxes, and other compensation, employee benefits and reimbursable employee expenses;
- Prohibition on utility providers from discontinuing, altering or refusing service, deeming utility providers adequately assured of future payment, and approving procedures for determining requests for additional assurance.

B. Retention of Professionals

To represent the Debtors in these Chapter 11 Cases, the Debtors have retained professionals, including, without limitation, (i) the law firm of Pepper Hamilton LLP ("Pepper"), as general bankruptcy counsel; (ii) the law firm of Varnum, Riddering, Schmidt & Howlett LLP ("Varnum"), Grand Rapids, Michigan, as corporate counsel and conflicts counsel; (iii) the law firm of White & Case LLP ("White & Case"), New York, New York, as special litigation counsel; (iv) AlixPartners, LLP ("Alix"), Southfield, Michigan as financial advisors; (v) Rothschild Inc. ("Rothschild"), New York, New York, as investment bankers and financial advisors; (vi) Ernst & Young, LLP ("E & Y"), Grand Rapids, Michigan, as accountants and auditors, (vii) Kurtzman Carson Consultants, LLC ("KCC" or the "Balloting Agent"), El Segundo, California, as noticing, claims and balloting agent; (viii) Gordon Brothers Asset Advisors, LLC ("Gordon Brothers"), as appraisers; and GaiaTech Incorporated ("GaiaTech"), as environmental consultants. Forms of retention orders for each of the foregoing professionals have been entered by the Bankruptcy Court.

C. Case Administration

1. *Bar Date*

The Debtors filed a motion seeking to establish July 31, 2008, at 5:00 p.m. EDT as the deadline for all non-governmental creditors, including holders of claims under Section 503(b)(9) of the Bankruptcy Code, to file a proof of claim against the Debtors' estates, and to establish November 17, 2008 as the deadline for any governmental unit to file a

proof of claim against the Debtors' estates. The United States Trustee filed an objection to this motion, which was subsequently withdrawn, and the Bankruptcy Court entered an Order on June 19, 2008 approving same.

D. Operational Developments

1. *Negotiations with Customers*

To address their near-term operational challenges, the Debtors have put in place a number of new initiatives in addition to the comprehensive restructuring and recapitalization transaction that is the primary purpose of these Chapter 11 Cases. The cornerstone of these initiatives is the Debtors' efforts to mitigate the impact of rising steel prices, including monetizing existing pass-through agreements and negotiating improved product pricing and additional pass-through agreements.

E. Debtor-In-Possession Financing

1. *Overview of DIP Facility*

On May 20, 2008, the Debtors entered into the DIP Facility among BHM Technologies (as Borrower), BHM Holdings and the Domestic Subsidiaries (as Guarantors), the DIP Lenders and LCPI as administrative agent for the DIP Lenders (the "DIP Agent"). The DIP Facility matures on December 6, 2008 and may be extended once by up to 90 days with the consent of the DIP Lenders.

The DIP Facility received interim approval from the Bankruptcy Court on May 21, 2008 (the "Interim Order") and final approval on June 19, 2008.

The DIP Facility consists of a term loan and a revolving loan in an aggregate principal amount of up to $45,000,000. The proceeds of the DIP Facility are to be used for (a) working capital and general corporate purposes of the Debtors, including, but not limited to, professional fees and expenses, (b) to provide cash collateral for the renewal or extension of an existing irrevocable letter of credit issued in the amount of $300,000 in connection with the Debtors' workers' compensation insurance, (c) to pay transaction costs, fees and expenses in connection with the DIP Facility, and (d) to provide adequate protection to the Prepetition First Lien Lenders. Advances have been and are being made to the Debtors under the DIP Facility in accordance with a negotiated budget and a borrowing base formula.

Interest on borrowings under the DIP Facility accrues at a rate of ABR plus 5.25% (where ABR is the greater of the Prime Rate or ½ of 1% plus the Federal Funds Effective Rate) or LIBOR plus 6.25% per annum. The default interest rate under the DIP Facility, which applies during an Event of Default as defined in the DIP Credit Agreement, is an additional 2%.

2. *DIP Liens*

As security for the Debtors' obligations under the DIP Facility, the DIP Agent was granted the following security interests and Liens, for its own benefit and the benefit of the DIP Lenders, which security interests and Liens became effective and perfected upon the date of the Interim Order, without the necessity of the execution by the Debtors (or recordation or other filing) of security agreements, financing statements or other similar documents, or the possession or control by the DIP Agent or any DIP Lender of any collateral: (i) a first Lien on all unencumbered property, whether real or personal, tangible or intangible, pre-petition or post-petition, then existing or thereafter acquired; (ii) Liens junior to certain permitted pre-petition Liens on all property, whether real or personal, tangible or intangible, pre-petition or post-petition, then existing or thereafter acquired; (iii) Liens priming all liens and security interests in the pre-petition collateral of the Prepetition First Lien Lenders and Prepetition Second Lien Lenders; and (iv) Liens senior to any Liens arising after the Commencement Date.

3. *Representations and Warranties*

The DIP Facility contains representations and warranties customary in this type of transaction, including, without limitation, valid organization and existence of the Debtors, governmental approvals, no conflicts, compliance with laws and material agreements, accuracy of financial statements, absence of material adverse change, disclosure of litigation, compliance with Federal Reserve regulations and the Investment Company Act, reliability of information provided to the DIP Lenders, absence of default, maintenance of insurance, payment of taxes, compliance with ERISA, environmental matters, real properties, intellectual property and ownership of properties.

4. *Covenants*

The DIP Facility contains covenants customary in this type of transaction, including, without limitation, delivery of unaudited and audited financial statements, balance sheets and cash flow statements, delivery of certificates certifying compliance with the DIP Facility, delivery of borrowing base certificates, timely payment of obligations, conduct of business and maintenance of corporate existence, maintenance of property and insurance, inspection of property, books and records and examinations of Borrower, prompt delivery of notices, compliance with environmental laws, tax shelter regulations, and the obtaining of a credit rating. The DIP Facility also contains usual negative covenants, including, but not limited to, limitations on EBITDA and cash flow variance, indebtedness, liens, ~~guarantee~~**guaranty** obligations, fundamental changes, sales of assets, declaration of dividends, capital expenditures, investments, loans and advances, certain acquisitions, transactions with affiliates, sales and leasebacks, changes in fiscal year lines of business, currency and commodity hedging transactions, superpriority claims, use of proceeds, implementing documents, covenants, negative pledge clauses and return of goods and fees.

5. *Events of Default*

The DIP Facility contains usual Events of Default, including, but not limited to: nonpayment of principal and/or interest or any other amounts under the DIP Facility

when due; material incorrectness of any representation or warranty; failure or default in performance of covenants; failure or default in performance of any other agreement contained in the DIP Facility; dismissal or conversion of the Debtors' Chapter 11 Cases; entry of a Bankruptcy Court order granting another superpriority claim or lien pari passu with or senior to those granted to the DIP Lenders, the DIP Agent or the Prepetition First Lien Lenders; entry of a Bankruptcy Court order reversing, staying, vacating or otherwise amending the Interim Order or terminating the use of Cash Collateral; filing of a plan of reorganization inconsistent with the term sheet attached to the DIP Facility; amendment modification, withdrawal or abandonment of the Plan without the consent of the DIP Lenders and the DIP Agent; entry of an order denying confirmation of the Plan; termination of ~~guarantees~~**guaranties**; change of control; failure of the Debtors to (i) by the 45th day after the Commencement Date, file the Plan (which occurred on June 18, 2008) and Initial Disclosure Statement (as defined in the DIP Facility), (ii) by the 90th day after the Commencement Date, obtain an order approving the Initial Disclosure Statement, or (iii) by the 135th day after the Commencement Date obtain an order confirming the Plan (all of which must be reasonably satisfactory to the DIP Agent and the required number of DIP Lenders); and invalidity of any material provision of the DIP Facility.

F. Formation of the Official Committee of Unsecured Creditors

On June 5, 2008, the U.S. Trustee appointed the following creditors to the Official Committee of Unsecured Creditors (the "Committee"): EFC International, Earle M. Jorgensen Co., Kenwal Steel Corp., Olympic Steel, Inc., The Lincoln Electric Co., Horizon Steel Co., and Dundee Products. The Committee represents the interests of the unsecured creditors of all of the Debtors. The Committee's counsel is the Southfield, Michigan law firm of Jaffe, Raitt, Heuer & Weiss, P.C. ("Jaffe") and its proposed financial advisor is Chanin Capital Partners. The retention application for Chanin Capital Partners is still pending as of this writing.

G. Bonus Programs

In the ordinary course of their businesses prior to the Commencement Date, the Debtors had developed an incentive bonus program for senior executives and plant managers (the "Senior Management Team") that was designed to incentivize and reward achievement of specific operational and financial objectives. That original management incentive program (the "OMIP") entitled the Senior Management Team to annual bonuses (i) equal to a specified percentage of the executive's base salary if BHM achieved a specific EBITDA target and, (ii) with respect to some employees, based upon the achievement of certain operational objectives by the employee's business division. Those incentive bonuses were intended to be a material part of the total compensation package of the members of the Senior Management Team. In light of the market forces that contributed to the need to commence these Chapter 11 Cases, the EBITDA and operational targets in the OMIP are no longer realistic, and so no longer provide the intended performance incentives.

Accordingly, the Debtors, under the direction of their Chief Executive Officer Donald Dees (who will not participate in the modified incentive plan) and in consultation with their advisors, have crafted and intend to seek Bankruptcy Court approval of a modified management incentive plan (the "MMIP"), designed to encourage the achievement of specific, significant financial and operational objectives. The performance goals of the proposed MMIP are tied to the Debtors' achieving certain levels of EBITDA that are crucial to the Debtors' restructuring efforts. Incentive compensation will not be earned merely for securing confirmation of a Plan. If the applicable EBITDA goals are not met, MMIP payments will not be made.

V. CAUSES OF ACTION

Section 10.2 of the Plan provides that, as of the Effective Date, any and all Causes of Action, including, without limitation, **all actions listed in Exhibit XIX to the Plan, but excluding** avoidance actions accruing to the Debtors and/or Debtors in Possession under Chapter 5 of the Bankruptcy Code ~~and all actions listed in Exhibit XIX to the Plan~~**(the "Avoidance Actions")**, shall be reserved and preserved by, and for the benefit of, the Reorganized Debtors, and the proceeds of such Causes of Action shall be retained by the Reorganized Debtors. **Any Avoidance Actions shall be deemed waived as of the Effective Date.**

A. Chapter 5 Claims

A list of payments to Creditors or other Persons in the 90 days immediately preceding the Commencement Date, constituting the basis for potential Avoidance Actions and totaling approximately $60.3 million, is attached hereto as Exhibit E. A list of payments to "insiders" (as defined in Section 101(31) of the Bankruptcy Code) in the one year immediately preceding the Commencement Date, constituting the basis for potential Avoidance Actions and totaling approximately $4.1 million, is attached hereto as Exhibit F.[7] The potential Avoidance Actions have not been analyzed on the merits and may be subject to valid defenses. **Any Avoidance Actions shall be deemed waived as of the Effective Date.**

B. Pending Litigation

On May 7, 2008, BHM Holdings filed a complaint in New York state court against certain parties ("Sellers")[8] who sold their interest in BHM Technologies to BHM Holdings. The claims asserted by BHM Holdings as plaintiff generally include allegations that the financial statements of BHM Technologies provided by the defendants to BHM Holdings in connection with the purchase of BHM Technologies by

[7] The disclosure of these payments, however, is not an acknowledgement by the Debtors that any such person is an "officer" or "insider" as those terms are defined in the Bankruptcy Code, and the Debtors expressly reserve their rights with respect thereto.

[8] The Sellers are TC Brown Holdings, L.L.C., Thayer Equity Investors V., L.P., Ami Morton Fabrication, L.L.C., TC Welding Holdings, L.L.C., RGIP, L.L.C., Thayer Equity Investors IV, L.P., TC H.A.B. Holding, L.L.C., Thayer Capital Management, L.P., Thayer Management Partners, L.L.C., TC Equity Partners IV, L.L.C., TC Equity Partners V, L.L.C., TC Co-Investors V, L.L.C., Mark R. Ferderber, Randy Myers, Ned A. Greenop, Jeffrey S. Vandrie, And Donald J. Smith.

BHM Holdings were inaccurate and misleading with respect to, among other things, the earnings of BHM Technologies. As a result, BHM Holdings alleges that it has suffered serious injury in that, among other things, (i) the purchase price BHM Holdings agreed to pay for BHM Technologies greatly exceeded BHM Technologies' true worth; and (ii) BHM Holdings, at and shortly after the closing of the transaction, made millions of dollars of overpayments to Sellers with respect to BHM Technologies' working capital, calculated on the basis of the inaccurate information.

The Debtors are also involved in arbitration with two important customers regarding steel pass through contracts for the period January through June 2008. The parties dispute the issue of when steel prices are supposed to be indexed under their respective contracts. The total amount subject to dispute is approximately $2-3 million.

Exhibit G, attached, lists all pending and threatened litigation of which the Debtors are currently aware.

C. Other Causes of Action

In addition to the pending litigation in New York state court against Sellers for claims arising out of the purchase of BHM Technologies LLC, the Debtors may have claims against Thayer and other parties relating to the purchase, which was a leveraged buy out. These claims may include claims for fraudulent transfer under applicable state law and/or pursuant to 11 U.S.C. § 548. The potential defendants include any person or entity who received a transfer, or for whose benefit a transfer was made, in connection with the sale, subject, however, to the settlement of Debtors' potential claims against the Prepetition Lenders and First Atlantic described in Section I.D above. These potential causes of action, all of which are reserved and preserved under the Plan, have not been analyzed at this time and may be subject to valid defenses.

VI. SUMMARY OF THE PLAN

A. Overview of the Plan and Anticipated Distributions

The Plan is a reorganization plan that will allow the Debtors to successfully emerge from Chapter 11 with all of the Debtors continuing to operate as they did prior to the bankruptcy filing (subject to any post-Effective Date Restructuring Transactions that may occur, as described in section 9.3 of the Plan). The Plan is intended, in part, to permit as seamless a transition as possible as the Debtors emerge from the protections of the Bankruptcy Code. The primary purpose of the ~~plan~~**Plan** is to de-leverage the Debtors' balance sheet, by converting a substantial amount of secured debt into equity.

The Plan provides that each Debtor will pay 100% of all Unsecured Ongoing Operations Claims that are held by ongoing trade vendors, without Postpetition Interest, in six equal monthly installments. The Debtors can successfully accomplish this goal primarily due to concessions by the Prepetition First Lien Lenders and Prepetition Second Lien Lenders. In addition, if the New Money Alternative is confirmed, AEP will infuse an

additional $12.5 million into the Debtors, further improving the Debtors' balance sheet and cash position.

In order to ensure a smooth, efficient and quick exit from Chapter 11, the Debtors are proposing two alternative plans simultaneously. Accordingly, this Disclosure Statement discusses the provisions and key terms provided by both alternatives. The New Money Alternative is the preferred alternative, and the Debtors will first seek confirmation of this alternative. However, in the event the New Money Alternative is not confirmed, the Debtors will seek to confirm the No New Money Alternative. A Ballot that indicates an acceptance of the Plan shall be deemed to be an acceptance of the New Money Alternative and the No New Money Alternative, as well as of the order of preference described in this paragraph. The Debtors will not re-solicit votes in order to confirm the No New Money Alternative.

The Debtors, the Prepetition First Lien Lenders, the Prepetition Second Lien Lenders and AEP believe that (i) through both alternatives of the Plan, holders of Allowed Claims will obtain a recovery from the estates of the Debtors that is at least equal to, and likely far greater than, the recovery they would receive if the assets of the Debtors were liquidated under Chapter 7 of the Bankruptcy Code, and (ii) the Plan will afford the Debtors the opportunity and ability to continue in business as viable going concerns for the benefit of all constituents. Holders of approximately 61% of the dollar amount of the Prepetition First Lien Debt, holders of over 70% of the dollar amount of the Prepetition Second Lien Debt and AEP signed pre-petition Plan Support Agreements, agreeing to support confirmation of the Plan.

The Plan is annexed hereto as Exhibit A and forms a part of this Disclosure Statement. The summary of the Plan set forth below is qualified in its entirety by reference to the provisions of the Plan. If there is a conflict between any part of the Plan and any part of this Disclosure Statement, the terms of the Plan control.

B. New Money Alternative and No New Money Alternative

1. *Common Features*

The Plan provides for two alternatives for the restructuring of Claims against, and Equity Interests in, the Debtors: the New Money Alternative and the No New Money Alternative. Under both alternatives, the following Plan features remain the same:

- Holders of Allowed Prepetition First Lien Secured Debt Claims in Class S-3 will receive their Pro Rata share of the Exit Term Loan and the Secured Creditors' Equity Distribution.

- Holders of Allowed Claims in Classes U-1 and U-2 will be paid in full, without Postpetition Interest, pursuant to the terms of their respective Class treatment, as described below.

- Allowed Intercompany Claims in Class U-3 will be adjusted, continued or discharged to the extent determined appropriate by the Debtors or the Reorganized Debtors, in their sole discretion.

- Holders of Allowed Claims in Class U-4 will receive their Pro Rata share of the Class U-4 Equity Distribution, provided that Class U-4 votes to accept the Plan.

- Allowed Parent Equity Interests in Classes E-1 shall be extinguished, and the holders of Allowed Parent Equity Interests will receive no distributions on account of such Allowed Parent Equity Interests.

- Allowed Subsidiary Debtor Equity Interests shall, at the option of the Reorganized Debtors, either (i) be unaffected by the Plan, or (ii) be cancelled and new Equity Interests in the applicable Subsidiary Debtor shall be issued pursuant to the Plan to the Reorganized Parent or Reorganized Debtor that holds such Equity Interests.

- Both alternative Plans provide for a management equity plan, whereby 9% of the New Common Stock on a fully diluted basis shall be allocated to members of management, as determined by the Reorganized Parent's Board of Directors. Both alternatives also provide for the grant of options to purchase (at a strike price to be determined) shares of New Common Stock representing 1% of the New Common Stock on a fully diluted basis for the purpose of attracting and compensating outside directors.

2. *The New Money Alternative*

Under the New Money Alternative, the current largest shareholder in the Debtors' Parent, AEP, will invest $12.5 million to purchase 2,602,530 shares of New Common Stock of the Parent and warrants to purchase an additional 1,701,000 shares of New Common Stock (together, the "AEP Equity Stake"), pursuant to the Stock and Warrant Sale Agreement. If the New Money Alternative is Confirmed, on the Effective Date and pursuant to the terms of the Escrow Agreement (attached to the Plan as Exhibit IX), the AEP Investment will be released from Escrow and used to purchase the AEP Equity Stake. AEP's 2,602,530 shares of New Common Stock will represent 27% of the primary (*i.e.*, non-diluted) New Common Stock. Because there is an argument under Section 1145 of the Bankruptcy Code that the AEP Equity Stake is not being given in exchange for a claim against or an interest in the Debtors – since it is instead being given in exchange for the AEP Investment – and that it therefore may not be exempt from registration under Section 1145, the AEP Equity Stake will be issued as a private placement and exemption will be sought under Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended.

As a result, under the New Money Alternative, the holders of Allowed Claims in Class S-3 will hold 65% of the New Common Stock and the holders of Allowed Claims in Class U-4 will hold 8% of the New Common Stock, provided that Class U-4 votes to accept the Plan. In the New Money Alternative, the holders of Allowed Prepetition First Lien

Secured Debt Claims in Class S-3 will also receive, in addition to the Exit Term Loan and the Secured Creditors' Equity Distribution, the Parent Preferred Stock, subject to the settlements reached between the Prepetition First Lien Lenders and the Prepetition Second Lien Lenders and between the Prepetition Second Lien Lenders and AEP as more fully set forth below. No other Class treatment shall change under the New Money Alternative.

3. *The No New Money Alternative*

In the event that (i) the New Money Alternative is not Confirmed (for example, if the Bankruptcy Court determines for any reason that the New Money Alternative cannot be confirmed under the Bankruptcy Code), (ii) the Debtors fail to consummate the New Money Alternative, (iii) the New Money Alternative is withdrawn or abandoned, or (iv) if for any other reason the New Money Alternative is not available to the Debtors at the time of the Confirmation Hearing on the Plan, the Debtors intend to seek confirmation of the No New Money Alternative and, if the No New Money Alternative is Confirmed, pursue consummation thereof.

Under the No New Money Alternative, AEP does not invest the AEP Investment and AEP does not receive the AEP Equity Stake. In the No New Money Alternative, if Class U-4 votes to accept the Plan, the New Common Stock distributions will result in the holders of Allowed Claims in Class S-3 holding 89% of the primary (*i.e.*, non-diluted) equity of the Reorganized Parent and the holders of Allowed Claims in Class U-4 holding 11% of such equity. However, if Class U-4 votes to reject the Plan, the holders of Allowed Claims in Class U-4 will receive no distribution and the holders of Allowed Claims in Class S-3 will hold 100% of the New Common Stock in the Reorganized Parent on a non-diluted basis. Class S-3 will also receive the Secured Creditors' Options under the No New Money Alternative, subject to the terms of the settlement reached between the Prepetition First Lien Lenders and Prepetition Second Lien Lenders as more fully described in section 9.14 of the Plan.

The following chart summarizes the key provisions of each alternative with respect to the capitalization of the Reorganized Debtors and assumes that Class U-4 votes to accept the Plan under both alternatives:

New Money Alternative				
Prepetition First Lien Lenders Receive:	Prepetition Second Lien Lenders Receive:	AEP Invests $12.5 Million and Receives:	Management Equity Plan Receives:	Independent Director Equity Plan Receives:
• $92.5 million Exit Term Loan • $75.0 million of Parent Preferred Stock (based on implied total enterprise value ("TEV") of $325 million • 65% of New Common Stock on a non-diluted basis	• $3.75 million of Parent Preferred Stock (gifted by Prepetition First Lien Lenders) • 8% of New Common Stock on a non-diluted basis (including 4% from gifting of Prepetition First Lien Deficiency Claim and .25% from gifting by AEP)	• 26.75% of New Common Stock on a non-diluted basis (post-gifting .25% to Prepetition Second Lien Lenders) • Warrants exercisable into 15% of New Common Stock at implied TEV of $325 million with a 7-year tenor	• 9% of New Common Stock on a fully diluted basis	• 1% of New Common Stock on a fully diluted basis

No New Money Alternative				
Prepetition First Lien Lenders Receive:	Prepetition Second Lien Lenders Receive:	AEP Receives:	Management Equity Plan Receives:	Independent Director Equity Plan Receives:
• $92.5 million Exit Term Loan • Approximately 94% of New Common Stock on a non-diluted basis, including distributions on Class S-3 and Class U-4 Claims	• Approximately 5% of New Common Stock on a non-diluted basis • Penny warrants convertible into 2.5% of New Common Stock (gifted by Prepetition First Lien Lenders)	• Nothing	• 9% of New Common Stock on a fully diluted basis	• 1% of New Common Stock on a fully diluted basis

The capital structure of the Reorganized Debtors is summarized in the following pro forma:

Notes:

1. *Assumes $25.1 million 2008 projected EBITDAR per anticipated DIP Business Plan*

2. *Amount projected to be drawn upon emergence per anticipated DIP Business Plan*

C. Classes of Claims

1. *Non-Classified Claims*

As provided in section 1123(a) of the Bankruptcy Code, the following Claims are not classified for the purposes of voting on or receiving distributions under the Plan: (a) Administrative Expense Claims, including, without limitation, professional compensation and reimbursement claims, DIP Facility Claims, and claims under Section 503(b)(9) of the Bankruptcy Code, and (b) Priority Tax Claims.

2. *Classified Claims*

All other Claims are classified for all purposes, including voting, confirmation and distribution pursuant to the Plan. Claims are classified as follows:

Class	Claims Within Class	Status
Class P-1 - Other Priority Claims	Includes any Claim, other than an Administrative Expense Claim or a Priority Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code, but only to the extent entitled to such priority. The Debtors currently anticipate that there will be no Allowed Claims in this Class.	Unimpaired/Deemed to Accept
Class S-1 - Secured Tax Claims	Includes any Secured Claim of a governmental unit for unpaid taxes that is secured by a Lien on property arising from operation of a statute. The Debtors currently anticipate that there will be no Allowed Claims in this Class.	Unimpaired/Deemed to Accept
Class S-2 - Other Secured Claims	Includes any Secured Claim other than Secured Tax Claims and Prepetition First Lien Secured Debt Claims. The Debtors have not scheduled any undisputed Other Secured Claims.	Unimpaired/Deemed to Accept
Class S-3 - Prepetition First Lien Secured Debt Claims	Includes the amount of the Prepetition First Lien Lenders' Claims that are Secured Claims, which, for purposes of the Plan, are in the aggregate approximate amount of $192,650,000, and are deemed Allowed for purposes of the Plan.	Impaired – May Vote

Class	Claims Within Class	Status
Class U-1 - Convenience Claims	Includes any Unsecured Claim that is Allowed for an amount of $1,500.00 or less or is Allowed in an amount greater than $1,500.00, but which is reduced to $1,500.00 by irrevocable written election of the holder thereof on the Ballot. Subject to reconciliation, the filing of additional proofs of claim, and creditors electing to reduce their claims, the Debtors anticipate that the amount of Allowed Claims in this Class will be approximately $380,000.00.	Unimpaired/Deemed to Accept
Class U-2 - Unsecured Ongoing Operations Claims	Includes any Claim other than a Secured Tax Claim, Other Secured Claim, Prepetition First Lien Secured Debt Claim, Administrative Expense Claim, Priority Tax Claim, Other Priority Claim, General Unsecured Claim, Convenience Claim or Intercompany Claim. Subject to reconciliation, the filing of additional proofs of claim, and creditors electing to reduce their claims to become holders of Claims in Class U-1, the Debtors anticipate that the amount of Allowed Claims in this Class will be approximately $58.2 million.	Impaired – May Vote
Class U-3 - Intercompany Claims	Includes (i) any Claim against any Debtor held by another Debtor or Non-Debtor Subsidiary, and (ii) any Claim against any Non-Debtor Subsidiary held by BHM Technologies Holdings, Inc.	Unimpaired/Deemed to Accept

Class	Claims Within Class	Status
Class U-4 - General Unsecured Claims	Includes (a) the Prepetition First Lien Deficiency Claims of $72.2 million, which is deemed allowed for purposes of the Plan; (b) the Prepetition Second Lien Lenders' Claims, which, for purposes of the Plan, are in the aggregate approximate amount of $72.2 million, which is deemed Allowed for purposes of the Plan; (c) any executory contract or lease rejection damage Claims under section 8.2 of the Plan or otherwise; (d) any Claims for contribution to or indemnification of any third party; (e) any Claims in respect of environmental liabilities for property not owned or operated by the Debtors as of the Commencement Date; (f) the disputed litigation Claim of Collins & Aikman; (g) any other litigation Claims, and any subrogation or other secondary Claims on account of any such litigation; (h) any Claim arising under the Netherton Note, which is in the approximate amount of $217,000, which is not Disputed, and therefore is deemed Allowed; and (i) any unsecured Claims that the Debtors may reclassify from Class U-2 to Class U-4 as provided in the definition of Unsecured Ongoing Operations Claim.	Impaired – May Vote

Class	Claims Within Class	Status
Class E-1 - Parent Equity Interests	Includes any Equity Interest in BHM Technologies Holdings, Inc. represented by the issued and outstanding shares of common and preferred stock (and all series thereof) of BHM Technologies Holdings, Inc., whether or not transferable, and any option, warrant or right, contractual or otherwise, to acquire any such Equity Interest, which was in existence immediately prior to the Commencement Date.	Impaired/Deemed to Reject
Class E-2 - Subsidiary Debtor Equity Interests	As to a particular Debtor other than BHM Technologies Holdings, Inc., any Equity Interests in such Debtor.	Unimpaired/Deemed to Accept

D. Summary of Treatment of Claims and Equity Interests

1. *Administrative Expense Claims*

Except as otherwise agreed or provided under the Plan, the Debtors will pay Allowed Administrative Expense Claims in the full allowed amount 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; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors in Possession shall be paid in full and performed in accordance with the terms and conditions of any relevant agreements.

While the Debtors have the right to enter into agreements with holders of Administrative Expense Claims under which such holders would receive different or alternative treatment than described above, the Debtors have not entered into any such agreements as of this writing.

2. *Professional Compensation and Reimbursement Claims*

Unless otherwise agreed, upon entry of an order awarding professional compensation and reimbursement of expenses incurred through and including the Effective Date, the Debtors will pay such professional compensation and reimbursement claim in the full allowed amount on the later of the Effective Date and the date upon which such Claim becomes an Allowed Claim, or as soon thereafter as is practicable, or in accordance with

the terms of any applicable administrative procedures order entered by the Bankruptcy Court. In accordance with the procedures established by the Bankruptcy Court, monthly fee applications have been filed by Alix, Jaffe, Pepper and White & Case. No objections have been filed to any fee application; however, the objection deadline has not yet passed for the fee applications filed by Alix, Jaffe and White & Case.

3. *Priority Tax Claims*

Unless otherwise agreed, at the option of the Reorganized Debtors, the Reorganized Debtors will pay (a) Cash in an amount equal to an Allowed Priority Tax Claim, plus interest, 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, (b) equal annual Cash payments commencing on the first anniversary of the Effective Date totaling the amount of the Allowed Priority Tax Claim, together with interest, over a period not exceeding five years, or (c) payments as determined by the Bankruptcy Court. The Reorganized Debtors, however, shall have the right to pay any Allowed Priority Tax Claim, or any remaining balance, in full, at any time on or after the Effective Date, without premium or penalty.

Under the Plan, no holder of an Allowed Priority Tax Claim shall be entitled to any payments on account of any interest accrued on or penalty relating to such Claims from and after the Commencement Date.

The Debtors have scheduled one claim, in the amount of $208,406.68, which may be entitled to priority status as a Priority Tax Claim. As of the date of this Disclosure Statement, the Debtors are unaware of any other liquidated Priority Tax Claims, and therefore cannot currently estimate the total amount of Priority Tax Claims. The deadline by which governmental units must file proofs of claim, if applicable, is November 17, 2008.

4. *DIP Facility Claims*

Unless otherwise agreed, all post-Commencement Date claims held by the DIP Lenders under the DIP Facility shall be paid in full, in Cash, on or before the Effective Date, from available Cash of the Debtors or the Reorganized Debtors, including the AEP Investment (subject to the terms of the Escrow Agreement and the AEP Plan Support Agreement), and to the extent such Cash is insufficient, then from the proceeds of the first draw under the Exit Facility.

The current balance under the DIP Facility is approximately $15 million.

5. *Class P-1 – Other Priority Claims*

Unless otherwise agreed, each holder of an Allowed Other Priority Claim shall receive 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.

The Debtors are unaware of the existence of Other Priority Claims. Employee wage and benefit claims that were outstanding at the Commencement Date were paid pursuant to a First Day Order of the Bankruptcy Court.

6. *Class S-1 – Secured Tax Claims*

Unless otherwise agreed, Reorganized Debtors will pay (i) Cash in an amount equal to the Allowed Secured Tax Claim, including any interest required to be paid, 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) equal annual installments commencing on the first anniversary of the Effective Date and continuing on each anniversary thereafter over a period not exceeding five years after the Commencement Date, totaling the Allowed Secured Tax Claim, together with interest required to be paid, subject to the sole option of the Debtors or the Reorganized Debtors to prepay the entire amount of the Allowed Secured Tax Claim at any time, or (iii) other payments as determined by the Bankruptcy Court.

Unless the claim has been paid in full, or the holder otherwise agrees, each holder of an Allowed Secured Tax Claim shall retain the Liens (or replacement Liens), if any, securing its Allowed Secured Tax Claim as of the Effective Date until full and final payment of such Allowed Secured Tax Claim. Upon full payment, the Liens shall be deemed null and void and shall be unenforceable for all purposes.

As of the date of this Disclosure Statement, the Debtors are unaware of the existence of any Secured Tax Claims. The deadline by which governmental units must file proofs of claim, if applicable, is November 17, 2008.

7. *Class S-2 – Other Secured Claims*

Unless otherwise agreed, the Reorganized Debtors shall either pay the Allowed Other Secured Claim in full, along with any required interest, 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 alternatively, shall turn the Collateral securing the Allowed Other Secured Claim, along with any required interest, over to the holder of the Claim, 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.

Unless the Claim has been paid in full or the holder otherwise agrees, each holder of an Allowed Other Secured Claim shall retain the Liens (or replacement Liens), if any, securing its Allowed Other Secured Claim as of the Effective Date until all required payments have been made.

The Debtors' Schedules do not list any undisputed Other Secured Claims. The types of Claims that would fall within this Class include Claims arising under or in connections with capital leases or held by tooling vendors, to the extent that such Claims are actually entitled to be treated as Secured Claims. To the extent there are holders of Allowed

Claims in this Class, the Debtors currently intend to pay such holders according to their contract terms in the ordinary course of business.

8. *Class S-3 - Prepetition First Lien Secured Debt Claims*

Under all circumstances, each holder of an Allowed Prepetition First Lien Secured Debt Claim will receive, on the Effective Date, its Pro Rata share of (i) the Exit Term Loan, and (ii) the Secured Creditors' Equity Distribution. LCPI and the Prepetition First Lien Lenders shall also retain all adequate protection payments received by them during the Debtors' Chapter 11 Cases, and all reasonable fees and expenses of LCPI's and the Prepetition First Lien Lenders' professionals in connection with the negotiation and documentation of the Plan and the Exhibits thereto shall be paid in full by the Reorganized Debtors promptly after the Effective Date.

(i) Only if the New Money Alternative is Confirmed by the Bankruptcy Court, each holder of an Allowed Prepetition First Lien Secured Debt Claim will also receive, on the Effective date, its Pro Rata share of the Parent Preferred Stock.

(ii) Only if the No New Money Alternative is Confirmed by the Bankruptcy Court, each holder of an Allowed Prepetition First Lien Secured Debt Claim will also receive, on the Effective date, its Pro Rata share of the Secured Creditors' Options.

(iii) LCPI shall receive on the Effective date a Cash payment of $287,405.71 and the lesser of $100,000 or the actual legal fees and expenses incurred by S.A.C. in connection with the Chapter 11 Cases, which is subject to the terms of the settlement agreement reached between the Prepetition First Lien Lenders and the Prepetition Second Lien Lenders, as detailed in Section 9.14 of the Plan.

Unless otherwise agreed, the holders of Allowed Prepetition First Lien Secured Debt Claims shall be granted Liens securing the Exit Term Loan, and subject to the Exit Intercreditor Agreement, until full and final payment of such Exit Term Loan is made. Any and all ~~guarantees~~**guaranties** provided in connection with the Prepetition First Lien Debt shall be amended and restated with respect to the Exit Term Loan and shall only guarantee the obligations under the Exit Term Loan.

For purposes of the Plan, the Prepetition First Lien Secured Debt Claims are approximately $192,650,000.

9. *Class U-1 – Convenience Claims*

The holder of an Allowed Convenience Claim shall receive, on the later of the First Distribution Date and the date such Convenience Claim becomes an Allowed Convenience Claim, Cash in an amount equal to one hundred (100%) percent of such Allowed Convenience Claim, without Postpetition Interest; provided, however, that in no event shall the holder of an Allowed Convenience Claim receive more than $1,500.00.

The Debtors have scheduled 761 Convenience Claims totaling $382,591.17. Additional claims constituting Convenience Claims (subject to the claims objection and reconciliation process) may have been filed. Additionally, holders of Claims in amounts greater than $1,500.00 may voluntarily reduce the amounts of such Claims so that the Claims are treated as Convenience Claims.

10. *Class U-2 - Unsecured Ongoing Operations Claims*

Each holder of an Allowed Unsecured Ongoing Operations Claim in Class U-2 shall receive Cash in an amount equal to one hundred (100%) percent of such Allowed Unsecured Ongoing Operations Claim, without Postpetition Interest, payable in six equal monthly installments, commencing on the later of the date such General Unsecured Claim becomes an Allowed General Unsecured Claim and the First Distribution Date; provided, however, that in no event shall the holder of an Allowed Unsecured Ongoing Operations Claim receive more than the face amount of such Allowed Claim or receive a distribution in any other Class on account of such Allowed Claim.

The Reorganized Debtors may, in their sole discretion, prepay one or more of the monthly installments to holders of Allowed Unsecured Ongoing Operations Claims who extend normalized trade credit and provide other business terms acceptable to the Reorganized Debtors on a post-Effective Date basis.

The Debtors have scheduled Unsecured Ongoing Operations Claims totaling $58.2 million.

11. *Class U-3 - Intercompany Claim*

Allowed Intercompany Claims in Class U-3 will be adjusted, continued or discharged to the extent determined appropriate by the Debtors or the Reorganized Debtors, in their sole discretion. Any such transaction may be effected on or subsequent to the Effective Date without any further action by the holders of Equity Interests of any of the Debtors or the Reorganized Debtors.

The Debtors anticipate that the total aggregate amount of Allowed Intercompany Claims will be approximately $3.7 million.

12. *Class U-4 - General Unsecured Claims*

The holders of Allowed General Unsecured Claims in Class U-4 shall receive the following treatment:

- If Class U-4 votes to accept the Plan and the Plan is Confirmed, each holder of an Allowed General Unsecured Claim shall receive, on the later of the Effective Date and the date such General Unsecured Claim becomes an Allowed General Unsecured Claim, its Pro Rata share of the Class U-4 Equity Distribution.

- If Class U-4 votes to reject the Plan, Class U-4 will receive no distribution and the Debtors will seek confirmation of the Plan, notwithstanding such rejection, under section 1129(b) of the Bankruptcy Code.

This Class consists of: (a) the Prepetition First Lien Deficiency Claims of $72.2 million, which is deemed allowed for purposes of the Plan; (b) the Prepetition Second Lien Lenders' Claims, which, for purposes of the Plan, are in the aggregate approximate amount of $72.2 million, which is deemed Allowed for purposes of the Plan; (c) any executory contract or lease rejection damage Claims under section 8.2 of the Plan or otherwise; (d) any Claims for contribution to or indemnification of any third party; (e) any Claims in respect of environmental liabilities for property not owned or operated by the Debtors as of the Commencement Date;[9] (f) the disputed litigation Claim of Collins & Aikman; (g) any other litigation Claims, and any subrogation or other secondary Claims on account of any such litigation; (h) any Claim arising under the Netherton Note, which is in the approximate amount of $217,000, which is not Disputed, and therefore is deemed Allowed; and (i) any unsecured Claim that the Debtors may reclassify from Class U-2 to Class U-4 as provided in the definition of Unsecured Ongoing Operations Claim. A list of current Class U-4 Claims is attached hereto as Exhibit G-1.

13. *Class E-1 – Parent Equity Interests*

The holders of Allowed Parent Equity Interests shall not receive any distributions on account of such Equity Interests. On the Effective Date, all Equity Interests in BHM Technologies Holdings, Inc. shall be extinguished.

14. *Class E-2 – Subsidiary Debtor Equity Interests*

The holders of Allowed Subsidiary Debtor Equity Interests in Class E-2 shall, at the option of the Reorganized Debtors, either (i) be unaffected by the Plan, in which case the Debtor holding such Equity Interest shall continue to hold such Equity Interests or (ii) be cancelled and new Equity Interests in the applicable subsidiary Debtor shall be issued pursuant to the Plan to the Reorganized Parent or Reorganized Debtor that holds such Equity Interests.

E. Prepetition First Lien/Second Lien Lender Settlements

In compromise and settlement of any claims that the Prepetition Second Lien Lenders and S.A.C. may make against the Prepetition First Lien Lenders and LCPI under the Intercreditor Agreement or otherwise related to the Debtors, LCPI, for the ratable accounts of the Prepetition First Lien Lenders, shall, on the Effective Date, deliver and assign to S.A.C., as additional compensation to all Prepetition Second Lien Lenders that are Released Parties, (i) the reasonable fees and expenses of the financial and legal advisors to S.A.C., in its capacity as agent under the Prepetition Second Lien Credit Agreement, in the amount of $287,405.71, plus an additional amount equal to the lesser

[9] The Debtors do not know of any Claims in respect of environmental liabilities at this time. However, to the extent that such a Claim exists and is Allowed, such Allowed Claim will be treated as a Class U-4 Claim.

of (a) $100,000 and (b) the legal fees and expenses incurred by S.A.C. in connection with the Debtor's Chapter 11 Cases and (ii) for the ratable benefit of all Prepetition Second Lien Lenders that are Released Parties, (a) if the No New Money Alternative is Confirmed, the Secured Creditors' Options or (b) if the New Money Alternative is Confirmed, (x) shares representing $3,750,000 in issue price of Parent Preferred Stock and (y) the shares of New Common Stock otherwise attributable to the Prepetition First Lien Deficiency Claims.

F. AEP/Prepetition Second Lien Lender Settlement

If the New Money Alternative is Confirmed by the Bankruptcy Court, in consideration of the releases provided to AEP and its personnel, including in their capacity as officers and directors of the Debtors, AEP shall, on the Effective Date, assign and deliver to S.A.C., for the ratable benefit of the Prepetition Second Lien Lenders, shares of New Common Stock equal to the number of shares of New Common Stock received by the holders of Class U-4 General Unsecured Claims other than in respect of the Prepetition First Lien Deficiency Claims and Claims under the Prepetition Second Lien Credit Agreement; provided, however, that the maximum number of such shares to be assigned and delivered by AEP shall not exceed 24,098 shares of New Common Stock.

G. Plan Support Agreements

Prior to the Commencement Date, holders of approximately 60.5% of the Prepetition First Lien Debt and over 70% of the Prepetition Second Lien Debt executed the Plan Support Agreement, committing them to support the proposed Plan, provided, *inter alia*, it is not inconsistent with the Restructuring Term Sheet that was negotiated between and among the Debtors, the Prepetition First Lien Lenders, the Prepetition Second Lien Lenders and AEP. A copy of the Restructuring Term Sheet is affixed hereto as Exhibit H. As such, it is anticipated that the Prepetition First Lien Lenders and the Prepetition Second Lien Lenders that executed plan support agreements will vote in favor of the Plan in their respective Classes.

H. Escrow Agreement

To provide assurance concerning the consummation of the New Money Alternative under the Plan if it is Confirmed, AEP has deposited the AEP Investment in an escrow account (the "Escrow Account"),[10] with JP Morgan Chase Bank, N.A. acting as Escrow Agent, pursuant to the Escrow Agreement. If the New Money Alternative is Confirmed within eighteen months of the Commencement Date, and all of the conditions to confirmation occur and the Plan becomes effective within eighteen months of the Commencement Date, the AEP Investment will be released from the Escrow Account.

AEP, however, can demand the return of the AEP Investment from the Escrow Account if a Material Adverse Change occurs. "Material Adverse Change" means a material adverse change in the operations, business, properties, assets, prospects or condition

[10] Any defined term set forth in this Section H that is not otherwise defined herein shall be as defined in the Escrow Agreement.

(financial or otherwise) of BHM Technologies Holdings, Inc. and its subsidiaries, taken as a whole, from that set forth in the consolidated financial statements of BHM Technologies Holdings, Inc. for the fiscal year ended December 31, 2007 and the fiscal quarter ended March 31, 2008, other than (x) events which have occurred and are disclosed in writing to the First Lien Agent prior to the Closing Date (as defined in the DIP Facility) of the DIP Facility or (y) any matters stayed under section 362 of the Bankruptcy Code; provided that the fact that BHM Holdings and its Domestic Subsidiaries commenced, on or about the date of the Escrow Agreement, proceedings under Chapter 11 of the Bankruptcy Code shall not in and of itself be deemed a "Material Adverse Change."

AEP can also demand the return of the AEP Investment from the Escrow Account if any of the following occurs: (i) the Bankruptcy Court enters an order denying confirmation of the Plan authorizing consummation of the New Money Alternative and a certified copy of such order is provided to the Escrow Agent; (ii) the Bankruptcy Court enters an order confirming the Plan but disapproves or does not expressly approve the New Money Alternative and a certified copy of such order is provided to the Escrow Agent; (iii) the Bankruptcy Court enters an order confirming any plan of reorganization other than the Plan authorizing consummation of the New Money Alternative and a certified copy of such order is provided to the Escrow Agent; (iv) after the date that is eighteen (18) months after the Commencement Date, AEP or LCPI provides the Escrow Agent with written notice signed by an Authorized Person of AEP or LCPI, as applicable, that the New Money Alternative has not been confirmed and consummated, together with evidence that such notice has been delivered to BHM Holdings and, if such notice is sent by AEP, to LCPI, and neither BHM Holdings nor LCPI delivers, within five business days after the Escrow Agent's receipt of such notice, a written notice to AEP and the Escrow Agent that disputes that assertion, which notice shall be accompanied by a certified copy of a Bankruptcy Court order confirming the Plan incorporating the New Money Alternative and a certification of such party that such Plan has been consummated; (v) the Chapter 11 Cases are converted to cases under Chapter 7 of the Bankruptcy Code and a certified copy of the Bankruptcy Court order ordering such conversion is delivered to the Escrow Agent; (vi) a Chapter 11 trustee is appointed in the Chapter 11 Cases and a certified copy of the Bankruptcy Court order approving the appointment of such trustee is delivered to the Escrow Agent; (vii) AEP provides the Escrow Agent with written notice of the closing of a sale or sales of all or substantially all of the assets of BHM Holdings and its subsidiaries and affiliates pursuant to section 363 of the Bankruptcy Code, together with a certified copy of each Bankruptcy Court order authorizing such sale(s) and evidence that such notice has been delivered to BHM Holdings and LCPI, and neither BHM Holdings nor LCPI delivers, within five business days after its receipt of such notice, a written notice to AEP and the Escrow Agent that disputes that assertion (to the extent a dispute notice is given, such dispute shall be decided by the Arbiter appointed pursuant to the Escrow Agreement, whose decision shall be binding on the parties); or (viii) AEP provides the Escrow Agent with written notice signed by an Authorized Person of AEP stating its good faith, reasonable belief that Lenders holding more than 50% of the Prepetition First Lien Credit Agreement obligations have directly or indirectly publicly opposed or withdrawn support for, or have taken material actions inconsistent with seeking confirmation and consummation of, a

Plan that incorporates the New Money Alternative, together with evidence that such notice has been delivered to BHM Holdings and LCPI, and neither BHM Holdings nor LCPI delivers, within five business days after its receipt of such notice, a written notice to AEP and the Escrow Agent that disputes such assertion(s) (to the extent a dispute notice is given, such dispute shall be decided by the Arbiter, whose decision shall be binding on the parties).

I. Agreement Relating to Plan Securities

On the Effective Date, the Reorganized Parent and certain other parties will enter into a stockholders agreement, a registration rights agreement, and, depending on which alternative is Confirmed, a Stock and Warrant Sale Agreement, a warrant agreement or an option agreement, substantially as set forth on Exhibits VII, VIII, XII and XIII, respectively, to the Plan.

The stockholders agreement will include provisions regarding the Board of Directors of BHM Technologies Holdings, Inc.; general transfer restrictions; tag-along and drag-along rights; right of first refusal; participation rights; protective provisions; request rights; information rights; and amendment and termination of the stockholders agreement, all of which are believed to be customary for transactions of this nature.

The registration rights agreement will include provisions regarding shelf registration; non-shelf demand registrations; lock-ups/blackouts; piggyback registration rights; selection of underwriters; expenses; termination of registration rights; and indemnification of transferees.

VII. CONFIRMATION OF THE PLAN

A. Acceptance

To confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of findings concerning the Plan and the Debtors, including that: (i) the Plan classifies Claims and Equity Interests in a permissible manner; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Debtors complied with applicable provisions of the Bankruptcy Code; (iv) the Plan has been accepted by the requisite votes of holders of Claims (except to the extent that confirmation is available under section 1129(b) of the Bankruptcy Code); (v) the Plan has been proposed in good faith and not by any means forbidden by law; (vi) the disclosure required by section 1125 of the Bankruptcy Code has been made; (vii) the Plan is feasible and confirmation will likely not be followed by the liquidation or the need for further financial reorganization of the Debtors, unless such liquidation or reorganization is proposed in the Plan; (viii) the Plan is in the "best interests" of all holders of Claims in an impaired Class by providing to such holders on account of their Claims property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a Claim in such Class has accepted the Plan; (ix) all fees and expenses payable under 28 U.S.C. § 1930 (fees owing to the bankruptcy clerk and the United States Trustee) have been paid or the Plan provides for their payment on

the Effective Date; and (x) if applicable, the Plan provides for the continuation after the Effective Date of all retiree benefits, as defined under section 1114 of the Bankruptcy Code, at the level established prior to confirmation for the duration of the period that the Debtor has obligated itself to provide such benefits.

Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a class of impaired claims as acceptance by holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of claims in that Class, but for that purpose counts only those who actually vote to accept or reject the plan. Thus, a class will have voted to accept the Plan if two-thirds (2/3) in amount and a majority in number actually voting cast their Ballots in favor of acceptance.

B. Best Interests Test

Notwithstanding acceptance of the Plan by the requisite majorities of the holders of Claims in Classes entitled to vote, in order to confirm the Plan, the Bankruptcy Court must independently determine that the Plan is in the best interests of all Classes impaired by the Plan. In order to Confirm the Plan, the Bankruptcy Court must find that the Plan provides to each Entity that rejects the Plan a recovery which has a value at least equal to the value of the distribution that each such Entity would receive if all of the Debtors' assets which are property of their estates were liquidated under Chapter 7 of the Bankruptcy Code.

To calculate what creditors would recover in a Chapter 7 liquidation, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the Debtors' remaining assets if the Chapter 11 Cases were converted to Chapter 7 and the assets were liquidated by a trustee in bankruptcy. Upon liquidation, the potential distribution available to creditors may be reduced (a) by the costs of liquidation under Chapter 7, which costs would include the compensation of a trustee, disposition expenses, including possible transfer taxes which may not be payable under Chapter 11, all unpaid expenses incurred by the Debtors during the Chapter 11 Cases (such as compensation of professionals), litigation costs (if any), and Claims arising during the pendency of the Chapter 11 Cases and the Chapter 7 liquidation proceedings, and (b) to the extent of the value of the Collateral securing the Claims of secured creditors. There may be included Chapter 11 Administrative Expense Claims for the failure of the Debtors to fulfill post-petition contracts. These Claims would have to be paid in full out of the liquidation proceeds before the balance, if any, would be made available to pay unsecured creditors.

The Debtors' financial advisors have prepared a Liquidation Analysis to show the anticipated distribution to creditors in a Chapter 7 liquidation of the Debtors. As demonstrated in the Liquidation Analysis, which is attached hereto as Exhibit I, it is anticipated that creditors would receive far less in a Chapter 7 liquidation than they would under the Plan, and, therefore, this requirement will easily be satisfied. Under the Plan, creditors holding Allowed Claims in Classes U-1 and U-2 will receive 100% of their Allowed Claims, without Postpetition Interest. On the other hand, in a liquidation scenario, the Prepetition First Lien Lenders would not recover the full amount of their

Secured Claims, and all other creditors would recover nothing. In view of this, unsecured creditors fare better under the Plan than in liquidation. (The Liquidation Analysis was separately filed as Exhibit I to the Disclosure Statement on July 25, 2008.)

C. Nonconsensual Confirmation

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 voted to accept the plan. These "cramdown" provisions are set forth in Section 1129(b) of the Bankruptcy Code.

The Plan may be confirmed pursuant to the cramdown provisions if, in addition to satisfying other requirements of section 1129 of the Bankruptcy Code, the Plan: (i) "does not discriminate unfairly" and (ii) "is fair and equitable with respect to each Class of claims or equity interests that is impaired under, and has not accepted, the Plan." As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have meanings unique to bankruptcy law.

The requirement that a plan "not discriminate unfairly" means that a dissenting class must be treated equally with respect to other classes of equal rank. A plan does not discriminate unfairly if claims or interests in different classes but with similar priorities and characteristics receive or retain property of a similar value under a plan. A plan may provide for different treatment for different classes if the claims or interests in such classes have different priorities or characteristics.

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 the same, the Debtors submit that the Plan does not "discriminate unfairly" with respect to any Class of Claims or Equity Interests. The Plan separately classifies General Unsecured Claims and Unsecured Ongoing Operations Claims, given the different nature of such Claims. Because the Debtors believe they have sufficient support from their major constituencies, they expect that all impaired classes eligible to vote will vote to accept the Plan and therefore this factor will not be an issue. However, should the Debtors seek to cramdown the Plan because an impaired Class has voted to reject the Plan, they believe the Plan does not discriminate unfairly, because the creditors in the Unsecured Ongoing Operations Claims Class continue to do business with the Debtors, whereas the creditors in the General Unsecured Claims Class have no ongoing business with the Debtors. As such, the Debtors believe that the Claims in these Classes have entirely different characteristics and may be treated differently.

The "fair and equitable" standard, also known as the "absolute priority rule," has different meanings with respect to secured and unsecured claims. With respect to secured claims, for a plan to be fair and equitable, the plan may provide, among other things, that the holder of such claims retain the liens securing those claims to the extent of the allowed amount of such claims, and that such holder receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim of a value, as of the effective date of the plan, of at least the value of such holder's interest in

the estate's interest in such property. Alternatively, a plan may provide for the realization by the holders of secured claims of the indubitable equivalent of such claims.

With respect to a class of unsecured creditors, a plan may be fair and equitable if it provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date, equal to the allowed amount of the claim, or if it provides that the holder of a claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property. Under both the New Money Alternative and the No New Money Alternative, no holder of a Parent Equity Interest will receive any distribution on account of such Equity Interest, and all such Equity Interests will be cancelled. Under the New Money Alternative, AEP will not receive New Common Stock on account of its Equity Interest in the parent, BHM Technologies Holdings, Inc., but rather in exchange for an investment of $12.5 million. The Subsidiary Debtor Equity Interests, which are owned directly or indirectly by BHM Holdings, will either remain undisturbed or will be cancelled and re-issued to the applicable holder of such interests.

The Debtors reserve the right to amend the Plan or to seek confirmation under Section 1129(b) of the Bankruptcy Code in the event any impaired Class votes to reject the Plan. If the Debtors are required to seek confirmation under Section 1129(b), the Debtors may conduct an equity auction for the New Common Stock that otherwise would issue to AEP. This scenario is highly unlikely, however, because the majority, by dollar amounts, of the Claims of the Prepetition First and Second Lien Lenders are subject to the Plan Support Agreements, and such Prepetition First and Second Lien Lenders will be voting to accept the Plan. In addition, the Debtors' ongoing trade vendors are being paid in full. As such, the Debtors anticipate that all impaired Classes of Claims will vote to accept the Plan.

D. Feasibility

The Bankruptcy Code permits a plan to be confirmed if it is not likely to be followed by liquidation or the need for further financial reorganization unless such liquidation or reorganization is proposed in the Plan. The Debtors' financial advisors have prepared a business plan and financial projections of the Debtors on a consolidated basis (the "Projections") and have also prepared a valuation of the Debtors as a going concern on a consolidated basis (the "Valuation"). The Debtors believe that the financial restructuring provided for by the Plan will provide the Debtors with a sustainable long-term capital structure, positioning them for a return to profitability and future growth. The Projections and Valuation demonstrate that the feasibility requirement under the Bankruptcy Code will be met under either the New Money or No New Money Alternative. The Projections were separately filed as Exhibit J to the Disclosure Statement on July 25, 2008; the Valuation was separately filed as Exhibit K to the Disclosure Statement on August 1, 2008.

The assumptions and estimates underlying the Projections prepared by the Debtors' financial advisors are inherently uncertain and, though considered reasonable by management as of the date hereof, are subject to a wide variety of significant business,

economic and competitive risks and uncertainties. The Projections do not necessarily indicate the future financial position or results of operations of the Debtors, which may vary significantly from those set forth in the Projections. Consequently, the Projections should not be regarded as a representation by the Debtors or any of their advisors or any other Person that the projected financial position or results of operations can or will be achieved. The Projections and any reference to them are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

In preparing the Valuation, the Debtors' financial advisor, among other things: (i) reviewed certain operating and financial forecasts prepared by the Debtors, including the Projections; (ii) discussed with certain senior executives the current operations and prospects of the Debtors; (iii) discussed with certain senior executives of the Debtors key assumptions related to the Projections; (iv) prepared discounted cash flow analyses based on the Projections, utilizing various discount rates; (v) considered the market value of certain publicly-traded companies in businesses reasonably comparable to the operating businesses of the Debtors; (vi) considered the value assigned to certain precedent change-in-control transactions for businesses similar to the Debtors; (vii) conducted such other analyses as deemed necessary under the circumstances; and (viii) considered a range of potential risk factors, including the Reorganized Debtors': (a) ability to execute and realize benefits from planned operational initiatives; (b) capital structure; and (c) ability to meet projected operating targets.

The Valuation estimates a total enterprise value for the Reorganized Debtors of approximately $155 million - $180 million, with a midpoint value of $167.5 million.

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

If neither the New Money nor the No New Money Alternatives of the Plan is confirmed and consummated, the Debtors' alternatives include (i) liquidation of the Debtors under Chapter 7 of the Bankruptcy Code, and (ii) the preparation and presentation of an alternative plan of reorganization.

A. Liquidation Under Chapter 7

If no Chapter 11 plan can be confirmed, the Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code, in which a trustee would be elected or appointed to liquidate the assets of the Debtors. A discussion of the anticipated effect that a Chapter 7 liquidation would have on the recoveries of holders of Claims is set forth above in Section VII.B. The Debtors believe that liquidation under Chapter 7 would result in, among other things, lower distributions being made to creditors than those provided in the Plan, given that the Prepetition First Lien Lenders' Claims are undersecured, and no or few assets would be available to distribute to other Creditors after satisfaction of the Prepetition First Lien Lenders' Liens.

B. Alternative Plan of Reorganization

If the Plan is not confirmed, the Debtors (or any other party in interest once the Debtors' exclusivity period has expired) could attempt to formulate a different plan of reorganization. Because the Plan as proposed is supported by holders of a majority in dollar amount of the Claims held by the Prepetition First and Second Lien Lenders, provides for the payment in full, without Postpetition Interest, of all Unsecured Ongoing Operations Claims, and has the support of the largest shareholder of the Debtors' Parent (AEP), which will be making an additional investment in the Reorganized Debtors under the New Money Alternative, the Debtors believe that this Plan is the best result for all interested parties. The Plan, in the opinion of the Debtors, represents the best alternative to protect the interests of creditors and parties in interest.

C. Conditions Precedent to Confirmation

The following are conditions precedent to the entry of the Confirmation Order, unless such conditions, or any of them, have duly waived pursuant to the Plan:

a. The Confirmation Order is in form and substance reasonably satisfactory to the Debtors and LCPI and shall include a finding by the Bankruptcy Court that the Plan Securities (other than the AEP Equity Stake) will be exempt from registration under applicable securities laws pursuant to section 1145 of the Bankruptcy Code. The AEP Equity Stake, if issued, shall be exempt from such registration under Rule 506 of Regulation D promulgated under the Securities Act of 1933, as amended.

b. The Plan shall not have been materially amended, altered or modified from the Plan as filed on August ~~5,~~ **8,** 2008, unless such material amendment, alteration or modification has been made in accordance with section 13.7 of the Plan.

c. All exhibits to the Plan are in form and substance reasonably satisfactory to the Debtors and LCPI, and are not inconsistent with the terms of the Restructuring Term Sheet.

D. Conditions Precedent to Confirmation of New Money Alternative

The following are conditions precedent to the entry of the Confirmation Order under the New Money Alternative, unless such conditions, or any of them, have been duly waived pursuant to the Plan:

a. The AEP Investment is in the Escrow Account created by the Escrow Agent.

b. The Escrow Agreement is in full force and effect.

c. No notice or other event identified in section 4(b) of the Escrow Agreement has been provided or occurred.

d. **The** Stock and Warrant Sale Agreement is in full force and effect, and the securities evidencing the AEP Equity Stake are exempt from registration under applicable securities laws.

E. Conditions Precedent to Confirmation of No New Money Alternative

The following are conditions precedent to the entry of the Confirmation Order under the No New Money Alternative, unless such conditions, or any of them, have been duly waived pursuant to the Plan:

a. The New Money Alternative has not been Confirmed;

b. The Debtors have failed to consummate the New Money Alternative;

c. The New Money Alternative has been withdrawn or abandoned; or

d. For any other reason the New Money Alternative is not available to the Debtors at the time of the Confirmation Hearing on the Plan.

F. Conditions Precedent to Occurrence of Effective Date

The following are conditions precedent to the occurrence of the Effective Date for the Plan, unless such conditions, or any of them, have been duly waived pursuant to the Plan:

a. The Bankruptcy Court shall have entered the Confirmation Order on or before October 1, 2008.

b. The Bankruptcy Court shall have entered an order (contemplated to be part of the Confirmation Order) approving and authorizing the Debtors and the Reorganized Debtors to take all actions necessary or appropriate to implement the Plan, including completion of the Restructuring Transactions (as described below) and the other transactions contemplated by the Plan and all contracts, instruments, releases and other agreements or documents entered into or delivered in connection with the Plan.

c. No stay of the Confirmation Order shall then be in effect.

d. The Exit Facility documents shall be in form and substance reasonably satisfactory to the Debtors and LCPI, shall not be inconsistent with the terms of the Restructuring Term Sheet,

and shall have been executed and delivered by all parties thereto and all conditions precedent thereto shall have been satisfied or waived in accordance with the terms thereof.

e. The Exit Term Loan documents shall be in form and substance reasonably satisfactory to the Debtors and LCPI and shall have been executed and delivered by all parties thereto.

f. LCPI shall have received an Exit Term Loan ~~guarantee~~**guaranty** and collateral agreement, executed and delivered by a duly authorized officer of BHM Holdings, BHM Technologies and each of the other Reorganized Debtors.

g. LCPI shall have received a mortgage covering each of the properties mortgaged by any of the Reorganized Debtors under the Exit Term Loan guaranty and collateral agreement (the "Mortgaged Properties"), executed and delivered by a duly authorized officer of each party thereto.

h. LCPI shall have received the following executed legal opinions in connection with the Exit Term Loan:

(1) a mortgage enforceability opinion of local counsel in each of Michigan, Missouri, Ohio, South Carolina, and Illinois and in form and substance as may be reasonably required by LCPI; and

(2) a legal opinion of local counsel in Ohio in form and substance as may be reasonably required by LCPI.

i. LCPI shall have received (i) the certificates representing the shares of capital stock pledged pursuant to the Exit Term Loan ~~guarantee~~**guaranty** and collateral agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, (ii) an acknowledgment and consent, substantially in the form of an annex to the Exit Term Loan guaranty and collateral agreement, duly executed by any issuer of capital stock pledged pursuant to the Exit Term Loan guaranty and collateral agreement that is not itself a party to the Exit Term Loan guaranty and collateral agreement and (iii) each promissory note (if any) pledged pursuant to the Exit Term Loan guaranty and collateral agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank reasonably satisfactory to the administrative agent) by the pledgor thereof.

j. Each document (including, without limitation, any Uniform Commercial Code financing statement) required by the Exit Term Loan security documents or under law or reasonably requested by LCPI to be filed, registered or recorded in order to create in favor of LCPI, for the benefit of the secured parties under the Exit Term Loan, a perfected first priority Lien on the collateral described therein (to the extent that perfection may be achieved by such filing, registration or recordal under the laws of the United States of any jurisdiction thereof), prior and superior in right to any other Person (other than with respect to Liens expressly permitted by the Exit Term Loan), shall have been filed, registered or recorded or shall have been delivered to LCPI in proper form for filing, registration or recordation in accordance with the Exit Term Loan security documents.

k. Title Insurance; Flood Insurance.

(1) If requested by LCPI, LCPI shall have received, and the title insurance company issuing the policy referred to in clause (ii) below (the "Title Insurance Company") shall have received, maps or plats of an as-built survey of the sites of the Mortgaged Properties certified to LCPI and the Title Insurance Company in a manner reasonably satisfactory to them, dated a date reasonably satisfactory to LCPI and the Title Insurance Company by an independent professional licensed land surveyor satisfactory to LCPI and the Title Insurance Company, which maps or plats and the surveys on which they are based shall be made in accordance with the Minimum Standard Detail Requirements for Land Title Surveys jointly established and adopted by the American Land Title Association and the American Congress on Surveying and Mapping in 1992.

(2) LCPI shall have received in respect of each Mortgaged Property a mortgagee's title insurance policy (or policies) or marked up unconditional binder for such insurance. Each such policy shall (A) be in an amount reasonably satisfactory to LCPI; (B) be issued at ordinary rates; (C) insure that the mortgage insured thereby creates a valid first priority Lien on such Mortgaged Property free and clear of all defects and encumbrances, except as disclosed therein; (D) name LCPI for the benefit of the secured parties under the Exit Term Loan as the insured thereunder; (E) contain such endorsements and affirmative coverage as LCPI may reasonably request and (F) be issued by title

companies reasonably satisfactory to LCPI (including any such title companies acting as co-insurers or reinsurers, at the reasonable option of LCPI). LCPI shall have received evidence reasonably satisfactory to it that all premiums in respect of each such policy, all charges for mortgage recording tax, and all related expenses, if any, have been paid.

(3) If requested by LCPI, in the event that any of the improved Mortgaged Properties is determined to be located within an area that has been identified by the Director of the Federal Emergency Management Agency as a Special Flood Hazard Area ("SFHA"), BHM Technologies LLC shall purchase and maintain flood insurance on the Mortgaged Properties. The amount of said flood insurance shall comply with applicable federal regulations as required by the Flood Disaster Protection Act of 1973, as amended.

(4) LCPI shall have received a copy of all recorded documents referred to, or listed as exceptions to title in, the title policy or policies referred to in clause (ii) above and a copy of all other material documents affecting the Mortgaged Properties.

l. LCPI shall have received insurance certificates satisfying the requirements of the Exit Term Loan ~~guarantee~~**guaranty** and collateral agreement.

m. The Exit Intercreditor Agreement shall be in form and substance reasonably satisfactory to the Debtors, the collateral agent for the Exit Facility and LCPI and shall have been executed and delivered by all parties thereto.

n. The Effective Date shall occur on or before November 1, 2008.

o. The Plan and all Exhibits to the Plan shall not have been materially amended, altered or modified from the Plan as confirmed by the Confirmation Order, unless such material amendment, alteration or modification has been made with the written consent of LCPI after consultation with the Majority First Lien Lenders.

G. Waiver of Conditions

The conditions precedent to the entry of the Confirmation Order and to the occurrence of the Effective Date may be waived, in whole or in part, at any time by the written agreement of the Debtors and LCPI without an order of the Bankruptcy Court.

IX. EFFECT OF CONFIRMATION; IMPLEMENTATION OF THE PLAN

The Plan provides for the treatment of Claims and Equity Interests as described above as well as other provisions relating to acceptance or rejection of the Plan, treatment of executory contracts, distributions, procedures for resolving disputed, contingent and unliquidated Claims, retention of jurisdiction and other miscellaneous provisions.

A. Effects of Plan Confirmation

1. *Discharge of Claims; Related Injunction*

Except as may otherwise be provided in the Plan or Confirmation Order, the rights afforded and the payments and distributions to be made and the treatment under the Plan will be in complete exchange for, and in full and unconditional settlement, satisfaction, discharge, and release of any and all existing debts and Claims and termination of all Equity Interests of any kind, nature or description whatsoever (except for Class E-2) against the Debtors, the Reorganized Debtors, the assets, their property or their estates, and will effect a full and complete release, discharge, and termination of all Liens, security interests, or other claims, interests, or encumbrances upon all of the Debtors' assets and property. Further, all Persons and Entities are precluded from asserting, against any property of the Debtors or the Reorganized Debtors or their successors, or any Property that is to be distributed under the terms of the Plan, any Claims, obligations, rights, causes of action, or liabilities based upon any act, omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date, other than as expressly provided for in the Plan or Confirmation Order, whether or not the holder of a Claim based upon such debt has accepted the Plan and whether or not such holder is entitled to a distribution under the Plan.

Except as may otherwise be provided in the Plan or Confirmation Order, all Persons and Entities who have held, hold or may hold Claims against or Equity Interests in any of the Debtors are, with respect to any such Claims or Equity Interests, permanently enjoined from and after the Confirmation Date from taking any of the following actions (other than actions to enforce any rights or obligations under the Plan): (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtors, the Reorganized Debtors or any of their property; (b) enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against the Debtors, the Reorganized Debtors or any of their property; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtors, the Reorganized Debtors or any of their property; or (d)

prosecuting or otherwise asserting any right, claim or cause of action released pursuant to the Plan.

Except as otherwise specifically provided in the Plan, nothing in the Plan will be deemed to waive, limit, or restrict in any way the discharge granted to the Debtors upon Confirmation of the Plan by Section 1141 of the Bankruptcy Code.

2. *Vesting of Property in the Reorganized Debtors*

Except as otherwise provided in the Plan or the Confirmation Order, upon the Effective Date, (a) the Debtors will continue to exist as the Reorganized Debtors, with all the powers of corporations or limited liability companies under applicable law and without prejudice to any right to alter or terminate such existence (whether by merger or otherwise) under applicable state law, and (b) all property of the estates, wherever situated, will vest in the relevant Reorganized Debtors, as appropriate, subject to the provisions of the Plan and the Confirmation Order. Thereafter, the Reorganized Debtors may operate their businesses and may use, acquire and dispose of property free of any restrictions of the Bankruptcy Code, the Bankruptcy Rules and the Bankruptcy Court.

After the Effective Date, all property retained by the Reorganized Debtors will be free and clear of all Claims, Liens, charges, other encumbrances, Equity Interests and other interests, except as contemplated by the Plan and except for the obligation to perform according to the Plan and the Confirmation Order.

3. *Retention of Bankruptcy Court Jurisdiction*

Notwithstanding confirmation of the Plan or the occurrence of the Effective Date, the Bankruptcy Court will retain such jurisdiction as is legally permissible, including, without limitation, for the following purposes:

a. To hear and determine pending applications for the assumption or rejection of executory contracts or unexpired leases, if any are pending, and the allowance of any Claims resulting therefrom;

b. To hear and determine any and all adversary proceedings, applications and contested matters, even if filed after confirmation of the Plan;

c. To hear and determine any objections to Administrative Expense Claims, Claims or Equity Interests;

d. To enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified or vacated;

e. To issue such orders in aid of execution and consummation of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

f. To consider any amendments to or modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;

g. To hear and determine all applications for compensation and reimbursement of expenses of professionals under sections 330, 331 and 503(b) of the Bankruptcy Code;

h. To hear and determine disputes arising in connection with the interpretation, implementation or enforcement of the Plan;

i. To recover all assets of the Debtors and property of the Debtors' estates, wherever located;

j. To hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code;

k. To hear and determine any requests by the Debtors or the Reorganized Debtors to sell any asset pursuant to section 363 of the Bankruptcy Code;

l. To hear any other matter not inconsistent with the Bankruptcy Code;

m. To hear and determine all actions pursuant to sections 105, 502, 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, and 553 of the Bankruptcy Code, any collection matters related thereto, and settlements thereof;

n. To hear and determine any disputes concerning quarterly fees owing or claimed to be owing to the Office of the U.S. Trustee under 28 U.S.C. § 1930; and

o. To enter a final decree closing the Chapter 11 Cases.

4. *Releases*

a. General Releases By Debtors and Reorganized Debtors

As of the Effective Date, except with respect to obligations under the Plan, the Debtors and the Reorganized Debtors, on behalf of themselves, their respective estates and their respective successors, assigns and any and all Persons or Entities who may purport to

claim by, through, for or because of them, forever release, waive and discharge all liabilities that they have, had or may have against any Released Party, including any avoidance actions arising under Chapter 5 of the Bankruptcy Code; provided, however, that such release, waiver and discharge do not release, waive or discharge any independent, non-derivative claim that any creditor may hold.

b. Release of Released Parties by Other Released Parties

From and after the Effective Date, except with respect to obligations under the Plan, to the fullest extent permitted by applicable law, the Released Parties shall, without further action, be deemed to release each other from any and all liabilities that any Released Party is entitled to assert against any other Released Party in any way relating to any Debtor, the Chapter 11 Cases, the estates, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of the Plan, the property to be distributed under the Plan, the Exhibits to the Plan, the Disclosure Statement, any contract, instrument, release or other agreement or document related to any Debtor, the Chapter 11 Cases or the estates created, modified, amended, terminated or entered into in connection with either the Plan or any agreement between the Debtors and any Released Party or any other act taken or omitted to be taken in connection with the Debtors' Chapter 11 Cases; provided, however, that the foregoing provisions shall not affect the liability of any Released Party that otherwise would result from any act or omission to the extent such act or omission is determined by a Final Order to have constituted gross negligence or willful misconduct. All such releases shall be binding on and inure to the benefit of the Released Party's officers, directors, employees, affiliates, subsidiaries, advisors, professionals, agents and representatives, all of which shall be deemed to be Released Parties for all purposes under the Plan.

5. *Limited Plan Exculpation*

Neither the Debtors, AEP, LCPI, S.A.C., the DIP Lenders, the Prepetition First Lien Lenders, the Prepetition Second Lien Lenders, nor any of their respective shareholders, members, officers, directors, employees, partners, affiliates, subsidiaries, advisors, professionals or agents, shall have or incur any liability to any holder of a Claim or Equity Interest for any act or omission in connection with, related to, or arising out of, the Chapter 11 Cases, negotiations regarding or concerning the Plan or any of its exhibits, the pursuit of confirmation of the Plan, the consummation of the Plan, the administration of the Plan or the property to be distributed under the Plan, except for willful misconduct or gross negligence, and, in all respects, the Debtors, AEP, LCPI, S.A.C., the DIP Lenders, the Prepetition First Lien Lenders, the Prepetition Second Lien Lenders and each of their respective shareholders, members, officers, directors, employees, partners, affiliates, subsidiaries, advisors, professionals and agents shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

6. *Dissolution of Committee*

On the Effective Date, the Committee shall be dissolved and its members released and discharged of any further duties and responsibilities and the retention or employment of

the Committee's professionals shall also terminate, except that the Committee and its professionals may prepare, file and seek approval of their respective applications for final allowances of compensation and reimbursement of expenses.

B. Funding of the Plan; Exit Financing

1. *Funding of the Plan*

Cash payments required under the Plan may be funded from existing Cash balances on and after the Effective Date from, among other things, ongoing operations, the AEP Investment (subject to the terms of the Escrow Agreement) and the proceeds of the Exit Facility.

2. *Exit Financing*

a. Terms

The Plan provides that, on the Effective Date, BHM Technologies as Borrower, and the other Reorganized Debtors as Guarantors, will enter into a credit facility consisting of a $35 million revolving credit facility (the "Exit Facility"). The Debtors will also enter into a $92.5 million term loan (the "Exit Term Loan" and, together with the Exit Facility, the "Exit Financing"). The Exit Financing will provide the Debtors with the necessary funds to repay in full the DIP Facility Claims and make other payments required to be made under the Plan on the Effective Date. The Prepetition First Lien Lenders will provide the Exit Term Loan on terms no less favorable than those attached to the Plan as Exhibit III. The Debtors are currently soliciting proposals from third parties for the Exit Facility and expect to enter into an Exit Facility agreement on terms no less favorable than those attached to the Plan as Exhibit II, unless LCPI agrees otherwise. It is possible that one or more of the Prepetition First Lien Lenders may agree to provide the Exit Facility.

b. Efforts to Procure Exit Facility

The Debtors' financial advisor has made initial contact with over 40 prospective lenders to solicit proposals regarding a potential Exit Facility. Those lenders who have executed a confidentiality agreement have been provided with a request for proposal ("RFP") and detailed information packages. Based on preliminary proposals, institutions will be selected to conduct detailed due diligence with the assistance of the Debtors and their financial advisor. After a review of all commitment letters received in response to the RFP and further negotiations with respect to the terms of the proposals, a final lender(s) will be selected to provide the Exit Facility.

As they have at each step in the process, the Debtors will continue to negotiate to gain the most optimal terms for the Exit Facility, both economically and structurally. The Debtors expect to enter into a commitment letter regarding the Exit Facility prior to the Confirmation Hearing.

C. Executory Contracts and Unexpired Leases

1. *Assumption of Executory Contracts and Unexpired Leases*

All executory contracts and unexpired leases that exist between the Debtors and any Person or Entity shall be deemed assumed by the Debtors on the Confirmation Date and effective as of the Effective Date, except for any executory contract or unexpired lease (i) that has been rejected pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date, (ii) as to which a motion for approval of the rejection of such executory contract or unexpired lease has been filed and served prior to the Confirmation Date or (iii) listed on Exhibit XVIII to the Plan (subject to subparagraph 2, immediately below).

2. *Rejection of Certain Contracts*

Each contract and lease listed on Exhibit XVIII to the Plan will be rejected only to the extent that any such contract or lease constitutes an executory contract or unexpired lease. The Debtors and the Reorganized Debtors reserve the right, at any time on or prior to the Effective Date, to amend Exhibit XVIII to the Plan to add or delete any contract or lease. The Confirmation Order will constitute an order of the Bankruptcy Court approving the rejection of any executory contract or unexpired lease listed on Exhibit XVIII to the Plan, provided that the Effective Date occurs.

3. *Cure of Defaults*

Except as may otherwise be agreed to by the Debtors or the Reorganized Debtors and the non-Debtor party to a particular contract or lease, any and all undisputed defaults under any executory contract or unexpired lease assumed by the Reorganized Debtors shall be satisfied by Cure, in accordance with section 365(b)(1) of the Bankruptcy Code. "Cure," with respect to an assumed executory contract or unexpired lease, means the distribution, within thirty (30) days after the Effective Date of Cash, or such other property as may be agreed upon by the Debtors or the Reorganized Debtors and the non-Debtor party or ordered by the Bankruptcy Court, in an amount equal to all unpaid monetary obligations (without interest), to the extent such obligations are enforceable under applicable law, or such other amount as may be agreed upon by the parties.

The Debtors will file and serve a pleading with the Bankruptcy Court no later than twenty (20) days prior to the Confirmation Hearing, listing the Cure amounts of all executory contracts and unexpired leases to be assumed. The parties to such executory contracts and unexpired leases will have fifteen (15) days to object to the Cure amounts listed by the Debtors, and the failure to timely object to a particular Cure amount shall conclusively bind such non-Debtor party. In the event of a dispute regarding (1) the amount of any Cure payment, (2) the ability of the Reorganized Debtors to provide "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code) under the contract or lease to be assumed, or (3) any other matter pertaining to assumption, the required Cure payment will be made following the entry of a Final Order resolving the dispute. All Disputed defaults that are required to be Cured

shall be Cured either within twenty (20) days after the entry of a Final Order determining the amount, if any, of the Reorganized Debtors' liability with respect thereto, or as may otherwise be agreed to by the parties. Notwithstanding any of the foregoing, if the Bankruptcy Court determines that a Cure amount is greater than the Cure amount identified by the Debtors, the Debtors or the Reorganized Debtors may elect to reject the particular executory contract or unexpired lease at such time rather than paying such greater Cure amount.

4. *Retiree Benefits*

The Debtors maintain certain retiree benefit plans, funds or programs which may qualify as "retiree benefits" as defined in section 1114 of the Bankruptcy Code. To the extent such plans, funds or programs fall within the scope of section 1114 of the Bankruptcy Code and continue to be maintained by the applicable Reorganized Debtor, the applicable Reorganized Debtor will continue to make such payments required pursuant to 11 U.S.C. § 1129(a)(13) under such plans, funds or programs for the duration that it is obligated to continue to provide such benefits.

a. 401(k) Plans

The Debtors offer 401(k) plans for the benefit of their Employees (each, a "401(k) Plan"). Each 401(k) Plan provides for automatic pre-tax salary deductions of eligible compensation up to the limits set by the Internal Revenue Code. Each 401(k) Plan is administered by The Principal Financial Group, Des Moines, Iowa. The terms of each 401(k) Plan vary by division: Employees of Brown and Midwest Stamping receive a matching contribution of 25% for each dollar of contribution up to 6% of wage deferrals; Employees of Heckethorn receive a matching contribution of 50% for each dollar of contribution up to 5% of wage deferrals; and Employees of Morton receive a matching contribution of 50% for each dollar of contribution up to 6% of wage deferrals. Employees are fully vested under each 401(k) Plan after five years.

During the first quarter of 2008, the Debtors paid matching contributions of approximately $300,000 pursuant to the 401(k) Plans, as well as administrative fees of $30,000 during 2007. The Debtors believe that, as of the Commencement Date, approximately $20,000 in amounts due and owing under the 401(k) Plans had accrued and remained unpaid. This amount has either already been paid or will be paid within 45 days.

b. Defined Benefit Plans

Two defined benefit plans exist in these Chapter 11 Cases. First, Brown's Ionia Plant previously offered a defined benefit pension plan until 1992, when the plant was de-unionized (the "Brown D/B Plan"). At that time, the Brown D/B Plan was frozen and covered employees were given the option of either cashing out their earnings under the Brown D/B Plan or rolling the amounts into a 401(k) plan. However, employees who had retired prior to Brown's decision to freeze the Brown D/B Plan have continued to receive compensation (the "Former Employees"). To satisfy these obligations, Brown

established a fully-funded annuity administered by Principal Financial Group. The Brown D/B Plan was terminated in 1998. Accordingly, other than a *de minimis* supplemental payment on account of deductions from the Former Employees' social security benefits in connection with Medicare Part B, the Debtors make no payments for the Brown D/B Plan.

The second defined benefit plan is available to Midwest Stamping hourly employees (the "Midwest Stamping D/B Plan" **and, together with the Brown D/B Plan, the "Pension Plans"**). Full-Time hourly employees at Midwest Stamping who are at least 21 years of age and with at least one year of employment are eligible to begin accumulating benefits under the Midwest Stamping D/B Plan ("Participants"). Benefits are generally payable when a Participant reaches 65 years of age. Participants receive $8 each month for every year of service (*e.g.*, a Participant who has worked for thirty years is eligible to receive $240 each month under the Midwest Stamping D/B Plan). There are only a small number of Participants under the Midwest **Stamping** D/B Plan. In 2007, the Debtors paid less than $20,000 on account of the Pension Plans, and the Debtors estimate that no more than $16,777 will be required for the ~~Pension Plans in 2008.~~**premiums under the Pension Plans in 2008. The Debtors estimate that the minimum funding contribution for the current plan year for the Midwest Stamping D/B Plan is approximately $100,000 and is included in the Debtors' Projections as a component of the cost of sales.** The Debtors currently have no intention to terminate the Midwest Stamping D/B Plan, but reserve the right to do so.

(1) Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation ("PBGC") alleges that the Midwest Stamping D/B Plan is covered by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), 29 U.S.C. § 1301 *et seq*.

PBGC alleges that Debtor Midwest Stamping, Inc. and all members of its controlled group, within the meaning of ERISA § 4001(a)(14), 29 U.S.C. § 1301(a)(14), are jointly and severally obligated to contribute to the Pension Plan for the amounts necessary to satisfy ERISA's minimum funding standards ("Minimum Funding Contributions"), found in ERISA §§ 302 and 303 and Internal Revenue Code §§ 412 & 430. *See* 29 U.S.C. §§ 1082, 1083 (as to § 1083, effective for pension plans years beginning after December 31, 2007); 26 U.S.C. §§ 412, 430 (as to § 430, effective for pension plan years beginning after December 31, 2007). Similarly, PBGC avers that Debtor Midwest Stamping, Inc. and all members of its controlled group are also jointly and severally liable for insurance premiums owed to PBGC. *See* ERISA § 4006, 29 U.S.C. § 1306.

PBGC is a United States Government corporation which guarantees the payment of certain pension benefits upon termination of a pension plan. When an underfunded pension plan terminates with insufficient assets to pay benefits, PBGC generally becomes statutory trustee of the plan and pays benefits to the plan's participants up to statutory limits. PBGC estimates that, as of August 31, 2008, the Midwest Stamping D/B Plan is underfunded on a termination basis in the amount of $837,913 and that unpaid Minimum Funding Contributions are due in the amount of approximately $99,401. PBGC has filed

unliquidated claims asserting these obligations. PBGC has also filed in an unliquidated amount a claim for statutory premiums allegedly owed to it.

PBGC's claim for the Midwest Stamping D/B Plan's alleged underfunding is contingent on the Midwest Stamping D/B Plan's termination during the bankruptcy, and would be withdrawn if no such termination occurs. However, PBGC believes that the Midwest Stamping D/B Plan may also be terminated by a PBGC-initiated termination under ERISA § 4042(a), 29 U.S.C. § 1342(a).

PBGC alleges that if the Midwest Stamping D/B Plan terminates in a distress termination or a PBGC-initiated termination, PBGC will have the following bankruptcy claims, for which PBGC claims Debtor and its controlled group members are jointly and severally liable: (1) the total amount of unpaid Minimum Funding Contributions owed to the Midwest Stamping D/B Plan through its termination date -- of which a portion is claimed to be entitled to priority payment by Debtor Midwest Stamping, Inc. as contributions arising during the 180 days immediately preceding the petition filing date under 11 U.S.C. § 507(a)(5), and a portion is claimed to be entitled to priority payment by the Debtors as contributions arising during the post-petition period under 11 U.S.C. § 507(a)(2), with the remainder as a general unsecured claim; (2) the Midwest Stamping D/B Plan's unfunded benefit liabilities in the estimated amount of $837,913; and (3) any unpaid variable and flat-rate premiums owed to PBGC under ERISA § 1306 that may have accrued through the Midwest Stamping D/B Plan's trusteeship by PBGC, with those amounts due post-petition claimed to be administrative priority claims.

It is PBGC's position that, if the Midwest Stamping D/B Plan terminates in a distress termination pursuant to 29 U.S.C. § 1341(c)(2)(B)(ii) or a PBGC-initiated termination under 29 U.S.C. § 1342 while the Debtor is attempting to reorganize in Chapter 11, and the Debtors ultimately obtain confirmation of a Chapter 11 plan of reorganization, the Debtors will become liable to PBGC for termination premiums in the amount of $1,250 for each Midwest Stamping D/B Plan participant for three years. PBGC estimates that there are 511 participants in the Midwest Stamping D/B Plan. According to PBGC, the due date for the first year of termination premiums is the 30th day following the month in which the Debtor emerges from Chapter 11; the due date for the second year of termination premiums is the one year anniversary of the due date for the first year of termination premiums; and the due date for the third year of termination premiums is the one year anniversary of the due date of the second year of termination premiums. PBGC believes that any termination premium liability does not exist until after the Chapter 11 plan is confirmed and the Debtor obtains a discharge. *See* 29 U.S.C. § 4006(a)(7)(B). It is PBGC's position that, under those circumstances, termination premiums are not a dischargeable claim or debt within the meaning of 11 U.S.C. §§ 101(5) and 1141. However, according to PBGC, if the Debtor's Chapter 11 proceeding in essence becomes a liquidation, and the Midwest Stamping D/B Plan terminates in a PBGC-initiated termination, the termination premium becomes immediately due on the date the Midwest Stamping D/B Plan terminates and thus becomes a post-petition administrative priority claim in the Debtor's liquidating bankruptcy. Any termination of the Midwest Stamping D/B Plan, whether under ERISA § 4041, 29 U.S.C. § 1341, or ERISA § 4042, 29 U.S.C.

§ 1342, shall be in conformity with statutory and regulatory requirements as well as the rules and requirements of the PBGC and the U.S. Internal Revenue Service.

It is also the PBGC's position that nothing in the Plan or any other document filed of record in the Chapter 11 Cases discharges the Debtors or the Reorganized Debtors, or any other party, in any capacity, from any liability with respect to the Pension Plan, and that the PBGC is not enjoined from enforcing any such liability under the Plan or any other document filed of record in the Chapter 11 Cases.

Importantly, the Debtors do not concede or adopt any of the foregoing statements, and specifically reserve all rights, remedies and defenses thereto.

5. *Compensation and Benefit Programs*

All pre-Confirmation Date employment agreements, health care plans, savings plans, performance-based incentive plans, workers' compensation programs and life, disability, directors' and officers' liability, and other insurance and similar plans are treated as executory contracts under the Plan and shall, on the Effective Date, be deemed assumed by the Reorganized Debtors. Notwithstanding the foregoing, such deemed assumption shall not include the assumption of any Equity Interests, stock options, warrants or similar rights, whether or not provided for in any such plans.

D. Bar Date for Administrative Expense Claims

The Confirmation Order will establish a bar date for Administrative Expense Claims other than for Administrative Expense Claims for professional compensation and reimbursement of expenses of professionals. Holders of Administrative Expense Claims not paid prior to the Effective Date must submit proofs of claim on or before such bar date or be forever barred from doing so. The notice of confirmation delivered pursuant to Bankruptcy Rules 3020(c) and 2002(f) will set forth such date and constitute notice of the bar date for Administrative Expense Claims. The Reorganized Debtors shall have thirty (30) days, or such longer period as may be allowed by order of the Bankruptcy Court, to review and object to such Administrative Expense Claims before a hearing for determination and allowance of such Administrative Expense Claims.

X. DISTRIBUTIONS

A. Timing of Distributions for Claims Allowed as of the Effective Date

Except as otherwise provided in the Plan, distributions of Cash and Plan Securities to be made on the Effective Date to holders of Allowed Claims shall be deemed made on the Effective Date if made on the Effective Date or as soon thereafter as practicable, but in any event no later than thirty (30) days after the Effective Date, or within such time after the Claim becomes an Allowed Claim as provided in the Plan; provided, however, that, subject to any restrictions set forth in the Exit Facility and/or the Exit Term Loan, the Reorganized Debtors retain the right to prepay any Allowed Claim in their business judgment.

In the event any payment, distribution or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or distribution or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

B. Method of Delivery of Distributions Under the Plan

1. *Disbursing Agent*

All distributions under the Plan shall be made by the Disbursing Agent or such other Person designated by the Reorganized Debtors.

2. *Distributions of Cash*

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

3. *Delivery of Distributions.*

Distributions to the holders of Allowed Claims will be made as follows: (i) at the respective addresses set forth in the Schedules unless superseded by the address set forth on the proofs of claim filed by holders of Claims, or (ii) at the address set forth in any written notice of address change delivered to the Disbursing Agent after the date of filing of any proof of claim. Distributions to the holders of Prepetition First Lien Deficiency Claims and Prepetition First Lien Secured Debt Claims shall be made to LCPI, in its capacity as administrative agent under the Prepetition First Lien Credit Agreement, for further distribution to individual holders of Prepetition First Lien Deficiency Claims and Prepetition First Lien Secured Debt Claims.

4. *Undeliverable and Unclaimed Distributions*

Distributions returned to the Disbursing Agent or otherwise undeliverable will remain in the possession of the Disbursing Agent until such time as a distribution becomes deliverable. Undeliverable Cash and Plan Securities will be held by the Disbursing Agent for the benefit of the potential Claim holders of such Cash or Plan Securities.

If any holder of an Allowed Claim's distribution is returned as undeliverable, the Disbursing Agent may, but shall not be required to, 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 Disbursing Agent that it has not received its, his or her distribution within one hundred and twenty (120) 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 Reorganized Debtors or their property. In such cases, undeliverable distributions will become property of the Reorganized Parent, free of any restrictions thereon, and such

undeliverable distributions held by the Disbursing Agent will be returned to the Reorganized Parent.

5. *Allocation of Plan Distributions*

All distributions in respect of Allowed Claims will be allocated first to the original principal amount of such Claims (as determined for federal income tax purposes), with any excess allocated to the remaining portion of such Claims, if any; provided, however, that there can be no assurances that this allocation will be respected for federal income tax purposes.

C. Insured Claims

Section 6.5 of the Plan provides for Insured Claims to be satisfied from the proceeds of insurance. ACE American Insurance Company and Indemnity Insurance Company of North America (collectively, "ACE"), insurers to some or all of the Debtors, have advised the Debtors that they reserve all of their rights and obligations under the insurance policies they issued and applicable law, including the right to dispute and/or deny coverage. ACE further reserves the right to object to confirmation of the Plan and the Debtors reserve all defenses thereto.

To the extent that proceeds of insurance prove insufficient or otherwise unavailable to satisfy any Insured Claims, distributions under the Plan to any holder of an Insured Claim shall be in accordance with the treatment provided to the holders of General Unsecured Claims in Class U-4 of the Plan.

D. Fractional Securities

Notwithstanding any other provision of the Plan, only whole numbers of shares of Plan Securities will be issued and distributed pursuant to the Plan. For purposes of distribution, the actual issuance shall reflect a rounding up (in the case of .5000 or more than .5000) of such fraction to the nearest whole or a rounding down of such fraction (in the case of .4999 or less).

E. Distribution Record Date

As of the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Equity Interests, including, without limitation, for the Parent Equity Interests, as maintained by Debtors or their respective transfer agents, shall be deemed closed, and there shall be no further changes made to reflect any new record holders of any Claims or Equity Interests. The Disbursing Agent will have no obligation to recognize any transfer or sale of Claims or Equity Interests on or occurring after the Distribution Record Date and will be entitled for all purposes under the Plan to recognize and make distributions only to those holders who are holders of Claims or Equity Interests as of the Distribution Record Date. Except as otherwise provided in a Final Order, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 prior to the Distribution Record Date will be treated as the holders of such Claims for all

purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer may not have expired by the Distribution Record Date.

F. Setoffs

Except with respect to Intercompany Claims, the Debtors may, but shall not be required to, setoff against any Claim (for purposes of determining the Allowed amount of such Claim in respect of which distribution shall be made), any claims of any nature whatsoever that the Debtors may have against the holder of such Claim.

XI. RESOLUTION AND TREATMENT OF DISPUTED ADMINISTRATIVE EXPENSE CLAIMS AND CLAIMS

A. 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 Reorganized Debtors shall, 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 Reorganized Debtors shall 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 Reorganized Debtors shall file all objections to Administrative Expense Claims and 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 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.

B. No Distribution Pending Allowance

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

C. Estimation

The Debtors and the Reorganized Debtors 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 Debtors or the Reorganized Debtors have previously objected 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 Debtors and the Reorganized Debtors may elect to pursue any supplemental

proceedings to 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.

D. Allowance of Disputed Claims

1. *Allowance of Disputed Unsecured Ongoing Operations Claims*

If, after the Effective Date, any Disputed Unsecured Ongoing Operations Claim is deemed Allowed, the Reorganized Debtors will make six equal, consecutive monthly distributions to the holder of such Allowed Claim, commencing on the next date on which the holders of Allowed Claims in Class U-2 are scheduled to receive a distribution, provided that such date is at least five (5) Business Days following the date on which the Disputed Claim becomes an Allowed Claim. Otherwise, distributions will commence on the next succeeding distribution date for holders of Allowed Claims in Class U-2. In the event that such commencement date occurs after the date on which the final monthly Plan distribution to the holders of Allowed Claims in Class U-2 has been made, the Reorganized Debtors shall commence making such distributions on the first day of the month following the date on which the Disputed Claim becomes an Allowed Claim, provided that such date is at least five (5) Business Days following the date on which the Disputed Claim becomes an Allowed Claim; otherwise, distributions shall commence on the first day of the next succeeding month.

2. *Allowance of Disputed General Unsecured Claims*

If, after the Effective Date, any Disputed General Unsecured Claim is deemed Allowed, the Reorganized Debtors shall, on the date that is at least ten (10) Business Days following the date on which the Disputed Claim becomes an Allowed Claim, make a distribution on account of such Allowed Claim from the Disputed Claims Reserve. The amount of the distribution shall not exceed the amount of New Common Stock reserved on account of such Claim, and shall take into account the necessity, if any, of continuing to maintain a Disputed Claims Reserve at the time such distribution is made.

Within 10 business days after all Disputed General Unsecured Claims have become Allowed Claims or have otherwise been resolved by Final Order of the Bankruptcy Court and all applicable distributions have been made from the Disputed Claims Reserve, any New Common Stock remaining in the Disputed Claims Reserve shall be distributed Pro Rata to holders of Allowed General Unsecured Claims.

XII. CORPORATE STRUCTURE AND GOVERNANCE

A. Restructuring Transactions

On or after the Confirmation Date, the applicable Debtors or Reorganized Debtors may enter into such Restructuring Transactions and may take such actions as the Debtors or Reorganized Debtors may determine to be necessary or appropriate to effect a corporate restructuring of their respective businesses or to simplify their overall corporate structure, to the extent not inconsistent with any other terms of the Plan. Unless otherwise provided

by the terms of a Restructuring Transaction, all such Restructuring Transactions will be deemed to occur on the Effective Date and may include one or more mergers, consolidations, restructurings, dispositions, liquidations or dissolutions, as may be determined by the Debtors or the Reorganized Debtors to be necessary or appropriate. Any such Restructuring Transactions may, subject to the Plan, be effected on or subsequent to the Effective Date without any further action by the stockholders or directors of any of the Debtors or the Reorganized Debtors.

The Restructuring Transactions may result in substantially all of the respective assets, properties, rights, liabilities, duties and obligations of certain of the Reorganized Debtors vesting in one or more surviving, resulting or acquiring corporations. In each case in which the surviving, resulting or acquiring corporation in any such transaction is a successor to a Reorganized Debtor, such surviving, resulting or acquiring corporation will perform the obligations of the applicable Reorganized Debtor pursuant to the Plan to pay or otherwise satisfy the Allowed Claims against such Reorganized Debtor, except as provided in the Plan or in any contract, instrument or other agreement or document effecting a disposition to such surviving, resulting or acquiring corporation, which may provide that another Reorganized Debtor will perform such obligations.

B. Directors and Officers of Reorganized Parent and the Other Reorganized Debtors

1. *Officers.*

Subject to any requirement of Bankruptcy Court approval pursuant to section 1129(a)(5) of the Bankruptcy Code, from and after the Effective Date, the initial officers of the Reorganized Parent and the other Reorganized Debtors will consist of the individuals to be identified in Exhibit XVI to the Plan. Such officers shall serve in accordance with applicable non-bankruptcy law and the terms of any employment agreements. The Reorganized Parent contemplates the retention of all or substantially all of its present senior management.

2. *Board Composition - New Money Alternative*

If the New Money Alternative is Confirmed by the Bankruptcy Court, the initial board of directors shall consist of seven members (to be identified in the Plan Supplement), as follows: (i) the chief executive officer of the Reorganized Parent, (ii) four individuals designated by the holders of a majority in dollar amount of the Prepetition First Lien Debt at the time of the hearing to approve this Disclosure Statement, acting through LCPI (the "Majority First Lien Lenders"), and (iii) so long as AEP, together with its affiliates, beneficially owns at least 20% of the shares of the New Common Stock then outstanding, two AEP Directors (which shall be reduced to one AEP Director if AEP beneficially owns less than 20%, but at least 10%, of the shares of the New Common Stock then outstanding). The board of directors will be divided into 3 classes. Class I will consist of both the Reorganized Parent's chief executive officer and will have a term initially expiring at the first annual meeting of the Reorganized Parent's stockholders after the Effective Date. Class II will consist of one director designated by the Majority First Lien

Lenders and one of the AEP Directors, and will have a term initially expiring at the second annual meeting of the Reorganized Parent's stockholders after the Effective Date. Class III will consist of the remaining directors and shall have a term initially expiring at the third annual meeting of the Reorganized Parent's stockholders after the Effective Date. All directors will serve for terms of three years after the expiration of these initial terms.

Upon expiration of each director's term, the parties originally entitled to appoint such director will be entitled to re-appoint such director or appoint a substitute director.

3. *Board Composition - No New Money Alternative*

If the No New Money Alternative is Confirmed by the Bankruptcy Court, the initial board of directors of the Reorganized Parent will be composed of five members (to be identified in the Plan Supplement), as follows: (i) the chief executive officer of the Reorganized Parent and (ii) four individuals designated by the Majority First Lien Lenders. The board of directors will be divided into 3 classes. Class I will consist of the chief executive officer of the Reorganized Parent and will have a term initially expiring at the first annual meeting of the Reorganized Parent's stockholders after the Effective Date. Class II will consist of two directors designated pursuant to clause (ii) above and will have a term initially expiring at the second annual meeting of the Reorganized Parent's stockholders after the Effective Date. Class III will consist of the remaining directors and will have a term initially expiring at the third annual meeting of the Reorganized Parent's stockholders after the Effective Date. All directors will serve for terms of three years after the expiration of these initial terms.

Upon expiration of each director's term, the parties originally entitled to appoint such director will be entitled to re-appoint such director or appoint a substitute director.

4. *Amendments to the Certificate of Incorporation and By-Laws of BHM Holdings*

As of the Effective Date, the Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation and Reorganized BHM Technologies Holdings, Inc.'s By-Laws (or comparable constituent documents) will be substantially in the forms set forth in Exhibits XIV and XV, respectively, to the Plan. Such documents, among other things, will: (a) prohibit the issuance of nonvoting equity securities to the extent required by section 1123(a)(6) of the Bankruptcy Code; and (b) authorize the issuance of the Plan Securities in amounts not less than the amounts necessary to permit the distributions required or contemplated by the Plan. After the Effective Date, the Reorganized Parent and each other Reorganized Debtor may amend and restate their articles of incorporation or by-laws (or comparable constituent documents) as permitted by applicable state law, subject to the terms and conditions of such constituent documents and in a manner that is not inconsistent with applicable terms of the Exit Facility documents.

The following summarizes the material changes to the organizational documents of BHM Holdings. These summaries are qualified in their entirety by the forms attached to the

Plan as Exhibits XIV and XV, the provisions of which are incorporated herein by reference.

a. Amended and Restated Certificate of Incorporation

Article Four of the Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation establishes BHM Holdings' capital structure, which is materially different than its current capital structure. Under the Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation, BHM Holdings will be authorized to issue the following classes of shares of capital stock: voting common stock, par value $0.01 per share (the "Voting Common Stock"); non-voting common stock, par value $0.01 per share (the "Non-Voting Common Stock"); and preferred stock, par value $0.01 per share (the "Preferred Stock"). BHM Holdings' Board may divide the Preferred Stock into one or more series. The rights and preferences of the holders of shares of Voting Common Stock, Non-Voting Common Stock and the initially designated Series A Preferred Stock, respectively, are as set forth in Article Four of the Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation.

The Reorganized Parent will be authorized to issue any shares of common stock, including, without limitation, the New Common Stock, permitted by and pursuant to the terms of the Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation and any other applicable documents, without the need for any further corporate action.

In addition, Article Eight of the Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation confirms that the business affairs of BHM Holdings will be managed by or under the direction of the Board, which may exercise all such authority and powers of BHM Holdings and do all such lawful acts and things as are not by statute of the Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation directed or required to be exercised or done by the stockholders. The number of directors of BHM Holdings will be fixed by, or in the manner provided in, the Reorganized BHM Technologies Holdings, Inc.'s By-Laws.

b. Amended and Restated By-Laws

Article III of the Reorganized BHM Technologies Holdings, Inc.'s By-Laws sets forth by-laws governing the Board of Directors. Under Article VIII of the Reorganized BHM Technologies Holdings, Inc.'s By-Laws, the Reorganized BHM Technologies Holdings, Inc.'s By-Laws may be amended, altered or repealed and new by-laws adopted at any meeting of the Board by a majority vote (subject to the terms of Reorganized BHM Technologies Holdings, Inc.'s Certificate of Incorporation); provided, however, that Sections 2–4 of Article III (i.e., by-laws concerning the number, election and term of office of directors; classification of the Board and filling vacancies; and removal and resignation of directors) may not be amended without the approval of a majority of the stockholders entitled to vote.

5. *Governance of the Subsidiaries*

Currently, the Boards of Directors of the Domestic Subsidiaries organized as corporations, and the Boards of Managers of the Domestic Subsidiaries organized as a limited liability companies, are composed of the same individuals as BHM Holdings' Board.

C. Management Equity Plan; Independent Director Plan

Under both the New Money Alternative and No New Money Alternative, sufficient shares of New Common Stock will be allocated to provide a management equity plan with 9% of the New Common Stock on a fully diluted basis. All other aspects of the management equity plan, including the individual allocations of such New Common Stock (and options to purchase the same), will be determined by the Board.

Under both the New Money Alternative and No New Money Alternative, the Plan will provide for the grant of options to purchase (at a strike price to be determined) shares of New Common Stock representing 1% of the New Common Stock on a fully diluted basis, for the purpose of attracting and compensating outside, non-management directors.

XIII. CERTAIN FACTORS TO BE CONSIDERED

A. Risks of Bankruptcy

1. *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 Debtors believe that the classification of Claims and Equity Interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The Plan separately classifies General Unsecured Claims and Unsecured Ongoing Operations Claims. The claims in these Classes have different characteristics and it is therefore appropriate, from the Debtors' perspective, for such claims to be separately classified. The holders of General Unsecured Claims do not continue to conduct business with the Debtors, while the holders of Unsecured Ongoing Operations Claims do continue to conduct business with the Debtors.

2. *Risk of Non-Confirmation of the Plan*

Even if all Classes entitled to vote accept the Plan, the Plan might not be confirmed by the Bankruptcy Court. As discussed above, Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, that the confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization, and that the value of distributions to dissenting creditors and equity security holders not be less than the value of distributions such creditors and equity security holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. The Debtors believe that the Plan satisfies all

the requirements for Confirmation of a plan of reorganization under the Bankruptcy Code. There can be no assurance, however, that the Bankruptcy Court will conclude that the requirements for Confirmation of the Plan have been satisfied.

B. Risks Relating to New Common Stock, Parent Preferred Stock, Warrants and Options

The Debtors do not anticipate that the Reorganized Debtors will pay dividends on the New Common Stock. Under the terms of the Parent Preferred Stock, the Debtors anticipate paying, to the extent dividends may be declared, annual dividends of 10% through the fourth anniversary of issuance and 13% thereafter. To the extent not declared and paid in cash, dividends shall accumulate and be payable on a compounded basis (compounded quarterly). Reference is made to Exhibit XI of the Plan for the material terms of the Parent Preferred Stock.

C. Risks Associated with the Reorganized Businesses

Factors that could negatively impact the Debtors' businesses include, without limitation: the cyclical nature of automotive sales and production; a drop in the market share or changes in the product mix of the Debtors' customers; the ability of Customers to resource or cancel vehicle programs; continued pricing pressures and Customer cost reduction initiatives; increased commodity costs; the Debtors' inability to negotiate or re-negotiate key Customer agreements to share commodity cost increases; rising energy costs; and future asset impairment and other restructuring costs, including write downs of goodwill or other intangible assets. Any one or more these factors, if occurring, may adversely affect the Debtors' businesses, operating results and financial condition.

D. Risks Relating to Cash for Plan Distributions

The Debtors' ability to fund Cash distributions under the Plan, and therefore consummate the Plan in its present form, is dependent, in part, upon the Debtors' ability to obtain Exit Financing. Recent conditions in the credit markets beyond the Debtors' control have substantially decreased the amount of credit available to borrowers and increased the cost of such credit. If such conditions continue, the Debtors' ability to obtain a commitment for Exit Financing on acceptable terms may be limited. Accordingly, there can be no assurances that the Debtors will obtain Exit Financing as contemplated by the Plan. If the Debtors are unable to obtain Exit Financing, the Debtors will not be able to consummate the Plan without substantial modifications.

XIV. U.S. FEDERAL INCOME TAX CONSEQUENCES IF THE PLAN IS CONFIRMED

The following is a summary of certain U.S. federal income tax consequences to the Debtors and to certain holders of Claims that are expected to result from implementation of the Plan. This discussion is based on the IRC, as amended, Treasury Regulations in effect on the date of this Disclosure Statement, and administrative and judicial interpretations thereof available on or before such date. All of the foregoing are subject to change, which change could apply retroactively and could affect the federal income

tax consequences described below. There can be no assurance that the IRS will not take a contrary view with respect to one or more of the issues discussed below. No ruling has been applied for or received from the IRS with respect to any of the tax aspects of the Plan and no opinion of counsel has been requested or received by the Debtors with respect thereto.

The following summary is for general information only and does not purport to address all of the U.S. federal income tax consequences that may be applicable to any particular holder. The tax consequences to holders may vary based upon the individual circumstances of each holder. In addition, this discussion does not address any aspect of local, state or foreign taxation, or any estate or gift tax consequences of the Plan.

The following assumes that the Plan will be implemented as described herein and does not address the tax consequences if the Plan is not carried out. This discussion further assumes that the various debt and other arrangements to which the Debtors are parties and any Distributions and allocations provided for under the Plan will be respected for federal income tax purposes in accordance with their respective forms or as described below.

THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND SUBJECT TO SIGNIFICANT UNCERTAINTIES. THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE IRS WILL NOT CHALLENGE ANY OR ALL OF THE TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. EACH HOLDER OF A CLAIM OR EQUITY INTEREST IS URGED TO CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES OF THE PLAN.

A. U.S. Federal Income Tax Consequences to the Debtors

BHM Holdings, the other Debtors and the Non-Debtor ~~Subsidiaries~~**Subsidiary** are members of an affiliated group of corporations (the "BHM Tax Group") that join in the filing of consolidated federal income tax returns. The Debtors expect the BHM Tax Group to have consolidated net operating loss ("NOL") carryforwards to the year ended December 31, 2008 and, to the extent not used or eliminated in that year, to subsequent years. The amount of such NOLs and NOL carryforwards remains subject to review and adjustment by the IRS and to limitations imposed by Sections 108 and 382 of the Internal Revenue Code ("IRC"), as discussed below.

1. *Cancellation of Debt Income*

The Debtors will realize cancellation of debt income ("CODI") as a result of the exchange of certain debt for New Common Stock and Parent Preferred Stock and the discharge of Allowed Claims under the Plan. However, CODI is not taxable to a debtor if the debt discharge occurs in a title 11 bankruptcy case. Rather, under Section 108 of the IRC, such CODI instead will reduce certain of the Debtors' tax attributes, generally in

the following order: (a) net operating losses and net operating loss carryforwards ("NOLs"); (b) general business credit carryforwards; (c) minimum tax credit carryforwards; (d) capital loss carryforwards; (e) the tax basis of the Debtors' depreciable and nondepreciable assets (but not below the amount of their liabilities immediately after the discharge); (f) passive activity loss and credit carryforwards; and (g) foreign tax credit carryforwards. A debtor may elect to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of its depreciable assets (and, possibly, the depreciable assets of its subsidiaries) and then to reduce NOLs and certain other tax attributes. It is unlikely that the Debtors will make this election. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined (i.e., such attributes may be available to offset taxable income that accrues between the date of discharge and the end of the Debtors' taxable year). Any excess CODI over the amount of available tax attributes is not subject to United States federal income tax and has no other United States federal income tax impact.

Under the regulations that address the method for applying tax attribute reduction to an affiliated group of corporations that files consolidated returns (such as the BHM Tax Group), the tax attributes of each group member that is excluding CODI is first subject to reduction. These tax attributes include (1) consolidated attributes attributable to the debtor member, (2) tax attributes that arose in separate return limitation years of the debtor member, and (3) the tax basis of property of the debtor member. To the extent the debtor member's tax basis in stock of a lower-tier member of the affiliated group is reduced, a "look through rule" requires that a corresponding reduction be made to the tax attributes of the lower-tier member. To the extent that a debtor-member's excluded CODI exceeds its tax attributes, the regulations require the excess to be applied to the reduction of the remaining consolidated tax attributes of the affiliated group, including tax attributes of members other than the debtor members that arose or are treated as arising in certain separate return limitation years.

The Debtors expect the reduction in tax attributes that result from CODI produced by the Plan to include significant reductions in NOLs and reductions in the tax basis of non-depreciable, non-amortizable assets and depreciable or amortizable assets. However, the amount and allocation of the attribute reduction remain subject to review and adjustment by the IRS.

2. *Limitation on Net Operating Loss Carryforwards and Other Tax Attributes*

The Debtors anticipate that they will experience an "ownership change" (within the meaning of IRC Section 382) on the Effective Date as a result of the issuance of New Common Stock and other rights and interests pursuant to the Plan. As a result, the Debtors' ability to use any pre-Effective Date NOLs and other tax attributes to offset their income in any post-Effective Date taxable year (and in the portion of the taxable year of the ownership change following the Effective Date) to which a carryforward is made generally will be limited (subject to various exceptions and adjustments, some of which are described below) to the sum of (a) a regular annual limitation (prorated for the portion of the taxable year of the ownership change following the Effective Date), and (b)

any carryforward of unused amounts described in (a) from prior years. IRC Section 382 may also limit the Debtors' ability to use "net unrealized built-in losses" (i.e., losses and deductions that have accrued economically but are unrecognized as of the date of the ownership change) to offset future taxable income. Moreover, the Debtors' loss carryforwards will be subject to further limitations if the Debtors experience additional future ownership changes or if they do not continue their business enterprise for at least two years following the Effective Date.

The application of IRC Section 382 will be materially different from that just described if the Debtors are subject to the special rules for corporations in bankruptcy provided in IRC Section 382(l)(5). Under that section, which provides some relief from the general Section 382 limitations in the event the ownership occurred in a Title 11 case, the Debtors' ability to use their pre-Effective Date NOLs would not be limited as described above. However, several other limitations would apply to the Debtors under Section 382(l)(5), and it is only in a rare set of circumstances that a debtor corporation would get any material benefit for choosing to have this section apply. Even assuming that the Debtors would qualify for the special rule under Section 382(l)(5), it is unlikely that the Debtors would seek to have such rule apply.

If the Debtors do not qualify for, or elect not to apply, the rule under IRC Section 382(l)(5), a different rule under IRC Section 382 applicable to corporations under the jurisdiction of a bankruptcy court will apply in calculating the annual IRC Section 382 limitation. Under this rule, the limitation will be calculated by reference to the lesser of the value of the company's new stock (with certain adjustments) immediately after the ownership change or the value of such company's assets (determined without regard to liabilities) immediately before the ownership change. Although such calculation may substantially increase the annual IRC Section 382 limitation, the Debtors' use of any NOLs or other tax attributes remaining after implementation of the Plan may still be substantially limited after an ownership change.

B. U.S. Federal Income Tax Consequences to Holders of Certain Claims

The U.S. federal income tax consequences of the transactions contemplated by the Plan to holders of Claims arising from distributions to be made under the Plan may vary depending upon, among other things, the type of consideration received by the holder in exchange for the indebtedness it holds, the nature of the indebtedness owing to it, whether the holder is a corporation, whether the holder has previously claimed a bad debt or worthless security deduction in respect of its Claim, whether such Claim constitutes a "security" for purposes of reorganization provisions or other provisions of the IRC, whether the holder is a resident of the United States for tax purposes, whether the holder reports income on an accrual or cash basis, and whether the holder receives Distributions under the Plan in more than one taxable year. This discussion assumes that the holder has not taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or any prior year and that such Claim did not become completely or partially worthless in a prior taxable year. Moreover, the Debtors intend to claim deductions to

the extent they are permitted to deduct any amounts they pay in cash, stock or other property pursuant to the Plan.

1. *Recognition of Gain or Loss*

Under the Plan, and depending on whether the New Money Alternative or No New Money Alternative is confirmed, certain holders of Impaired Claims will receive New Common Stock, Parent Preferred Stock, Warrants, Options or Cash in exchange for their Claims.

The Debtors believe that the receipt of New Common Stock, Parent Preferred Stock, Warrants and/or Options (collectively, the "Plan Securities") in exchange for Claims against BHM Holdings (but not against any Subsidiary) that constitute "securities" (within the meaning of the reorganization provisions of the IRC) pursuant to the Plan should constitute a "recapitalization" for U.S. federal income tax purposes. As a result, except as discussed below with respect to Claims for accrued interest, a holder of such a Claim should not recognize gain or loss on the exchange of its Claim for Plan Securities.

If Claims do not constitute "securities" for U.S. federal income tax purposes, the exchange of such Claims for Plan Securities should constitute a taxable exchange for U.S. federal income tax purposes. As a result, a holder of such Claim would generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (1) the fair market value on the Effective Date of the Plan Securities received in exchange for the Claim and (2) the holder's adjusted tax basis in the Claim. The character of such gain or loss as capital gain or loss or ordinary income gain or loss will be determined by a number of factors, including the tax status of the holder, the nature of the Claim in such holder's hands, whether the Claim constitutes a capital asset in the hands of the holder, whether the Claim was purchased at a discount, and whether and to what extent the holder can claim a bad debt deduction with respect to the Claim. A holder of Claims recognizing a loss as a result of the Plan may be entitled to a bad debt deduction, either in the taxable year of the Effective Date or a prior taxable year.

2. *Distributions in Discharge of Accrued But Unpaid Interest*

In general, to the extent that money or property (including Plan Securities) received by a holder of an unsecured claim is received in satisfaction of interest accrued during its holding period, such amount will be taxable to the holder as interest income (if not previously included in the holder's gross income). Conversely, such a holder will recognize a deductible loss to the extent that any accrued interest claimed was previously included in gross income and is not paid in full. Holders of Claims for or including accrued interest should consult their own tax advisors.

3. *Exercise of Warrants and Options*

The Debtors believe that a holder should not recognize gain or loss upon the exercise of Warrants or Options. The basis of the New Common Stock acquired through a holder's exercise of a Warrant or Option will be equal to the price paid for the New Common Stock acquired by such exercise, plus the basis of the Warrant or Option, if any. The

holding period for the New Common Stock acquired through the exercise of a Warrant or Option will begin on the day after the New Common Stock is acquired.

C. Importance of Obtaining Professional Tax Advice

IRS Circular 230 Notice: To ensure compliance with IRS Circular 230, holders of Claims or Interests are hereby notified that: (i) any discussion of federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by holders of Claims or Interests for the purpose of avoiding penalties that may be imposed on them under the IRC, (ii) such discussion is written in connection with the promotion or marketing of the transactions or matters discussed herein, and (iii) holders of Claims or Interests should seek advice based on their particular circumstances from an independent tax advisor.

XV. CONCLUSION

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS. AEP, TOGETHER WITH A SUBSTANTIAL MAJORITY OF THE HOLDERS OF CLAIMS UNDER THE PREPETITION FIRST LIEN CREDIT AGREEMENT ~~AND THE PREPETITION SECOND LIEN CREDIT AGREEMENT~~, HAVE AGREED TO SUPPORT THE PLAN. EACH OF THE DEBTORS STRONGLY RECOMMENDS THAT YOU VOTE TO ACCEPT THE PLAN.

Dated: August ~~5,~~ **8,** 2008

BHM Technologies Holdings, Inc.
(For Itself and On Behalf of Each of the Other Debtors)

By: /s/ Don Dees
Name: Don Dees
Title: President

TABLE OF CONTENTS

Page

Page

TABLE OF EXHIBITS

Document comparison by Workshare Professional on Friday, August 08, 2008 11:43:08 AM

Input:	
Document 1 ID	interwovenSite://PHDMS/Active/9933789/1
Description	#9933789v1<Active> - AMENDED DISCLOSURE STATEMENT
Document 2 ID	interwovenSite://PHDMS/Active/9933789/2
Description	#9933789v2<Active> - AMENDED DISCLOSURE STATEMENT
Rendering set	PH Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	59
Deletions	48
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	107