

The Official Committee of Unsecured Creditors of
BHM Technologies Holdings, Inc., *et al.*¹
Case No. 08-04413
(Jointly Administered)
Hon. Scott W. Dales

August 13, 15, 2008

To: The General Unsecured Creditors of
BHM Technologies Holdings, Inc., *et al.*

Re: Debtors' Amended Joint Plan of Reorganization
Under Chapter 11 of the Bankruptcy Code

Dear Creditors:

The Debtors filed voluntarily Chapter 11 petitions on May 19, 2008. The U.S. Trustee appointed an official committee of unsecured creditors ("Committee") on June 6, 2008.² In accord with its prescribed duties, the Committee and its professionals³¹ have been consulting with the Debtors and their professionals regarding administration of the estates, the assets, liabilities and financial condition of the Debtors, the formulation of a plan, and other pertinent matters.

¹ The Debtors are: BHM Technologies Holdings, Inc. (Case No. 08-04413); BHM Technologies, LLC (Case No. 08-04415); The Brown Corporation of America (Case No. 08-04412); The Brown Company International, LLC (Case No. 08-04416); The Brown Company of Ionia, LLC (Case No. 08-04417); The Brown Company of Moberly, LLC (Case No. 08-04418); The Brown Company of Waverly, LLC (Case No. 08-04419); The Brown Corporation of Greenville, Inc. (Case No. 08-04421); The Brown Realty Company, LLC (Case No. 08-04422); Heckethorn Holdings, Inc. (Case No. 08-04423); Heckethorn Manufacturing Co., Inc. (Case No. 08-04425); Midwest Stamping, Inc. (Case No. 08-04426); Midwest Stamping & Manufacturing Co. (Case No. 08-04427); Morton Welding Holdings, Inc. (Case No. 08-04428); and Morton Welding Co., Inc. (Case No. 08-04429).

² The Committee is comprised of the following members: Martin Seward, Kenwal Steel Corp. (Chair of the Committee); Mark A. Rhode, Horizon Steel Co. (Vice Chair of the Committee); Dennis C. Vogt, EFC International; Michael Whitehead, The Lincoln Electric Co.; Lorraine Monagin, Dundee Products; Russ Lee, Earle M. Jorgensen Co., and Ronald Gore, Olympic Steel, Inc.

³¹ The Committee retained Jaffe, Raitt, Heuer & Weiss, P.C. as its counsel and Chanin Capital Partners as its financial consultants.

The Debtors recently filed an Amended Disclosure Statement ("Disclosure Statement") and Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code ("Plan"). The Court held a hearing on the adequacy of the information contained in the Disclosure Statement on August 7, 2008, at which time, the Court approved the Disclosure Statement, the Plan, and the exhibits thereto to be sent to creditors entitled to vote on the Plan. Therefore, you will be receiving a copy of the Plan and Disclosure Statement, along with a ballot, seeking your vote with respect to the Plan. The Committee urges each unsecured creditor to carefully review and analyze the Plan and Disclosure Statement.

The Committee SUPPORTS approval of the Plan and asks that you vote IN FAVOR of the Plan, for the reasons described below.

The Plan creates two separate classes of unsecured creditors.⁴² One, class (Class U-2 under the Plan), holds unsecured trade creditors that are continuing to do business with the Debtors, who will be entitled to receive 100% cash payment on their Allowed Claims by means of six (6) equal monthly payments once their claims are allowed. (The Debtors have the discretion to accelerate some or all of these distributions if trade creditors extend favorable credit terms to the reorganized Debtors.)

Unsecured creditors who do not fall into the definition of Class U-2 are separately classified into Class U-4, along with a group of other unsecured creditors. This class may receive shares of stock in the reorganized Debtors. Class U-4 is dominated by the deficiency claims of the first and second lien holders who have voluntarily agreed to reduce their secured claims by tens of millions of dollars and who opted to have their unsecured claims treated as Class U-4 claims. Class U-4 also contains claims of those subject to rejection of their contracts, a noteholder, claimants in litigation and others. (There is meaningful legal authority supporting the ~~Debtor's~~Debtors' creation of the two classes of unsecured creditors. Thus, even if the Committee elected to challenge that treatment, the outcome of that legal challenge is uncertain.) Specific reference and attention should be given to the Class U-2 and Class U-4 definitions in the Plan and the treatment afforded to members of those classes.

~~The Debtors had already negotiated the Plan's terms with the first and second lien lenders and the majority stockholder before the bankruptcy was filed, based on term sheets and plan support agreements. The Term Sheet already provided for a 100% payment to ongoing trade creditors. Moreover, the Plan proposes two types of plans: a "New Money" Plan and a "No New Money" Plan. As part of the "New Money" Plan, Atlantic Equity Partners ("AEP"), the majority stockholder of the Debtors, placed \$12.5 million in escrow to be used to contribute to the Plan's funding as part of its plan support agreement. Absent a "material adverse change" or failure to confirm the "New Money" Plan, the funds placed in escrow cannot be released and returned to AEP. Because of the significant support for the Plan from other key creditor constituencies, the~~

⁴² This letter merely contains a short summary of some of the provisions of the Plan and is not meant to be a substitute for your review of the Plan. The Committee encourages you to review the Disclosure Statement and Plan prior to voting on the Plan and, to the extent necessary, prior to consulting with your counsel regarding these documents and the impact that they will have on you and your claims.

~~Committee had an uphill battle in negotiating changes to the Plan against the already unified front of these significant parties.~~

According to the Debtors, the “primary purpose of the Plan is to substantially de-leverage the Debtors’ balance sheet and put into place a sustainable long-term capital structure” (See Paragraph 1 D. of the Disclosure Statement). It appears that the Debtors’ pre-petition financing was ~~structured under~~ what is commonly referred to as a “leveraged buy-out.” The Plan provides for releases of claims against the participants in the leveraged buy-out transactions, in exchange for the concessions made by the first and second lien lenders, as well as the equity holders under the Plan.

The Committee has reviewed the general structure of the leveraged buy-out transactions and the realistic alternatives available to the unsecured creditors. While there is some possibility that the Committee could through litigation attack and unwind the leveraged buy-out transactions, that battle could threaten the profitability or size of the Debtors’ businesses, or even their continued viability. In addition, success in ~~this~~^{that} effort ~~would~~^{could} not necessarily translate into a greater return to Class U-2 unsecured creditors than the 100% distribution offered to Class U-2 unsecured creditors under the Plan. The success of the Debtors’ businesses so that it would have the ability to make any payments to unsecured creditors, and the relative return to unsecured creditors, as well as the likelihood of success in objecting to the Plan, were important factors in the Committee’s deliberations and ultimate decision to support the Plan.

~~The Committee was successful in negotiating certain important concessions from the Debtors regarding the Plan. Specifically, the Committee was able to: (a) ensure~~^{believes the}
following provisions of the Plan are of additional benefit to unsecured creditors: (a) a specific date for the commencement of payment and issuance of shares to Class U-2 and Class U-4 creditors, respectively; (b) elarify (and in the Committee’s opinion significantly expand) the number and types of creditors falling into Class U-2; (c) obtain a waiver of the Debtors’ ability to bring in excess of \$60,000,000 of potential preference claims against unsecured creditors; and (d) limit certain~~on~~^{setoff rights of the Debtors and preserve}(d) preservation of certain statutory lien rights.

~~With these modifications to the Plan, the~~^{The} Committee believes: (a) that the Plan provides a far greater benefit to unsecured creditors generally than a liquidation of the Debtors; (b) that the Plan provides a significant return (*i.e.*, 100%) for the vast majority in number of the unsecured creditors (those in Class U-2); and (c) if the Plan structure dividing the unsecured creditors into two classes is found to be unconfirmable, the dividend to Class U-2 unsecured creditors would be significantly less, the stock issuance to Class U-4 may not occur and there would be a very substantial risk that the reorganization would fail (based on the Plan support agreements unwinding and the loss of the “New Money” provided by AEP ~~would be lost~~). That would leave unsecured creditors with the prospect of having to pursue the leveraged buy-out claims and seek a litigated resolution of their unsecured claims.

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Considering all of the foregoing facts and circumstances, the Committee SUPPORTS approval of the Plan and asks that you vote IN FAVOR of the Plan.

~~The Committee urges each unsecured creditor to carefully review and analyze the Plan and its terms.~~ The Committee would be pleased to respond to any questions that you have regarding the Disclosure Statement, the Plan or this letter. If you have any questions, please contact Jay L. Welford or Judith Greenstone Miller, the Committee's counsel at (248) 351-3000 or email them at jwelford@jaffelaw.com or jmiller@jaffelaw.com or via facsimile at (248) 351-3082.

Very truly yours,

The Official Committee of
Unsecured Creditors of
BHM Technologies Holdings, Inc., *et al.*³

cc: Jay L. Welford
Judith Greenstone Miller
The Members of the Committee⁴

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Chanin Capital Partners

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