IN THE UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
YOUNGSTOWN DIVISION

IN THE MATTER OF:	)	CASE NO. 13-40813
	)	CHAPTER 11
D & L ENERGY, INC., *et al.*[1]	)	
	)	JUDGE KAY WOODS
Debtors.	)	
	)	

AMENDED DISCLOSURE STATEMENT FOR THE AMENDED PLAN OF LIQUIDATION OF THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF D&L ENERGY, INC. AND PETROFLOW, INC. DATED FEBRUARY ~~25~~, 2015

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[1] Debtors in this case are D & L Energy, Inc. (13-40813) and Petroflow, Inc. (13-40814), jointly administered pursuant to Docket No. 21.

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[2] The Effective Date of the Plan means the date identified by the Liquidation Trustee, which shall not be more than thirty (30) days after entry of the Plan Confirmation Order, unless extended by the Committee.

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All capitalized terms in this Disclosure Statement not otherwise defined herein have the meanings ascribed to them in the Plan.

I. INTRODUCTION

The Official Committee of Unsecured Creditors (the "Committee") submits this Disclosure Statement for the Amended Plan of Liquidation of The Official Committee of Unsecured Creditors of D&L Energy, Inc. and Petroflow, Inc. Dated February ~~2~~5, 2015 (the "Disclosure Statement") in connection with the solicitation of votes in favor of the Amended Plan of Liquidation of The Official Committee of Unsecured Creditors of D&L Energy, Inc. and Petroflow, Inc. (the "Plan"), a copy of which is attached hereto. The Plan represents the means by which D&L Energy, Inc. and Petroflow, Inc. (collectively, the "Debtors") will complete the liquidation of their respective businesses. The Disclosure Statement is intended as a summary document only and is qualified in its entirety by reference to the Plan. In the event of a conflict between the terms of the Plan and the Disclosure Statement, the terms of the Plan govern. You should read the Plan to obtain a full understanding of its provisions. This Disclosure Statement does not constitute financial or legal advice. You should consult your own advisors if you have questions about the Plan or this Disclosure Statement.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED BY THE COMMITTEE IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE. CERTAIN OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED TO THE COMMITTEE BY THE DEBTORS AND THEIR PROFESSIONALS, CERTAIN INFORMATION WAS OBTAINED FROM CLAIMS AND OTHER PLEADINGS FILED IN THESE CASES, AND THE INFORMATION HEREIN IS BELIEVED TO BE CORRECT AT THE TIME OF THE FILING OF THIS DISCLOSURE STATEMENT. ANY INFORMATION, REPRESENTATION OR INDUCEMENT MADE TO SECURE OR OBTAIN ACCEPTANCES OR REJECTIONS OF THE PLAN THAT ARE OTHER THAN, OR ARE INCONSISTENT WITH, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY ANY PERSON IN ARRIVING AT A DECISION TO VOTE FOR OR AGAINST THE PLAN. THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE AND THEY MUST BE CONSIDERED TOGETHER FOR THE READER TO BE ADEQUATELY INFORMED.

THE DEBTORS' RESPECTIVE SCHEDULES LISTING THE ASSETS AND LIABILITIES OF THE APPLICABLE DEBTOR AS OF THE DATE OF THE COMMENCEMENT OF THE CHAPTER 11 CASES ARE ON FILE WITH THE CLERK OF THE BANKRUPTCY COURT AND MAY BE INSPECTED BY INTERESTED PARTIES DURING REGULAR BUSINESS HOURS. AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT, LIABILITY, STIPULATION OR WAIVER. THIS DISCLOSURE STATEMENT SHALL NOT BE CONSTRUED TO BE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE

LIQUIDATION AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTORS. YOU SHOULD CONSULT YOUR OWN COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RELATED TO THE PLAN AND ITS IMPACT ON YOUR LEGAL OR TAX AFFAIRS.

Pursuant to the Bankruptcy Code, this Disclosure Statement was filed on February ~~2~~ 5, 2015 in support of the Plan dated February ~~25~~, 2015. The Committee will seek an order of the Bankruptcy Court determining that this Disclosure Statement contains "adequate information" for creditors and equity security holders of the Debtors in accordance with section 1125 of the Bankruptcy Code. The Committee believes, but does not warrant, that this Disclosure Statement contains "adequate information." The Bankruptcy Code defines "adequate information" as "information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor's books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable a hypothetical investor of the relevant class to make an informed judgment about the plan[.]" 11 U.S.C. § 1125(a)(1).

THE COMMITTEE BELIEVES THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND EQUITY SECURITY HOLDERS. ALL CREDITORS AND EQUITY SECURITY HOLDERS ARE URGED TO VOTE IN FAVOR OF THE PLAN NO LATER THAN, ~~[_____~~,[APRIL 24,] 2015].

The requirements for confirmation of the Plan, including the vote of creditors to accept the Plan and certain of the statutory findings that must be made by the Bankruptcy Court, are set forth under the caption "VOTING AND CONFIRMATION OF THE PLAN."

IN SOME INSTANCES, PARTIES RECEIVING THIS DISCLOSURE STATEMENT ARE NOT ENTITLED TO VOTE ON THE PROPOSED PLAN AND, ACCORDINGLY, HAVE NOT BEEN PROVIDED WITH BALLOTS. FOR EXAMPLE, IF YOU HAVE FILED A CLAIM AGAINST THE DEBTORS, BUT AN OBJECTION TO THAT CLAIM SEEKING THE TOTAL DISALLOWANCE OF YOUR CLAIM HAS BEEN FILED, YOU ARE NOT ENTITLED TO VOTE ON THE PLAN UNLESS, PURSUANT TO RULE 3018 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "BANKRUPTCY RULES"), THE BANKRUPTCY COURT TEMPORARILY ALLOWS YOUR CLAIM FOR VOTING PURPOSES. **THUS, IF YOU HAVE FILED A CLAIM THAT THE DEBTORS ARE SEEKING TO DISALLOW IN ITS ENTIRETY, YOU WILL NOT BE PERMITTED TO VOTE ON THE PLAN UNLESS (A) YOU FILE A REQUEST WITH THE BANKRUPTCY COURT FOR THE TEMPORARY ALLOWANCE OF YOUR CLAIM FOR VOTING PURPOSES PRIOR TO THE VOTING DEADLINE AND (B) THE BANKRUPTCY COURT RULES ON THAT REQUEST PRIOR TO THE CONFIRMATION HEARING.**

II. OVERVIEW OF THE PLAN

The Committee in the Chapter 11 Cases of D&L Energy, Inc. ("D&L") and Petroflow, Inc. ("Petroflow") propose a liquidation plan under Chapter 11 of the Bankruptcy Code. The Plan as proposed transfers control of all the remaining assets and liabilities from the Debtors to the Committee, via a Liquidation Trust. If the Plan submitted by the Committee is approved by the Bankruptcy Court, it effects the surrender of all of the assets of the Debtors and assigns certain responsibilities identified by the Bankruptcy Code to a Liquidation Trust. Specifically, the Plan assigns the responsibility for administering all of the Claims filed in the Chapter 11 Cases to the Liquidation Trust. The Plan anticipates that the Liquidation Trust will distribute payments to Claims, pursuant to the priorities set forth in the Bankruptcy Code, as soon as practicable after the Effective Date of the Plan.

A. Summary of Classes and Distributions

There are ~~3~~4 Classes of Claims established under the Plan. The classified and unclassifed Claims and their treatment are as follows:

1. Unclassified Secured Claims – There are no unclassified secured claims.

2. Unclassified Unsecured Claims – Unclassified unsecured Claims include Administrative Claims, Statutory Fees, and Priority Tax Claims. Each holder of an unclassified unsecured Claim shall receive, in full satisfaction of its Claim, as soon as practicable after the Effective Date, Cash equal to the amount of such Allowed Claim.

3. Class 1 – Class 1 consists of all Other Priority Claims, which may include Claims for wages~~),~~, that are not Priority Tax Claims. ~~Holders~~Each holder of an Allowed Class 1 Claims~~Claim~~ shall receive, in full satisfaction of such Allowed Priority ~~Claims~~Claim, as soon as practicable after the Effective Date, Cash equal to the amount of such Allowed Other Priority Claim, or such other treatment as the Liquidation Trustee and the Claim holder shall agree to in writing.

4. Class 2 – Class 2 consists of General Unsecured Claims, arising before these Chapter 11 Cases. Each holder of an Allowed General Unsecured Claim shall receive in full satisfaction of such Claim, as soon as practicable after the Effective Date, its pro rata share of the Liquidation Trust Assets, based upon the principal amount of each holder's Allowed General Unsecured Claim.

~~5. Class 3~~ 5. Class 3 – Class 3 consists of Subordinated Claims. Each holder of an Allowed Subordinated Claim, which is subordinated to General Unsecured Claims, shall not be entitled to distributions of any kind on account of such Claim unless and until all Allowed Claims in Classes 1 and 2 have been paid in full in accordance with the terms of the Plan.

6. Class 4 – Class 4 Equity Interests of the Debtors shall not be entitled to distributions of any kind on account of such interests unless and until all Claims

in Classes 1, 2, and ~~2~~3 have been paid in full in accordance with the terms of the Plan.

B. Conditions Precedent to the Effective Date of the Plan

As set forth below, there are conditions precedent to the Effective Date of the Plan.

The Effective Date is defined in the Plan as "the date identified by the Liquidation Trustee, which shall not be more than thirty (30) days after entry of the Confirmation Order, unless extended by the Committee." Plan Article I.B.22.

The following are conditions precedent to the Effective Date that must be satisfied, occur simultaneously with the Effective Date, or be waived:

(a) The Liquidation Trust shall have been established;

(b) The Bankruptcy Court shall have entered an order approving the Disclosure Statement pursuant to section 1125 of the Bankruptcy Code;

(c) The Plan Confirmation Order shall have been signed and entered by the Bankruptcy Court; and

(d) Either the Plan Confirmation Order shall have become a Final Order or there shall not be any stay in effect with respect to the Confirmation Order and the Confirmation Order shall not have been vacated, reversed, modified or amended in any material respects without prior written consent of the Committee.

CONFIRMATION AND THE OCCURRENCE OF THE EFFECTIVE DATE WILL HAVE A MATERIAL IMPACT ON CERTAIN LEGAL AND EQUITABLE RIGHTS OF THE HOLDERS OF CLAIMS. Pursuant to Bankruptcy Rule 2002(f)(7), if the Bankruptcy Court confirms the Plan pursuant to section 1129 of the Bankruptcy Code, the Committee shall serve on all parties in interest a notice of the entry of the Plan Confirmation Order.

C. Modification or Revocation of the Plan; Severability

1. Modification of the Plan

Subject to the restriction on modifications set forth in section 1127 of the Bankruptcy Code, the Committee reserves the right to alter, amend or modify the Plan before its substantial consummation.

2. Revocation of the Plan

The Committee, and the Committee alone, reserves the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Committee revokes or withdraws the Plan, or if Confirmation does not occur, then the Plan shall be null and void in all respects, and nothing

contained in the Plan shall: (1) constitute a waiver or release of any Claims by or against, or any Interests in, the Debtors; or (2) prejudice in any manner the rights of the Committee.

III. BACKGROUND
THE DEBTORS AND THEIR CHAPTER 11 FILING[3]

A. Historic Business Operations

D&L Energy, Inc. is a C Corporation formed under the laws of the State of Ohio. Prior to the bankruptcy filing, the Debtors' primary business operations were located at 2761 Salt Springs Road, Youngstown, Ohio 44509. D&L was formed by David DeChristofaro, Ben Lupo, and James Beshara in 1986 to be a conventional oil and gas well operator and producer targeting oil and gas reserves in the Clinton Sandstone formation throughout northeast Ohio and northwest Pennsylvania. D&L has three (3) shareholders: (a) Ben Lupo, 80.76% shareholder; (b) Susan Faith, 15% shareholder; and (c) Holly Serensky Lupo, 4.24% shareholder. All of the shareholders deposited their D&L stock into the D&L Energy, Inc. Voting Trust, dated July 7, 2008 ("Voting Trust"). On the date that these bankruptcies were filed, Nicholas Paparodis was the Trustee of the Voting Trust and CEO and President of D&L. Kathy Kaniclides was the Secretary and Treasurer of D&L.

D&L has been involved with many joint ventures and limited partnerships that drill, own and operate conventional oil and gas wells. Typically, the joint ventures and limited partnerships would hire D&L to drill wells. Such drilling was performed through D&L's wholly owned subsidiary, Petroflow, Inc.. Petroflow is an Ohio corporation formed in 1986. In 2008, Petroflow became a wholly owned subsidiary of D&L. At the filing of these bankruptcies, the Debtors reported that Petroflow had ceased separate operations and "for all intents and purposes" was "integrated into D&L".[4] The Debtors provided that Petroflow had no income, bank accounts, or employees, and that all of Petroflow's assets and liabilities were assigned to D&L prior to the filing of the bankruptcies. When the Committee requested documents supporting Petroflow's assignments to D&L, the Debtors provided an Action by Unanimous Written Consent of the Board of Directors of Petroflow, Inc., dated April 11, 2013, and an Action by the Written Consent of the Shareholders of D&L Energy, Inc., dated April 11, 2013. Throughout these proceedings, the Debtors have identified Serensky Lupo as the sole director of D&L. On page 6 of the Memorandum in Support Chapter 11 Petition and First Day Motions ("First Day Memorandum"), the Debtors identify Nick Paparodis as the sole director and president and CEO of Petroflow.

Once the wells were completed and operational, D&L would be retained by the joint ventures or limited partnerships to manage and operate the wells for a management fee. Generally, the management fee was based on a percentage of the gross revenues of the wells. D&L managed and operated approximately 580 conventional oil and gas wells in Ohio and Pennsylvania. If D&L participated in the joint venture or limited partnership as a member or a

[3] Many of the facts set forth in this section were provided by the Debtors in the Memorandum in Support of Chapter 11 Petition and First Day Motions, Docket No. 14.
[4] Docket No. 14 at 5.

partner, then it would receive a percentage of the net revenues of the wells, commonly referred to as a "working interest percentage".

D&L also participated in the drilling, construction, operation, and ownership of saltwater disposal wells in Ohio. Saltwater disposal wells are used to dispose of saltwater brine produced during the drilling of oil and gas wells. D&L served as manager and operator of at least one saltwater disposal well. D&L also invested in several saltwater disposal wells.

D&L's operations also involved the leasing and marketing of oil and gas leases. Historically, D&L acquired oil and gas leases to drill conventional oil and gas wells, as part of a joint venture or limited partnership. Generally, D&L would retain an overriding royalty interest in the assigned lease, entitling D&L to a certain percentage of the gross revenues from the wells. With the development of hydraulic fracturing, referred to as "fracking", and the discovery of oil and gas reserves in the Utica and Marcellus shale formations in Ohio and Pennsylvania, in recent years, D&L marketed and sold deep rights related to its oil and gas leases. The term "deep rights" commonly refers to those formations below the top of the Queenston shale formation, or its stratigraphic equivalent. In a typical deep rights transaction, D&L would receive a payment based on an established price per acre and an overriding royalty on the oil and gas leases assigned.

Between 2011 and 2012, D&L sold some of the total deep rights it held to various parties for gross proceeds in excess of $17 million. Those proceeds were, in part, invested in saltwater disposal wells and other assets. At the bankruptcy filing, the Debtors reported owning some or all of the deep rights to approximately seventeen thousand (17,000) acres of real estate. At that time, the Debtors estimated the value of its deep rights as approximately $2300 per acre.

On the date of the bankruptcy filing, the Debtors reportedly employed eighteen (18) individuals, all of which were employed by D&L. At that time, the Debtors estimated the total value of all assets at Fifty Million Dollars ($50,000,00).

B. Events Leading to the Bankruptcy Filing

The Debtors claim that a series of unanticipated operational and market challenges adversely affected their cash flows. The Debtors include among these unanticipated events, Ben Lupo's early 2013 violations of the U.S. Clean Water Act effected by Lupo's "alleged" instructing agents or employees of Hardrock Excavating to dump waste water in an illegal manner. The Committee has been told that the waste water dumping occurred on property at least partially owned by D&L. Amid the allegations of illegal activity (the "Illegal Dumping"), Lupo resigned from his roles as officer and director of D&L. Lupo also assigned his voting rights to his wife, Serensky Lupo. As a result of the Illegal Dumping, the Debtors incurred substantial clean-up costs to comply with federal and state authorities. The Debtors believe that their diminished business reputations resulted in decreased business operations and revenues.

In the First Day Memorandum, the Debtors provide that "it has come to the Debtors' attention that [Susan] Fath, [Ben] Lupo, or others may have improperly diverted funds of the Debtors to other business entities owned or operated by one or more of these individuals for little

or no consideration. The Debtors identify as the causes for their bankruptcies, the Illegal Dumping costs, reduced revenue, and costs associated with litigation involving Faith.[5]

C. Chapter 11 Bankruptcy

1. Petition Date and Committee Appointment

On April 16, 2013, with their legal counsel, Roderick Linton and Belfance, the Debtors initiated voluntary Chapter 11 bankruptcy cases for D&L and Petroflow. On April 16, 2013, the Bankruptcy Court approved the joint administration of the D&L and Petroflow bankruptcies under the D&L bankruptcy case number 13-40813.[6] The Debtors maintained possession of their property and management of their business operations. On April 25, 2013, The United States Trustee's Office appointed the Committee.[7] On June 19, 2013, the Bankruptcy Court authorized the Committee to retain Squire Sanders (US) LLP and attorney Sherri Dahl as legal counsel for the Committee.[8] When Dahl moved her practice to the law firm of Roetzel and Andress, LPA ("Roetzel"), in February 2014, the Committee sought and the Bankruptcy Court authorized retention of Roetzel as counsel to the Committee.[9] The Bankruptcy Court also authorized the Committee's retention of David Wehrle as its financial advisor, in an order entered on June 19, 2013.[10] Originally, Wehrle was employed by BBP Partners, LLC, but as of February 1, 2014, BBP assigned all receivables related to Wehrle's work in these cases to Wehrle and Wehrle is self-employed. Wehrle continues to advise the Committee.[11]

2. Retention of Investment Banker and the November 2013 Auction

Since the inception of these bankruptcy cases, the Debtors conveyed their intention to sell all assets. In an agreed order entered on July 12, 2013, the Bankruptcy Court authorized the Debtors' retention of SS&G Parkland as investment banker and financial advisor.[12] On October 22, 2013, the Bankruptcy Court authorized the use of certain auction sale procedures.[13] The Debtors conducted an auction spanning two days, November 13 and 16, 2013. Although two bidders expressed interest in buying the Debtors' assets, only one of the bidders was determined to be a qualified bidder, pursuant to the sale procedures. Resource Land Holdings ("RLH"), a Denver based entity, was deemed to have submitted the highest and best bid. A sale hearing was held on November 19, 2013 and on November 27, 2013, the Debtors and RLH executed an asset purchase agreement providing for RLH's payment of Twenty-Four Million Seven Hundred Thousand Dollars ($24,700,000) in exchange for the Debtors' assets, including the Debtors' interest in the North Lima Disposal Well #4, LLC ("No. 4 Well"); $4 million of the $24,700,000 was allocated to the No. 4 Well. It was determined that rights of first refusal held by members of the No. 4 Well venture, required negotiation of a separate asset purchase agreement. On

[5] *See* Docket No. 14 at 7.
[6] *See* Docket No. 21.
[7] *See* Docket No. 56.
[8] *See* Docket No. 142.
[9] *See* Docket No. 664.
[10] *See* Docket No. 143.
[11] *See* Docket No. 624.
[12] *See* Docket No. 165.
[13] *See* Docket No. 270.

December 9, 2013, the Bankruptcy Court entered the order authorizing the Debtors to complete the sale to RLH, excluding the No. 4 Well, for a total sale price of Twenty Million Seven Hundred Thousand Dollars ($20,700,000) pursuant to the terms of the asset purchase agreement (the "2013 APA").[14]

3. RLH's Post-Sale Diligence Period and the Denver, Colorado Meeting

The 2013 APA provided for a due diligence period to allow RLH to more carefully review the Debtors' assets before determining which assets, if any, to exclude. Schedule 3.1.6 of the 2013 APA set forth a specific methodology for reducing the price of assets, if defects were identified during the due diligence period. The Committee's counsel first became aware of RLH's counsel sending "material defect notices" to the Debtors in early February 2014. To obtain a better feel for whether RLH was trying to back out of the sale, in late February 2014, Committee's counsel requested an in-person meeting with RLH and the Debtors in Cleveland to facilitate extended discussions. RLH refused to travel to Cleveland for the meeting. Committee's counsel offered to travel to Denver, Colorado for the meeting. On March 5, 2014, RLH agreed to meet in Denver.

4. RLH's Commitment to Close July 1, 2014

After the expiration of the due diligence period, Committee's counsel consistently pushed the parties to select a closing date. During an April 22, 2014 hearing in the Bankruptcy Court, attended by RLH's counsel, Mr. Petrie, this Court questioned Mr. Petrie about the status of the sale closing and ultimately ordered RLH to work with the Debtors to determine a mutually agreeable sale closing date to be reported to the Court by April 28, 2014. RLH committed to closing by July 1, 2014. Throughout May 2014, RLH, the Debtors and the Committee's counsel discussed potential settlements, all of which resulted in a sale closing.

5. RLH's Adversary Proceeding Terminating the Asset Purchase Agreement

On May 30, 2014, RLH initiated an adversary proceeding in the Bankruptcy Court and filed a complaint, which among other things, terminated the 2013 APA.[15] RLH asserted several allegations, arguing in part that RLH believed, when it entered into the 2013 APA that it was buying valuable leases located in Noble County and elsewhere, but that after further due diligence, RLH realized that such leases were not included in the assets sold because the Debtors no longer held rights to such leases. On June 25, 2014, the Bankruptcy Court granted the Committee leave to intervene in the RLH adversary case.[16] The Debtors and the Committee asserted counter-claims. On July 14, 2014, the Committee filed a motion, requesting revision of the asset purchase agreement based on inadvertent error, based on emails sent and received prior to the entry of the final order approving the asset purchase agreement, suggesting that the actual amount of all leases, including Noble County leases, held by the Debtors, was correctly provided to RLH prior to the Bankruptcy Court's entry of the order approving the 2013 APA. The Committee's motion was denied.

[14] *See* Docket No. 568.
[15] *See* Adversary Proceeding Case No. 14-04032.
[16] *See* Adversary Proceeding Case No. 14-04032, Adversary Docket No. 14.

In a memorandum opinion entered on August 12, 2014 in the adversary proceeding, the Bankruptcy Court granted RLH's motion for partial judgment on the pleadings, holding that Schedule 3.1.6 purchase price reduction amounts cannot as a matter of law be liquidated damages because they are not dependent upon or tied to any breach of the asset purchase agreement by the Debtors. In addition, the Bankruptcy Court held that the deposit amount held by the Debtors was the Debtors' sole remedy in the event RLH fails to perform any material obligations under the asset purchase agreement.

In a memorandum opinion entered on August 19, 2014 in the adversary proceeding, among other things, the Bankruptcy Court concluded that the Debtors' inability to convey the Noble County Leases did not constitute a breach of warranty. The Court further found that there were "not enough facts in the Complaint to determine if conveyance of the Noble County Leases was so essential to the APA that the Debtors' inability to convey such leases excuses performance by RLH."[17] The Bankruptcy Court granted the Debtors' request for judgment on the pleadings, concluding that the Debtors' alleged failure to cooperate during the due diligence period did not constitute a material breach of the 2013 APA.

6. Mediation and Settlement of the RLH Adversary Proceeding and Private and Public Sales of the Debtors' Assets to RLH

On August 19-20, 2014, counsel for the Debtors, the Committee, Serensky Lupo, and RLH engaged in private mediation. The parties negotiated a settlement agreement providing that (a) RLH would purchase for $4,350,000 certain saltwater disposal well assets via a private sale, and (b) RLH would serve as a stalking horse bidder, or first bidder, with a bid of $7,650,000, in a public auction sale of all non-saltwater disposal well assets. The settlement agreement expressly provided that RLH would purchase in the private sale: (i) Debtors' interest in North Lima Disposal Well #4, LLC ("North Lima #4"), (ii) Debtors' interest in Northstar Disposal Services II, LLC ("Northstar #2"), (iii) Debtors' interest in Northstar Disposal Services VI, LLC, (iv) two accounts receivable Debtors own and hold which are owed by North Lima #4, in the total amount of Three Hundred Ninety Four Thousand Eight Hundred Twenty-Nine and 42/100 Dollars ($394,829.42) (but not the Nineteen Thousand One Hundred Twenty-Five and 76/100 ($19,125.76) trade credit that Debtors own and hold against North Lima #4; and (v) an account receivable that the Northstar #2 owns against the North Lima #4 entity in the amount of Three Hundred Thirteen Thousand Six Hundred Fifty-Five Dollars ($313,655). RLH's bid was the highest and best bid submitted in the second public auction of RLH's assets.

The public and private sales to RLH both closed on or before December 1, 2014. However, as of the filing of this Disclosure Statement, the Debtors and RLH have not yet agreed on the appropriate allocation of funds collected subsequent to December 1, 2014.

7. Retention of Mark Van Tyne as President and Treasurer of the Debtors

[17] *See* Adversary Proceeding 14-04032, Adversary Docket No. 47 at 20.

An order entered on December 22, 2014 authorized the Debtors to retain Mark Van Tyne as President and Treasurer of the Debtors retroactive to December 2, 2014.[18] It was necessary to retain Mr. Van Tyne because Nick Paparodis began working for RLH after the sale closing.

8. Bar Date for Filing Claims

On July 11, 2013, the Bankruptcy Court entered an order, establishing October 14, 2013 as the deadline for filing Proofs of Claim.[19] The deadline for the Liquidation Trust to object to Claims is one year after the Effective Date of the Plan.

As set forth in Article V of the Plan and Article VI.P. of this Disclosure Statement, all Proofs of Claim arising from assumption or rejection of executory contracts or unexpired leases must be filed by the Executory Claim Bar Date, which is thirty (30) days after the Effective Date, unless an order has already been entered approving the rejection damages or assumption cure amount.

The Administrative Claim Bar Date is 30 days after the Effective Date. All Claims for goods or services provided after the bankruptcy filing must be filed by this deadline. All objections to Administrative Claims must be filed within sixty (60) days of the Effective Date.

IV. THE COMMITTEE'S PLAN OF LIQUIDATION

A. Purpose of the Plan

The Committee proposes this Plan in an effort to expedite the liquidation and wind down of the Debtors' remaining assets, liabilities, and administration of creditors' Claims. If approved, the Plan terms would (a) significantly reduce the future professional fees incurred by eliminating the need for both the Debtors' and the Committee's professionals, (b) transfer all remaining Debtors' assets to the Liquidation Trust, and (c) grant the Liquidation Trust the power to resolve all disputed Claims and prosecute any causes of action to allow for payment to all holders of Allowed Claims as soon as practicable after the Effective Date of the Plan.

B. The Liquidation Trust

1. Creation of the Liquidation Trust

On the Effective Date, the Liquidation Trustee shall be authorized to execute and deliver, on behalf of the Debtors, the Liquidation Trust Agreement creating the Liquidation Trust. On the Effective Date, the Debtors shall be deemed to have transferred, conveyed and assigned the Liquidation Trust Assets to the Liquidation Trust. The Liquidation Trust shall be established for the limited purposes of: (i) administering the Liquidation Trust Assets, (ii) prosecuting and resolving all disputed Claims and Causes of Action, and (iii) making all distributions provided for under the Plan to Allowed Claims. The Liquidation Trust Agreement is incorporated into the Plan by reference, and it is intended to qualify as a liquidating trust pursuant to United States

[18] *See* Docket No. 1208.
[19] *See* Docket No. 163.

Treasury Regulation section 301.7701-4(d). The Liquidation Trust shall be governed by the laws of the State of Ohio and the Bankruptcy Court will retain exclusive jurisdiction over the Liquidation Trust.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into in connection with the Plan, pursuant to Section 1123(b) of the Bankruptcy Code, the Liquidation Trustee and his or her successors shall retain and may enforce any Causes of Action, including the Avoidance Actions, that any of the Debtors may hold against any entity, whether or not filed prior to the Confirmation Date.

2. The Liquidation Trustee

The Liquidation Trustee shall be designated by the Committee, subject to approval by the Bankruptcy Court. The Committee shall file a notice not less than ten (10) days prior to the Plan confirmation hearing designating the person selected as the Liquidation Trustee, and shall include an affidavit from the proposed Liquidation Trustee demonstrating that such individual is "disinterested" within the meaning of section 101(14) of the Bankruptcy Code. If approved by the Bankruptcy Court, the person designated shall become the Liquidation Trustee on the Effective Date. The Liquidation Trustee shall have and perform all of the duties, responsibilities, rights, and obligations set forth in the Liquidation Trust Agreement. The Liquidation Trustee may be removed by the Bankruptcy Court for cause shown or pursuant to terms of the Liquidation Trust Agreement.

3. Liquidation Trust Assets

As of the Effective Date the Committee believes that the Estates will be holding, and if the Plan is approved will convey to the Liquidation Trust, the following assets:

(a) Cash of approximately Eight Million Dollars ($8,000,000.00);

(b) Causes of Action against third parties, including but not limited to (i) Ben Lupo, (ii) Holly Lupo, (iii) Susan Faith, (iv) all corporate entities affiliated with or owned, in whole or in part, by Ben Lupo, Holly Lupo, and Susan Faith; (v) the Retained Professionals in the Chapter 11 Cases; (vi) any legal, accounting firm, or tax preparer that provided services to the Debtors prior to the Effective Date; (vii) any entity that provided insurance to the Debtors; (viii) Resource Land Holdings, Bobcat Energy, and any entity affiliated with or related to Resource Land Holdings and Bobcat Energy; and (ix) any entity or individual that filed a Claim in or is listed on the Schedules of these Chapter 11 Cases.

(c) 96 wells excluded from the sale to RLH;

(d) Northstar #2 saltwater disposal well;

(e) D&L 2009-A private placement;

(f) North Lima #4 trade credit of $19,126;

(g) Clearfield joint venture;

(h) 5 single well joint ventures;

(i) management of 3 private placements;

(j) tax and insurance premium refunds;

(k) any right to payment;

(l) proceeds from the liquidation of Debtors' assets;

(m) Avoidance Actions;

(n) all real property of the Debtors; and

(o) all personal property of the Debtors.

As of the Effective Date all such Liquidation Trust Assets will be held, administered, prosecuted and distributed by the Liquidation Trustee, who will also assume the role of administrator for the purpose of carrying out all provisions of the Plan, subject in all respects to the Plan and orders entered and to be entered by the Bankruptcy Court in these Chapter 11 Cases. The Committee has not yet selected the Liquidation Trustee. The Liquidation Trustee, however, will charge a reasonable hourly rate for his/her services. The Committee will name the Liquidation Trustee at least ten business days prior to the Confirmation hearing.

The Liquidation Trustee shall be the sole agent of the Liquidation Trust, successor to the Estates, with authority to bind the Liquidation Trust and the Estates and shall have the authority to, among other things to:

(a) Perform all of the obligations of the Liquidation Trust;

(b) Keep and maintain in a trust account for the benefit of the Liquidation Trust all cash and proceeds resulting from the liquidation of Liquidation Trust Assets;

(c) Keep and maintain trust accounts for the benefit of the Liquidation Trust into which accounts the Liquidation Trustee may place Disputed Reserves;

(d) Commence, continue, prosecute, litigate and/or settle and compromise Causes of Action on behalf of the Liquidation Trust for the benefit of the Liquidation Trust Beneficiaries;

(e) Object to any Claims and compromise or settle any Claims;

(f) Make distributions on Claims;

(g) Retain and/or terminate professional persons to assist in the duties and responsibilities ascribed to the Liquidation Trustee pursuant to this Plan and the Liquidation Trust. Liquidation Trust expenses, including the reasonable fees and expenses of professionals shall be paid from the Liquidation Trust Assets.

(h) Satisfy all reporting requirements for the Liquidation Trust to all relevant reporting authorities;

(i) File with the Bankruptcy Court quarterly reports regarding the liquidation or other administration of property compromising the Liquidation Trust Assets, distributions, and other relevant matters;

(j) Except as otherwise ordered by the Bankruptcy Court, and subject to the terms of the Plan, pay any fees and expenses incurred by the Liquidation Trust on or after the Effective Date, in accordance with the Liquidation Trust Agreement; and

(k) Liquidate or abandon, as the case may be, all Liquidation Trust Assets. Liquidation or abandonment will be determined by the cost versus potential value obtained through liquidation.

4. The Liquidation Trust Advisory Board

The Liquidation Trust Advisory Board shall be created for the Liquidation Trust and shall be comprised of the Committee and one representative from claimant Claims Recovery Group. The Committee shall file notice of the identities of such members with the Bankruptcy Court not less than ten (10) days prior to the Plan confirmation hearing.

The Liquidation Trust Advisory Board shall adopt such bylaws as it may deem appropriate. The Liquidation Trustee shall consult regularly with the Liquidation Trust Advisory Board. In the event of the resignation or removal of the Liquidation Trustee, the Liquidation Trust Advisory Board shall, by majority vote, designate a person to serve as successor Liquidation Trustee.

The members of the Liquidation Trust Advisory Board shall be entitled to reimbursement of the reasonable and necessary expenses incurred by them in carrying out the purpose of the Liquidation Trust in accordance with the Liquidation Trust Agreement.

Upon the certification by the Liquidation Trustee that the Liquidation Trust Assets have been liquidated, distributed, abandoned, or otherwise disposed of, and the closure of the Chapter 11 Cases, the members of the Liquidation Trust Advisory Board shall resign their positions, whereupon they shall be discharged from further duties and responsibilities.

5. Responsibilities of the Liquidation Trustee

The Liquidation Trustee shall:

(l) Perform all of the obligations of the Liquidation Trust;

(m) Keep and maintain in a trust account for the benefit of the Liquidation Trust all cash and proceeds resulting from the liquidation of Liquidation Trust Assets;

(n) Keep and maintain trust accounts for the benefit of the Liquidation Trust into which accounts the Liquidation Trustee may place Disputed Reserves;

(o) Commence, continue, prosecute, litigate and/or settle and compromise Causes of Action on behalf of the Liquidation Trust for the benefit of the Liquidation Trust Beneficiaries;

(p) Object to any Claims and compromise or settle any Claims;

(q) Make distributions on Claims;

(r) Retain and/or terminate professional persons to assist in the duties and responsibilities ascribed to the Liquidation Trustee pursuant to this Plan and the Liquidation Trust. Liquidation Trust expenses, including the reasonable fees and expenses of professionals shall be paid from the Liquidation Trust Assets.

(s) Satisfy all reporting requirements for the Liquidation Trust to all relevant reporting authorities;

(t) File with the Bankruptcy Court quarterly reports regarding the liquidation or other administration of property compromising the Liquidation Trust Assets, distributions, and other relevant matters; and

(u) Except as otherwise ordered by the Bankruptcy Court, and subject to the terms of the Plan, pay any fees and expenses incurred by the Liquidation Trust on or after the Effective Date, in accordance with the Liquidation Trust Agreement.

6. Authority to Prosecute Objections

After the Effective Date, the Liquidation Trust shall have the sole authority to file, settle, compromise, withdraw, or litigate to judgment objections to Claims.

7. Termination of the Liquidation Trust

Termination of the Liquidation Trust shall occur no later than five (5) years after the Effective Date, unless the Bankruptcy Court approves an extension based upon a finding that such an extension is necessary for the Liquidation Trust to complete its purpose.

C. Cancellation of Obligations

On the Effective Date, all notes, stock, instruments, certificates, and other documents evidencing obligations of the Debtors other than as allowed under the Plan, shall be canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any way related thereto shall be terminated.

D. Corporate Action

Prior to, on or after the Effective Date, as applicable, all matters provided for hereunder that would otherwise require approval of the shareholders, members, managers, partners or

directors of the Debtors shall be deemed to have been so approved and shall be in effect prior to, on or after the Effective Date, as applicable, pursuant to applicable state law, including the general corporation law of the State of Ohio, without any requirement of further action by shareholders, members, directors, managers or partners of the Debtors.

Upon the Effective Date, the Liquidation Trustee shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions hereof, including, on the Effective Date.

E. Preservation of Rights of Action

As provided in the Plan, pursuant to section 1123(b) of the Bankruptcy Code, the Committee or the Liquidation Trustee, as the case may be, retains and may enforce any claims, rights, and causes of action that any Debtor or its Estate may hold against any entity, including, but not limited to, claims against the following third parties:

1. Ben Lupo;
2. Holly Lupo;
3. Susan Faith;
4. all entities affiliated with or owned, in whole or in part, by Ben Lupo, Holly Lupo, and Susan Faith;
5. the Retained Professionals in the Chapter 11 Cases;
6. any and all legal and accounting firm, or tax preparer that provided services to the Debtors prior to the Effective Date;
7. any entity that provided insurance to the Debtors prior to the Effective Date;
8. Resource Land Holdings, Bobcat Energy, and any entity affiliated with Resource Land Holdings and Bobcat Energy; and
9. any other claim or cause of action, of any kind or nature, arising under state or federal law, whether or not filed prior to the Effective Date.

F. Release of Liens

The Committee is unaware of any claimant holding any lien interest secured by property of the Estates. However, if any lien interest is discovered in any contract, instrument, release, or other agreement or document, any such secured creditor will retain its interest in any properly perfected mortgage, deed of trust, lien, or other security interest against the property of the Estates, until the receipt of payment of the lien in full or the receipt of the holder of such mortgage, deed of trust, lien or other security interest of the indubitable equivalent of the value of such claim. Upon the receipt of payment in full, or the indubitable equivalent of the value of

such claim, each such mortgage, deed of trust, lien or other security interest will be fully released.

G. Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes

Any authorized representative of Debtors, or successor of the Debtors, including the Liquidation Trust and Liquidation Trustee, shall be authorized to: (a) execute, deliver, file, or record such contracts, instruments, releases, and other agreements or documents contemplated by or entered into in connection with the Plan; and (b) take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. Pursuant to section 1146(c) of the Bankruptcy Code: (a) the creation or transfer of any mortgage, deed of trust or other security interest; (b) the making or assignment of any lease or sublease; (c) the making or delivery of any deed or other instrument of any lease or sublease; (d) or the making or delivery of any deed or other instrument of transfer under, in furtherance of or in connection with the Plan, including any agreements of consolidation, deeds, bills of sale, assignments, assumptions, or delegations of any asset, property, right, liability, duty or obligation; (e) or instruments of transfer executed in connection with any of the foregoing shall not be subject to any stamp tax, real estate transfer tax, or similar tax.

V. PLAN RISK FACTORS

The Plan and its implementation are subject to certain risks, including, but not limited to the risk factors set forth below. Before voting to accept or reject the Plan, solicited creditors should read and consider carefully the risk factors below, as well as other risks and uncertainties identified in this Disclosure Statement. Such risks should not, however, be regarded as constituting the only risks involved with the Plan. The order in which risk factors are herein presented does not necessarily reflect their order of importance.

For the duration of the Chapter 11 Cases, the Debtors' and the Committee's ability to execute the actions necessary to confirm and consummate the Plan will be subject to the risks and uncertainties associated with bankruptcy, including the ability to: (1) resolve issues with creditors; (2) obtain Bankruptcy Court approval with respect to motions or objections filed from time to time; (3) resolve the Claims against the Debtors in bankruptcy seeking amounts that exceed the Debtors' books and records; (4) obtain approval of this Disclosure Statement; (5) obtain approval of the Plan; (6) liquidate or abandon assets; (7) settle liabilities; and (8) reduce the total cost of professional fees.

If the Plan is confirmed, after the Effective Date, the Committee anticipates the full payment of Administrative Claims and Priority Tax Claims and a distribution to general unsecured creditors. However, certain tax liabilities for 2014 and 2015 are unknown and will need to be paid. Currently, the Committee estimates that Priority Tax Claims could exceed Three Million Dollars ($3,000,000). If Administrative Claims and Priority Tax Claims consume all of the Cash, then Class 2 General Unsecured Claims could receive zero distribution.

If the Class 2 General Unsecured Claims receive a distribution, under the Plan, it is unclear what that distribution will be. Claims filed by the Ohio Department of Natural Resources and the Ohio Environmental Protection Agency in excess of Eight Million Dollars ($8,000,000) will impact distributions, if any, received by other creditors. If the Debtors, the Committee, and the Liquidation Trust are able to negotiated a reduction of these Claims, then any distribution to other creditors will be increased.

There can be no assurance that the requisite acceptances to confirm the Plan will be obtained. Even if the necessary acceptances are received and the requirements for "cramdown" are met, if necessary, with respect to relevant classes of creditors, there can be no assurance that the Bankruptcy Court will confirm the Plan. A creditor or interest holder might challenge the adequacy of this Disclosure Statement or the balloting procedures and results as not being in compliance with the Bankruptcy Code and/or Bankruptcy Rules. The Bankruptcy Court could decline to confirm the Plan if it finds that any of the statutory requirements for confirmation have not been met. Section 1129 of the Bankruptcy Code requires, among other things, that the value of distributions to non-accepting holders of Claims and Equity Interests within a particular class will not be less than the value of distributions such holders would receive if the Debtors were liquidated under Chapter 7 of the Bankruptcy Code. While there can be no assurance that the Bankruptcy Court will conclude that this requirement is met, the Committee believes that, under the Plan, non-accepting holders within each class will receive distributions at least as great as would be received in a liquidation pursuant to Chapter 7.

If the Plan does not meet the requirements of the Bankruptcy Code, then the Debtors' Chapter 11 Cases may be continued, converted to Chapter 7 liquidation or dismissed upon the Bankruptcy Court's approval.

The continuation of the Chapter 11 Cases, if the Plan is not confirmed or consummated in the timeframe contemplated, could further adversely affect the Debtors' ability to maximize value. If the Plan is not confirmed expeditiously, then the Chapter 11 Cases could incur increased professional fees and other expenses.

VI. DISTRIBUTIONS UNDER THE PLAN

A. Means of Cash Payments

Cash payments made pursuant to the Plan will be in U.S. dollars by checks drawn on a domestic bank selected by the Liquidation Trustee or by wire transfer from a domestic bank, at the option of the Liquidation Trustee.

B. Compliance with Tax Requirements

In connection with the Plan, to the extent applicable, the Committee and the Liquidation Trustee will comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements. The Liquidation Trustee will be authorized to take any and all actions that may be necessary or appropriate to comply with such withholding and reporting requirements. Each holder of a Claim must complete a Form w-9 Request for

Taxpayer Identification Number and Certification, prior to receiving any distribution from the Liquidation Trust.

Notwithstanding any other provision of the Plan, each entity receiving a distribution of Cash pursuant to the Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution.

C. ~~Setoffs~~Set-offs

The Committee and the Liquidation Trustee, as the case may be, may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set~~-~~-off against any Allowed Claim against any Debtor, and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, debts, rights and causes of action of any nature that each individual Debtor or such Debtor's Estate may hold against the holder of an Allowed Claim against that Estate; *provided, however,* that neither the failure to effect such a ~~setoff~~set-off nor the allowance of any Claim hereunder will constitute a waiver or release by an individual Debtor or its Estate of any such claims, debts, rights and causes of action that such parties may possess against such holder.

D. Treatment of Disputed Claims

No payments or distributions on a Claim shall be made if any portion of such Claim against any Debtor is a Disputed Claim, until all of the objections to such Claim or portion of such Claim have been determined by a Final Order of the Bankruptcy Court or agreement between the Liquidation Trustee and the holder of an Allowed Claim. Any payment or distribution which otherwise would have been made on account of such Claim had it been allowed will be held in reserve by the Debtor against whom the Claim is made, pending a determination of the allowability of the Claim.

In the event that a Disputed Claim is resolved by the allowance of such Claim in whole or in part, the Liquidation Trustee will make the appropriate distribution to the holder of such Claim in accordance with the provisions of the Plan.

E. Authority to Prosecute Objections

From and after the Effective Date, the Liquidation Trustee shall have the exclusive authority to file objections to Claims and may settle or compromise any Cause of Action or Claim of less than $25,000 without any further notice to or approval of the Bankruptcy Court.

F. Classification and Treatment of Claims and Interests

All Claims and Interests, except Administrative Claims and Priority Tax Claims are placed in the Classes set out in the Plan, as summarized below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. A Claim or Interest is classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes only to the extent that any remainder of the Claim or Interest qualifies within the description of

such other Classes. A Claim or Interest is also classified in a particular Class only to the extent that such Claim or Interest is an Allowed Claim or Allowed Interest in that Class and has not been paid, released or otherwise satisfied prior to the Effective Date.

The Classes set forth in the Plan are Classes with respect to the Debtors combined assets and liabilities, based on Petroflow, Inc.'s pre-bankruptcy assignment of all assets and liabilities to D&L Energy, Inc.

G. Administrative Claims

Administrative Claims include Claims for costs and expenses of administration allowed under sections 503(b) and 507(b) of the Bankruptcy Code, including: (a) the actual and necessary costs and expenses incurred after the bankruptcy of preserving the Estates and operating the business of Debtors (such as wages, salaries, commissions for services, and payments for inventories, leased equipment, and premises); (b) compensation for legal, financial, and business advisory, accounting, and other services and reimbursement of expenses awarded or allowed under section 330(a) or 331 of the Bankruptcy Code; and (c) all fees and charges assessed against the Estate under chapter 123 of title 28, United States Code, 28 U.S.C. §§ 1911-1930.

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, each holder of an Allowed Administrative Claim against each Debtor will be paid in Cash the full unpaid amount of such Allowed Administrative Claim: (a) as soon as practicable after the Effective Date; (b) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter; (c) at such time and upon such terms as may be agreed upon by such holder and the Committee or the Liquidation Trustee, as the case may be; or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court; *provided, however,* that Administrative Claims do not include Claims filed after the applicable deadline set forth in the Confirmation Order (except as otherwise provided by a separate order of the Bankruptcy Court).

The administrative expenses of the Debtors which will have to be paid in cash as soon as practicable after the Effective Date, are primarily Professional Fees. Based on information provided by the Debtors, the Committee estimates that Administrative Expenses through January 2015 will total $1,264,223.49 as set forth below:

Professional	Estimated Cost Through January 2015
Debtors' counsel, Roderick Linton & Belfance	$295,000.00
Debtors' investment bankers/financial advisor, SS&G Parkland	662,223.49
Debtors' Accountants, Dennis Gartland Neigarth	120,000.00
Debtors' Special Counsel, Walter Haverfield	10,000.00
Committee's counsel, Roetzel & Andress	165,000.00
Committee's financial advisor, David Wehrle	12,000.00
TOTAL	**$1,264,223.49**

Professional fees will continue to accrue through Plan confirmation and will, therefore, increase.

H. Priority Tax Claims

1. The estimated value of priority claims filed against each Debtor is as follows:

Creditor	Filed Priority Claims
Internal Revenue Service	$2,626,828.71
Internal Revenue Service	88,867.34
Ohio Department of Taxation	505,363.55
Ohio Department of Taxation	297,577.95
Ohio Department of Taxation	1,653.62
Ohio Department of Taxation	1,474.68
Regional Income Tax Authority	191,674.89
TOTAL	**$3,713,440.74**

The total amount of the consolidated Priority Tax Claims could be reduced as a result of the reconciliation of the estimated Priority tax Claims included in these totals and negotiated Claim reductions.

2. On the later of (a) the date on which a Priority Tax Claim becomes an Allowed Priority Tax Claim, or (b) as soon as practicable after the Effective Date, the holder of each such Claim will receive on account of such Claim, in accordance with section 1129(a)(9)(C) of the Bankruptcy Code, Cash equal to the un-paid amount of such Allowed Priority Tax Claim.

I. Other Priority Claims

The Committee does not believe that there are any Allowed Other Priority Claims. However, if any are discovered, then as soon as practicable after the Effective Date, each holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction of such Claim, full payment in Cash of its Allowed Other Priority Claim.

J. Classification and Treatment of Other Priority and General Unsecured Claims and Equity Interests

The following table classifies Claims and Equity Interests for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Class	Estimated Value of Claims[20]	Estimated Percentage Distribution	Classification	Voting
Class 1	$0.00	100%	Unimpaired	Deemed to Accept Plan
Class 2	$20,733,529.94	14%	Impaired	Entitled to Vote on Plan
Class 3	$260,000.00	0%	Impaired	Deemed to Reject Plan
Class ~~3~~4	$0.00	0%	Impaired	Deemed to Reject Plan

1. Class 1— Other Priority Claims

(a) *Classification:* Class 1 consists of all Other Priority Claims that are not Priority Tax Claims.

(b) *Treatment:* ~~Holders~~Each holder of an Allowed Class 1 ~~Claims~~Claim shall ~~receiver~~receive, in full satisfaction of such Allowed Priority ClaimsClaim, as soon as practicable after the Effective Date, Cash equal to the amount of such Allowed Priority Claim.

(c) *Voting:* Class 1 is Unimpaired, and holders of Allowed Class 1 Claims are deemed to have accepted the Plan.

(d) *Amount:* Other Priority Claims have been filed totaling $0.00.

2. Class 2 — General Unsecured Claims

(a) *Classification:* Class 2 consists of General Unsecured Claims.

(b) *Treatment:* Each holder of an Allowed ~~General Unsecured~~Class 2 Claim shall receive in full satisfaction of such Claim, as soon as practicable after the Effective Date, Cash in the amount of its pro rata share of the Liquidation Trust Assets, based upon the principal amount of each holder's Allowed Claim.

(c) *Voting:* Class 2 Claims are Impaired, and holders of Allowed Class 2 Claims are entitled to vote on the Plan.

(d) *Amount:* The estimated total value of all Class 2 Claims, as set forth in the filed proofs of claims, is $20,733,529.94.

3. Class 3 — Equity InterestsSubordinated Claims

(a) *Classification:* Class 3 consists of the Subordinated Claims. The Committee anticipates only one Claim in this class, a Claim of Nicholas Paparodis.

[20] The Value of Claims, as filed and set forth herein, is subject to adjustment through the claims administration process and does not include intercompany claims.

(b) *Treatment:* Each holder of an Allowed Class 3 Subordinated Claim shall not be entitled to distributions of any kind on account of such Claim unless and until all Claims in Classes 1 and 2 have been paid in full in accordance with the terms of the Plan. Payment for Allowed Class 3 Claims shall be paid in the amount of the pro rata share of the Liquidation Trust Assets, based upon the principal amount of each holder's Allowed Subordinated Claim.

Voting: Class 3 is Impaired and is deemed to have rejected the Plan.

4. Class 4 — Equity Interests

~~(a)~~(c) *Classification:* Class 4 consists of the Equity Interests.

~~(b)~~(d) *Treatment:* The Holder of Class ~~3~~4 Equity Interests shall not be entitled to distributions of any kind on account of such Equity Interests unless and until all Claims in Classes 1, 2, and ~~2~~3 have been paid in full in accordance with the terms of the Plan. Payment for Class ~~3~~4 claims shall be paid from the assets of the Liquidation Trust for their equity interest in the Debtors.

(c) *Voting:* Class 4 is Impaired and is deemed to have rejected the Plan.

~~(c) *Voting:* Class 3 is Impaired and is deemed to have rejected the Plan.~~

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K. Subordination

The treatment of Claims and Equity Interests conforms to contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510 of the Bankruptcy Code, or otherwise. The Committee believes that Nicholas Paparodis holds a Claim that is subordinated to all Class 2 General Unsecured Claims.

L. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Committee's rights in respect of any Unimpaired Claim, including, but not limited to, all rights in respect of legal and equitable defenses to or ~~setoffs~~set-offs or recoupment against any such Unimpaired Claim.

M. U.S. Trustee Fees

Pursuant to section 1930(a)(6) of title 28 of the United States Code, 28 U.S.C. § 1930(a)(6), post-Confirmation quarterly fees due and payable to the United States Trustee will be paid by the Liquidation Trustee until such time as the case is converted, dismissed, or a final decree is entered, whichever occurs first.

N. Date of Distributions

As soon as practicable after the Effective Date, the Liquidation Trustee shall make distributions with respect to Allowed Claims in Classes 1 and 2 and to the extent provided for

herein or as ordered by the Court. Subsequent to the Effective Date, the Liquidation Trustee shall, on each distribution Date or as soon thereafter as is reasonably practicable, with respect to Allowed Claims as contemplated by and to the extent set forth in the Plan, provide for additional distributions to Allowed Claims.

O. No Accrual of Post-petition Interest

No holder of an Allowed General Unsecured Claim will be entitled to the accrual of post-petition interest or the payment of post-petition interest on account of such Claim for any purpose.

P. Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts and Unexpired Leases

Any executory contracts and unexpired leases that have not expired by their own terms on or prior to the Effective Date, which have not been assumed or rejected during the pendency of the Chapter 11 Cases and that are not the subject of a motion pending as of the Effective Date to assume the same, shall be deemed rejected by the Debtors as of immediately prior to the Petition Date, and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases

All proofs of claim arising from the rejection of executory contracts or unexpired leases must be filed within thirty (30) days of the Effective Date. Any Claims arising from the rejection of an executory contract or unexpired lease for which proofs of claim are not timely filed within that time period will be forever barred from assertion against the Debtors and their Estates, the Liquidation Trust and their respective successors and assigns, and their assets and properties, unless otherwise ordered by the Bankruptcy Court. As of the Effective Date, all such un-asserted Claims shall be subject to the permanent injunction set forth in Article IX.B of the Plan.

3. Cure of Defaults for Executory Contracts and Unexpired Leases Assumed Pursuant to the Plan

Monetary amounts related to executory contract and unexpired lease obligations owed by the Debtors, which were assumed, shall be satisfied, pursuant to section 365(b)(1) of the Bankruptcy Code, by payment of the Allowed amount due in Cash as soon as practicable after the Effective Date or on such other terms as the parties to each such executory contract or unexpired lease may otherwise agree. In the event of a dispute regarding the amount of a cure payment, "adequate assurance of future performance" (within the meaning of section 365 of the Bankruptcy Code), or any other matter pertaining to assumption: (1) the Liquidation Trust retains the right to reject the applicable executory contract or unexpired lease at any time prior to the resolution of the dispute; (2) cure payments shall only be made following the entry of a Final Order resolving the dispute.

VII. LIQUIDATION ANALYSIS

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The Bankruptcy Court is required to make an independent determination that the Plan is in the best interest of creditors and Interest holders impaired by the Plan before the Plan can be confirmed. The "best interests" test requires the Bankruptcy Court to find either that all members of an impaired class of claims or interests have accepted the Plan or that the Plan will provide members of such impaired Class with a recovery that has a value at least equal to the value of the distribution that each such member would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

If no plan of liquidation is confirmed, the Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code and the Debtors' remaining assets liquidated pursuant to that Chapter. Because of the numerous uncertainties and time delays associated with liquidations of assets, it is not possible to predict with certainty the outcome of any Chapter 7 or Chapter 11 liquidation. Although the Plan's proposed liquidation and a Chapter 7 liquidation would have the same goal of liquidating the Debtors' assets for the benefit of creditors, the Committee believes that the Plan provides a more efficient vehicle to accomplish this goal. The conversion of these Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code would require the retention of new professionals and likely duplication of work already performed by the professionals retained in the Chapter 11 Cases. A Chapter 7 trustee would be appointed and it would take additional time for the Chapter 7 trustee and the trustee's legal counsel to learn the information necessary to liquidate or abandon the assets and fulfill the remain obligations of the Estates. Further, new deadlines for asserting Claims would arise upon conversion of the Chapter 11 Cases to cases under Chapter 7, thereby further delaying distributions to creditors and increasing the costs of professionals. Finally, any proceeds realized from such administration and liquidation would first be used to pay all costs and expenses incurred from and after the date of the conversion to Chapter 7, including Chapter 7 trustee fees and the fees and costs of any professionals retained by the Chapter 7 trustee. Because of this additional layer of administrative expenses, the Committee believes that in a Chapter 7 liquidation, creditors holding impaired Allowed Claims would receive a distribution less than the distribution contemplated under the Plan. Accordingly, the Committee believes that creditors will receive greater and more expedient distributions under the Plan than they would receive through a Chapter 7 liquidation.

VIII. VOTING AND CONFIRMATION OF THE PLAN

A. Required Findings

The Bankruptcy Code requires, to confirm the Plan, that the Bankruptcy Court make a series of findings concerning the Plan, including that:

1. the Plan complies will all requirements of the Bankruptcy Code, including section 1129;

2. among the statutory requirements for confirmation of a Chapter 11 plan are that the plan is: (i) accepted by all impaired classes of claims and equity interests, or if rejected by an impaired class, that the plan does not discriminate unfairly and is fair and equitable as to such class, (ii) in the best interests of creditors and interest holders that are impaired under the plan, and (iii) feasible;

3. the Plan has classified Claims and Interests in a permissible manner;

4. the disclosure required by section 1125 of the Bankruptcy Code has been provided;

5. the Committee has proposed the Plan in good faith and not by any means forbidden by law;

6. any payment made, or to be made, by the Plan for services, costs, and expenses in Debtors' cases, or in connection with Debtors' cases, has been approved, or is subject to approval by the Bankruptcy Court as reasonable;

7. the disclosures required under section 1129(a)(5) have been made;

8. the Plan seeks acceptance by the requisite votes of creditors;

9. the Plan is in the "best interests" of all holders of Claims or Interests in an impaired Class by providing to creditors and Interest holders on account of such Claims or Interests, 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;

10. if a Class of claims is Impaired under the Plan, at least one class of Impaired claims has voted to accept the Plan;

11. the Plan is feasible, and Confirmation will likely not be followed by the liquidation under Chapter 7 or the need for further financial reorganization of Debtors;

12. all fees and expenses payable under 28 U.S.C. §1930, as determined by the Bankruptcy Court at the hearing on Confirmation, have been paid (or the Plan provides for the payment of such fees after the Effective Date).

B. Voting Procedures and Requirements

Pursuant to the Bankruptcy Code, only classes of claims against or equity interests in a Debtor that are "impaired" under the terms and provisions of a plan of reorganization are entitled to vote to accept or reject a plan. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or interests of that class are modified, other than by curing default and reinstating maturity. Under the Plan, Classes of Claims that are not impaired are *not* entitled to vote on the Plan and are deemed to have accepted the Plan. In addition, Classes of Claims and Interests that receive no distributions under the Plan are *not* entitled to vote on the Plan and are deemed to have rejected the Plan, unless such Class otherwise indicates acceptance. The classification of Claims and Interests is summarized, together with notations as to whether each Class of Claims or Interests is impaired or unimpaired, under the caption "OVERVIEW OF THE PLAN - Summary of Classes and Treatment of Claims and Interests."

In addition, the following voting procedures and standard assumptions will be used for purposes of tabulating ballots:

1. The amount of a Claim that will be used to determine votes for or against the Plan will be either (a) the Claim amount listed on the schedules of liabilities filed with the Court unless such Claim is listed on the schedules of liabilities as contingent, unliquidated or disputed, (b) the liquidated amount specified in a proof of claim timely filed with the Court that is not the subject of an objection, or (c) the liquidated amount specified in a final order. If the holder of a Claim submits a Ballot, but such holder has not timely filed a proof of claim, *and* (i) such holder's Claim is listed on the schedules of liabilities as contingent, unliquidated, or disputed, or (ii) such holder's Claim is the subject of an objection, the Ballot will not be counted for purposes of determining acceptances or rejections of the Plan, in accordance with Rule 3018, unless the Bankruptcy Court has temporarily allowed the Claim for the purpose of accepting or rejecting the Plan in accordance with Bankruptcy Rule 3018.

2. Whenever a holder of a Claim casts more than one ballot voting the same Claim prior to the Voting Deadline, the latest dated Ballot received prior to the Voting Deadline will be deemed to supersede and revoke any prior Ballots.

3. Holders of Claims must vote all of their Claims within a particular Class either to accept or reject the Plan and may not split their votes. Accordingly, the Committee will treat as an acceptance any ballot (or multiple ballots with respect to multiple Claims within a single Class) that partially rejects and partially accepts the Plan.

4. Ballots that fail to indicate an acceptance or rejection of the Plan, but which are otherwise properly executed and received prior to the Voting Deadline, will be tabulated as an acceptance.

VOTING ON THE PLAN BY EACH HOLDER OF AN IMPAIRED CLAIM ENTITLED TO VOTE ON THE PLAN IS IMPORTANT. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE. PLEASE FOLLOW THE DIRECTIONS ON THE BALLOT CAREFULLY.

Votes cannot be transmitted orally. Accordingly, you are urged to return your signed and completed ballot promptly.

IF YOU HAVE A CLAIM THAT IS IMPAIRED UNDER THE PLAN ENTITLING YOU TO VOTE AND YOU DID NOT RECEIVE A BALLOT, RECEIVED A DAMAGED BALLOT OR LOST YOUR BALLOT, OR IF YOU HAVE ANY QUESTIONS CONCERNING THIS DISCLOSURE STATEMENT OR THE PLAN, PLEASE CALL OR EMAIL SHERRI DAHL, COUNSEL FOR THE COMMITTEE, SDAHL@RALAW.COM, 216.820.4241.

C. Confirmation Hearing

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing on whether the Committee has fulfilled the Confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation hearing has been scheduled for [_____] Eastern Time, before the Honorable Kay Woods, United States Bankruptcy Court, Northern District of Ohio,

Youngstown Division, Nathaniel R. Jones Federal Building & U.S. Courthouse, 10 East Commerce Street, Youngstown, Ohio 44503. The Confirmation hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation hearing. Any objection to Confirmation must be made in writing and must specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or Interest held by the objector. Any such objections must be filed and served upon the persons designated in the notice of the Confirmation hearing.

D. Confirmation

At the Confirmation hearing, the Bankruptcy Court will confirm the Plan only if the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for Confirmation are that the Plan: (1) is accepted by the requisite holders of Claims and Interests in impaired Classes or, if not so accepted, is "fair and equitable" and "does not discriminate unfairly" as to the non-accepting Class, (2) is in the "best interests" of each holder of a Claim or Interest in each impaired Class, (3) is feasible, and (4) complies with the applicable provisions of the Bankruptcy Code.

E. Acceptance or Cramdown

A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. A plan is accepted by an impaired class of Interests if holders of at least two-thirds of the number of shares in such class vote to accept the plan. As with claims, only those holders of interests who actually return a ballot count in this tabulation. In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a claim or interest in an impaired class. In addition, the impaired classes must accept the plan for the plan to be confirmed without application of the fair and equitable test in section 1129(b) of the Bankruptcy Code discussed below.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. As indicated above, the plan may be confirmed under the cramdown provisions if, in addition to satisfying the other requirements of section 1129 of the Bankruptcy Code, the plan (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting class of unsecured claims or class of interests receives full compensation for its allowed claims or allowed interests, no holder of allowed claims or interests in any junior class may receive or retain any property on account of such claims or interests. With respect to a dissenting class of secured claims, the "fair and equitable" standard requires, among other things, that holders either (i) retain their liens and receive deferred cash

payments with a value as of the effective date equal to the value of their interest in property of the estate or (ii) otherwise receive the indubitable equivalent of the secured claims.

In these Chapter 11 Cases, the Committee is not aware of any unpaid secured Claims. The Committee believes that the Plan may be crammed down over the dissent of certain Classes of Claims or Classes of Interests, in view of the treatment proposed for such Classes. No assurance exists, however, that the cramdown requirements of section 1129(b) of the Bankruptcy Code would be satisfied even if the Plan treatment provisions were amended or withdrawn as to one or more creditors or Interest holders.

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be afforded substantially similar and equal treatment compared with the treatment provided to other Classes of equal rank. The Committee believes that the Plan does not discriminate unfairly against any Class that may not accept or otherwise consent to the Plan.

Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan is not confirmable pursuant to section 1129 of the Bankruptcy Code will not limit or affect the Committee's ability to modify the Plan to satisfy the provision of section 1129(b) of the Bankruptcy Code.

F. Best Interests Test

Generally, each holder of a claim or interest in an impaired class must either (1) accept the plan or (2) receive or retain under the plan either cash or property of a value, as of the effective date of the plan, that is not less than the value that holder would receive or retain if the debtor(s) were liquidated under Chapter 7 of the Bankruptcy Code. In these Chapter 11 Cases, the Bankruptcy Court will determine whether the Cash to be issued under the Plan to each holder likely equals or exceeds the value that would be allocated to the holder in a Chapter 7 liquidation. The Committee believes that the Plan meets this requirement.

IX. FEDERAL INCOME TAX CONSIDERATIONS OF CONSUMMATION OF THE PLAN

A. Potential Federal Tax Consequences

A DESCRIPTION OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN IS PROVIDED BELOW. THIS DESCRIPTION IS BASED ON THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), THE TREASURY REGULATIONS ISSUED THEREUNDER, AND ADMINISTRATIVE DETERMINATIONS OF THE IRS IN EFFECT AS OF THE DATE OF THIS DISCLOSURE STATEMENT. CHANGES IN THESE AUTHORITIES, WHICH MAY HAVE RETROACTIVE EFFECT, OR NEW INTERPRETATIONS OF EXISTING AUTHORITY MAY CAUSE THE FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN TO DIFFER MATERIALLY FROM THE CONSEQUENCES DESCRIBED BELOW. MOREOVER, NO RULINGS HAVE BEEN REQUESTED FROM THE IRS, AND NO LEGAL OPINIONS HAVE BEEN REQUESTED FROM COUNSEL WITH RESPECT TO ANY TAX CONSEQUENCE OF THE PLAN. NO TAX OPINION IS GIVEN BY THIS DISCLOSURE STATEMENT. THIS DESCRIPTION DOES NOT COVER ALL ASPECTS OF FEDERAL INCOME TAXATION THAT MAY BE

RELEVANT TO DEBTORS OR HOLDERS OF CLAIMS. THE DESCRIPTION, MOREOVER, IS LIMITED TO FEDERAL INCOME TAX CONSEQUENCES.

FOR THESE REASONS, THE DESCRIPTION THAT FOLLOWS IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND PROFESSIONAL TAX ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. HOLDERS OF CLAIMS OR INTERESTS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS REGARDING THE FEDERAL, STATE, AND LOCAL TAX CONSEQUENCES OF THE PLAN.

B. Federal Income Tax Consequences to Debtors

For U.S. federal income tax purposes, if the Plan is confirmed, all of the Debtors' assets will be conveyed to the Liquidation Trust. The Liquidation Trustee shall pay, or cause to be paid, out of the Liquidation Trust Assets, any tax imposed by any federal, state, or local taxing authority on the income generated by the funds or property held in, or on account of, such Liquidation Trust Assets. The Liquidation Trustee shall file, or cause to be filed, any tax or information return related to the Liquidation Trust Assets that is required by any federal, state, or local taxing authority.

C. Net Operating Loss Carryforwards

The Committee intends to investigate whether the Debtors have tax losses from operations resulting in net operating loss ("NOL") carryforwards for federal income tax purposes. In general, an NOL may be carried forward up to 20 years to offset income that would otherwise be subject to federal income tax. The NOL is subject to reduction or elimination for a number of reasons. First, the NOL could be reduced or eliminated as a result of audit adjustments arising from current or future IRS examinations of Debtors' tax returns. Second, the NOL could also be reduced or eliminated by any cancellation of debt ("COD") income recognized by Debtors as a result of the attribution reduction rules discussed below. Third, the NOL could also be reduced or eliminated by any gain recognized on the disposition of assets.

In addition to being subject to reduction or elimination for the above reasons, the utility of Debtors' NOL may be limited by the operation of section 382 of the Code. In general, whenever a corporation undergoes a greater than 50% ownership change during a three-year period, section 382 provides annual limitation on the amount of the NOL that may be used in future years. The annual limitation is generally the product of the fair market value of the corporation's equity immediately before the ownership change (increased, in a Chapter 11 case such as this, to reflect the surrender or cancellation of creditor claims), multiplied by the "long-term tax-exempt rate" published by the IRS.

In evaluating the effect of the NOL on Debtors' future tax liability, holders of Claims and Interests should note that the NOL carryforward amount and the annual limitation actually available to Debtors each year if section 382 applies will depend upon facts about which there can be no certainty, including Debtors' market value and the long-term tax-exempt rate on the

Effective Date. Debtors' actual income in future years, moreover, may be less than the amounts that have been projected, which would also reduce the present value of the NOL carryforward.

D. Reduction of Debtors' Indebtedness

Generally, the discharge of a debt obligation by a Debtor for an amount less than the adjusted issue price gives rise to COD income, which must be included in the Debtors' income. COD income is not recognized by a taxpayer that is a Debtor in a Chapter 11 case if the discharge is granted by the court or pursuant to a plan of reorganization approved by the court. The Plan, if approved, would likely not enable Debtors to qualify for this bankruptcy exclusion rule if it has any COD income, because this is a liquidating Plan.

E. Alternative Minimum Tax

A corporation may incur alternative minimum tax ("AMT") liability even where NOL carryforwards and other tax attributes are sufficient to eliminate its taxable income as computed under the regular corporate income tax. It is thus possible that implementation of the Plan, or other events or transactions connected with the Plan, may result in AMT to Debtors to the extent they are corporations.

F. Federal Income Tax Consequences to Holders of Allowed Claims

The tax consequences of the Plan to a holder of an Allowed Claim will depend, in part, on whether the holder is a corporation or an individual, the amount of consideration received in exchange for the Claim, whether the holder reports income on the accrual or cash basis method, whether the holder has taken a bad debt deduction with respect to such Claim, and whether the holder receives distributions under the Plan in more than one taxable year.

Holders of Claims will likely recognize gain or loss equal to the amount realized under the Plan in respect of their Claims less their respective tax bases in their Claims. The amount realized for this purpose will generally equal the sum of the cash and the fair market value of any other consideration received under the Plan in respect of their Claims. Any gain or loss recognized in the exchange will be capital or ordinary depending on the status of the Claim in the holder's hands.

A holder who under the Plan will receive in respect of a Claim an amount less than the holder's tax basis in such Claim will most likely be entitled in the year of receipt or in an earlier year to a bad debt deduction in some amount under section 166(a) of the Internal Revenue Code. The rules governing the timing and amount of bad debt deductions place considerable emphasis on the facts and circumstances of the holder, the obligor, and the instrument with respect to which a deduction is claimed; holders of Claims are therefore urged to consult their tax advisors with respect to their ability to take such deduction.

X. CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Committee believes that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Committee urges all holders of Claims to vote to accept the Plan and to

evidence their acceptance by duly completing and returning their ballots so that they will be received on or before [~~_____~~][April 24,] 2015].

February 25, 2015

Respectfully submitted,

s/ Sherri L. Dahl

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EXHIBIT A
THE PLAN