

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:)	Chapter 11
)	
E.D.C. Liquidating, Inc.)	Case No. 13-52996
(f/k/a Empire Die Casting Co., Inc.))	
)	
Debtor.)	Judge Marilyn Shea-Stonum

DISCLOSURE STATEMENT RELATING TO
FIRST AMENDED JOINT CHAPTER 11 PLAN OF LIQUIDATION

PLAN PROPONENTS:

DEBTOR E.D.C. LIQUIDATING, INC.

AND

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

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INTRODUCTION

This Disclosure Statement (the “Disclosure Statement”) is being submitted by: E.D.C. Liquidating, Inc. f/k/a/ Empire Die Casting Co, Inc. (the “Debtor”) and the Official Committee of Unsecured Creditors (the “Committee” and collectively with the Debtor, the “Proponents”). Debtor is a debtor and debtor-in-possession in the chapter 11 case pending before the United States Bankruptcy Court for the Northern District of Ohio (the “Bankruptcy Court”), administered under Case No. 13-52996 (the “Chapter 11 Case”), pursuant to section 1125 of title 11 of the United States Code (the “Bankruptcy Code”), in connection with the solicitation of votes on the First Amended Joint Plan of Liquidation, dated March 25, 2014 (the “Plan”). A copy of the Plan is attached as Exhibit 1 to the Disclosure Statement.

Except as otherwise provided herein, capitalized terms not otherwise defined in this Disclosure Statement have the meanings ascribed to them in the Plan. Unless otherwise noted herein, all dollar amounts provided in this Disclosure Statement and in the Plan are given in United States Dollars.

The Plan represents the means by which Debtor will complete the liquidation of its 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 PROPONENTS IN GOOD FAITH AND IN COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE BANKRUPTCY CODE. NO REPRESENTATIONS CONCERNING THE DEBTOR (PARTICULARLY AS TO THE VALUE OF ITS PROPERTY) ARE AUTHORIZED BY THE DEBTOR OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. THE PROPONENTS MAKE NO REPRESENTATIONS OTHER THAN THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS BELIEVED TO HAVE BEEN 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 DEBTOR’S SCHEDULES LISTING ITS ASSETS AND LIABILITIES AS OF THE DATE OF THE COMMENCEMENT OF THE CHAPTER 11 CASE ARE ON FILE WITH THE CLERK OF THE BANKRUPTCY COURT AND MAY BE INSPECTED BY

INTERESTED PARTIES DURING REGULAR BUSINESS HOURS OR ONLINE AT [HTTPS://ECF.OHNB.USCOURTS.GOV/](https://ecf.ohnb.uscourts.gov/) TWENTY-FOUR HOURS A DAY, SEVEN DAYS A WEEK. 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, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, NOR SHALL IT 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 DEBTOR. YOU SHOULD CONSULT YOUR OWN COUNSEL OR TAX ADVISOR ON ANY QUESTIONS OR CONCERNS RESPECTING TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS OR INTERESTS.

Pursuant to the Bankruptcy Code, the Plan and Disclosure Statement were filed on March, 19 2014. The Proponents have neither sought nor obtained any order of the Bankruptcy Court determining that this Disclosure Statement has been approved as containing "adequate information" for creditors and equity security holders of the Debtor in accordance with section 1125 of the Bankruptcy Code. Nevertheless, in the interest of conserving the assets of the Debtor's estate, the Bankruptcy Court has approved a procedure whereby the adequacy of this Disclosure Statement shall be considered simultaneously with the Proponents' Motion to Confirm the Plan. The Proponents believe, but do 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, that would enable a hypothetical reasonable investor typical of holders of claims or interests of the relevant class to make an informed judgment about the plan." 11 U.S.C. § 1125(a)(1).

THE PROONENTS BELIEVE 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.

The requirements for Confirmation, 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 DEBTOR, BUT THE DEBTOR IS SEEKING BY OBJECTION THE TOTAL DISALLOWANCE OF YOUR CLAIM, 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 DEBTOR IS 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.

SUMMARY OF THE PLAN

The following Plan summary is a general overview only, which is qualified in its entirety by, and should be read in conjunction with, the more detailed discussions, information and financial statements and notes thereto appearing elsewhere in this Disclosure Statement and the Plan.

This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Plan being proposed by the Proponents. The Proponents reserve the right to modify the Plan consistent with section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019.

Overview

The majority of the Debtor's assets have been liquidated pursuant to the Sale. The Plan provides for the orderly liquidation of the remaining assets of the estate over time, and for the proceeds to be allocated in accordance with the terms of the Plan and distributed to holders of Allowed Claims.

Summary of the Sale

On December 31, 2013, the Debtor sold substantially all of its assets to American Light Metals, LLC ("ALM") under section 363 of the Bankruptcy Code (the "Sale") for a purchase price in excess of Twelve Million Seven Hundred Fifty Thousand Dollars and 00/100 (\$12,750,000.00). Nine Million Two Hundred Forty-five Thousand Eight Hundred Sixty-two Dollars and 52/100 (\$9,245,862.52) of the net proceeds from the Sale were disbursed to FirstMerit (defined below) in full satisfaction of its claims against the Debtor.

Summary of Classes and Distributions

Except for Administrative Claims and Priority Tax Claims, all Claims and Interests that existed on October 16, 2013 (the "Petition Date") are divided into classes under the Plan. The following summarizes the treatment of the classified Claims and Interests under the Plan.

Class 1 – Other Priority Claims. Holders of Allowed Other Priority Claims shall receive, in full and final satisfaction of such Claim, one of the following treatments: (a) full payment in Cash of its Allowed Other Priority Claim; or (b) treatment of its Allowed Other Priority Claim in a manner that leaves such Claim Unimpaired.

Class 2 – Secured Claims of the Lender. FirstMerit, holder of Class 2 Claims, has received the net proceeds of the Sale in full and final satisfaction of all Claims against the Debtor.

Class 3 – Other Secured Claims. Other Secured Claims, if any, are claims held by parties other than FirstMerit, which are secured by property of the Debtor's bankruptcy estate. Other Secured Claimants will receive: (i) the collateral securing such Allowed Other Secured Claim; (ii) Cash in an amount equal to the value of the collateral securing such Allowed Other Secured Claim; (iii) the treatment required under section 1124(2) of the Bankruptcy Code for such claim to be reinstated or rendered Unimpaired; or (iv) such treatment as otherwise agreed to by the holder of any Allowed Other Secured Claim.

Class 4 – General Unsecured Claims. Each holder of a General Unsecured Claim shall receive in full and final satisfaction of their Claims, its pro rata share of the Liquidation Trust, based on the principal amount of each holder's' Allowed Claim.

Class 5 – Equity Interests. Holders of Class 5 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 through 4 have been paid in full in accordance with the terms of the Plan.

Conditions Precedent to Effective Date

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

1. The Liquidation Trustee shall be selected by the Committee, upon consultation with the Debtor;
2. The Liquidation Trust shall have been established;
3. The Confirmation Order shall have been signed by the Court and duly entered by the Clerk of the Court in a form and substance reasonably acceptable to the Committee; and
4. Either the 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 the prior written consent of the Committee.

AS DESCRIBED BELOW UNDER THE HEADING "GENERAL INFORMATION REGARDING THE PLAN," 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 Proponents will file and serve on all parties in interest a notice regarding the entry of the Confirmation Order and certain of the legal effects of the Plan described below.

Modification or Revocation of the Plan; Severability

Modification of Plan

Subject to the limitations contained in the Plan: (1) the Proponents reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order and upon order of the Bankruptcy Court, the Proponents may amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

Revocation of Plan

The Proponents alone, reserve the right to revoke or withdraw the Plan prior to the entry of the Confirmation Order and to file subsequent plans of reorganization. If the Proponents revoke or withdraw the Plan, or if entry of the Confirmation Order or the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant hereto shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any claims by or against, or any Equity Interests in, such Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtor or any other Entity; or (c) constitute an admission of any sort by the Debtor or any other Entity.

Determination of Tax Liability

Pursuant to section 505(b) of the Bankruptcy Code, the Debtor intends to request a determination of any unpaid liability of the Estate for any federal income tax incurred during the administration of its chapter 11 case by submitting a tax return for such tax, together with payment of the tax, if any, shown thereon, and a request for such a determination to the Internal Revenue Service. The Debtor reserves the right, to the extent it deems it necessary and appropriate, to request similar determinations of any unpaid liability of the Estate for any other taxes (including, without limitation, any state or local taxes) incurred during the administration of its chapter 11 case by submitting a tax return for such other tax, together with payment of the tax, if any, shown thereon, and a request for such a determination to the appropriate governmental unit charged with responsibility for collection or determination of such tax.

GENERAL INFORMATION ABOUT THE DEBTOR

The Business

The Debtor is an Ohio corporation headquartered in Macedonia, Ohio. The Debtor provided precision aluminum and zinc cast parts to a wide variety of customer specifications and industries, including a wide range of secondary and value-add operations. In addition to its multi-metal and multi-alloy die cast and value-add capabilities, the Debtor also engineered and maintained the tooling used to produce most of its die cast parts.

The Prepetition Debt Structure

As of the Petition Date, the Debtor was party to a certain Amended and Restated Loan and Security Agreement, dated as of January 12, 2011 (the “Pre-Petition Credit Agreement”)¹, among the Debtor, as borrower (the “Borrower”), and FirstMerit Bank, N.A., as successor in interest to Citizens Bank (“FirstMerit”), as lender (the “Pre-Petition Lender,” and in its capacity as debtor-in-possession lender the “Lender”).

Also pursuant to the Pre-Petition Credit Agreement, the Pre-Petition Lender provided the Debtor with a revolving credit facility (the “Revolving Facility”) in the aggregate principal amount of up to \$4,500,000. As of October 15, 2013, the outstanding unpaid balance under the Revolving Facility was at least \$4,948,165.41, which includes an Overadvance (as defined in the Pre-Petition Credit Agreement) of \$950,000.

Also pursuant to the Pre-Petition Credit Agreement, the Pre-Petition Lender provided the Debtor with a term loan (the “Term Facility”) on January 12, 2011 in the amount of \$447,499.87. As of October 15, 2013, the outstanding unpaid balance under the Term Facility was at least \$139,843.84.

Finally, pursuant to the Pre-Petition Credit Agreement, the Pre-Petition Lender also provided the Debtor with a real estate term loan (the “Real Estate Term Facility” and, collectively with the Revolving Facility and Term Facility, the “Pre-Petition Credit Facilities”) on January 12, 2011 in the amount of \$4,500,000. As of October 15, 2013, the outstanding balance under the Real Estate Term Facility was \$3,688,208.57.

As a result of certain defaults under the Pre-Petition Credit Agreement, the Debtor and the Pre-Petition Lender entered into a forbearance agreement dated effective as of December 28, 2011, as subsequently amended (collectively, the “Forbearance Agreements”).

Pursuant to the Pre-Petition Credit Agreement, the Debtor granted to the Pre-Petition Lender to secure the prompt payment and performance of the Obligations (as defined in the Pre-Petition Credit Agreement), a lien on and continuing security interest in substantially all of its assets, including all real and personal property of the Debtor.

¹ The Pre-Petition Credit Agreement amended and restated that certain Loan and Security Agreement dated as of September 27, 2007, among the Debtor as borrower and Citizens Bank as lender.

EVENTS LEADING UP TO THE COMMENCEMENT OF THE CHAPTER 11 CASE

The Debtor has confronted several operational and financial challenges that have strained its resources. Over the last five years, profitability and cash flow have deteriorated due to production inefficiencies which caused inflated overtime costs, premium freight charges, containment costs, and yield issues.

The Debtor's obligations under its collective bargaining agreement with the Industrial Maintenance and Vending Machine Service Employees Local Union 416, affiliated with the International Brotherhood of Teamsters (the "Union") were a predominant factor in its chapter 11 filing. Pursuant to that agreement, the Debtor was obligated to contribute to the Maintenance Employees Union Local No. 416 Pension Fund, a multiemployer pension plan (the "MEPP"). The Debtor's contribution obligations to the MEPP were a substantial source of its financial stress. Furthermore, the Debtor lacked the ability to withdraw from the MEPP outside of bankruptcy without incurring a substantial withdrawal liability (the "MEPP Withdrawal Liability").

In December 2011, being in default of certain covenants under the Pre-Petition Credit Facilities with the Pre-Petition Lender, the Debtor entered into a series of Forbearance Agreements wherein the Pre-Petition Lender agreed to forbear from pursuing certain legal options for a certain period of time, including the foreclosure of the Debtor's loans. During the term of the Forbearance Agreements, the Debtor was first required to engage a turn-around consultant and, ultimately, an investment banker to explore a sale of the Debtor's assets in an amount sufficient to pay its obligations to the Pre-Petition Lender in full.

As the forbearance period came to a close, it became apparent to the Debtor that a sale of its assets as a going concern was necessary. It was further apparent to the Debtor that, given the MEPP Withdrawal Liability, such sale would need to be conducted pursuant to section 363 of the Bankruptcy Code. Beginning in August 2013, the Debtor, with the assistance of its investment banker, Amherst Capital Partners, LLC ("Amherst Partners"), began actively marketing its assets for sale as a going concern. In connection with its marketing efforts, Amherst Partners identified approximately 119 potentially interested parties, which were comprised of strategic and financial purchasers. Through Amherst Partner's efforts, the Debtor entered into confidentiality agreements with 38 entities so that they could receive the confidential offering memorandum prepared by Amherst Partners regarding the Debtor's assets and business operations and so that they could conduct other due diligence. Of this group, approximately 9 entities provided written expressions of interest or letters of intent to acquire the assets.

On the Petition Date, the Debtor filed a voluntary case under chapter 11 of the Bankruptcy Code. Thereafter, SRS International Holdings Inc. ("SRS") was selected as the stalking horse purchaser for the anticipated auction of Debtor's assets.

POSTPETITION OPERATIONS

Commencement of the Chapter 11 Case

On the Petition Date, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Ohio. After the commencement of the Chapter 11 case, the Debtor operated as debtor-in-possession under applicable provisions of the Bankruptcy Code. The Debtor continued to conduct business substantially as it was conducted prior to the commencement of the Chapter 11 case. Such operations included maintenance of its operations in Ohio.

Post Petition Operations

After the filing of its Chapter 11 case, the Debtor continued operations in order to preserve maximum value for its businesses for sale as a going concern. During this period the Debtor continued to market its businesses for sale. The Debtor continued to maintain its cash management system. As described herein, the Debtor entered into an agreed cash collateral and debtor-in-possession financing order with the Lender, which allowed the Debtor to pay its operating expenses. Moreover, the Debtor has prepared the monthly Operating Reports as required by the Bankruptcy Code. The Debtor ceased operations upon the closing of the Sale on December 31, 2013.

Post Petition Financing

In order to continue operations postpetition, the Debtor filed a motion with the Bankruptcy Court for the continued use of cash collateral, and for authorization to obtain postpetition financing (the “DIP Financing Motion”) [Docket No. 10]. On October 17, 2013, the Bankruptcy Court entered an agreed Interim Cash Collateral Order, which allowed use of cash collateral of the Pre-Petition Lender and further authorized the Debtor to secure up to \$6 million in debtor-in-possession financing (“DIP Financing”) from the Lender. The Debtor was in need of DIP Financing in order to continue operations through the date of the Sale. The final hearing was held on November 5, 2013 and the final agreed cash collateral and DIP Financing order was entered on November 6, 2013 (the “Final Cash Collateral Order”) [Docket No. 81]. Pursuant to the Final Cash Collateral Order, the Debtor was authorized to use cash collateral or obtain Revolving Loans (as defined in the Final Cash Collateral Order) until December 31, 2013.

Sale of Assets

Sale Process. On November 18, 2013, the Bankruptcy Court entered an order which approved the bid procedures to be used in connection with the sale of the Debtor’s assets (the “Bid Procedures Order”).² In the Bid Procedures Order, the Bankruptcy Court scheduled an

² The Debtor filed its Motion for the Entry of Order (I) Approving Bidding Procedures (II) Scheduling an Auction of Debtor’s Assets and to Approve the Form and Manner of Notice Related Thereto, (III) Approving the Sale of the Assets, or Any Subset Thereto, to the Proponents of the Highest and Best Bids Free and Clear of All Liens, Claims and Interests; and (IV) Approving the Procedures to Provide Notice of Assumption and Assignment of Leases and Contracts, and Fixing Cure Amounts Thereon on October 21, 2013 (the “Sale Motion”).

auction date of December 18, 2013, established a deadline for the submission of bids for the purchase of the Debtor's assets, approved a breakup fee to the stalking horse bidder, and approved the form and manner of the Sale and Bid Procedure Notice. In addition to SRS, two other bidders participated in the auction. The Debtor, in consultation with the Committee and the Lender, ultimately selected ALM (an entity formed by SRS for purposes of the acquisition of Debtor's assets) as the highest and best bid. On December 19, 2013, the Bankruptcy Court entered its order authorizing and approving the sale of substantially all of the Debtor's assets free and clear of all liens, claims, encumbrances, and interests to ALM (the "Sale Order"). In connection with the Sale and also pursuant to the Sale Order, certain executory contracts and leases were assumed and assigned to ALM, as well as certain capital leases which constitute secured financings rather than "true leases" (the "Capital Leases").

Sale Proceeds. The purchase price by ALM was Twelve Million Two Hundred Fifty Thousand Dollars and 00/100 (\$12,250,000.00). Subsequently, the following sums were disbursed from the proceeds of Sale: (1) \$9,282,516.65 to FirstMerit, representing payment in full of all principal and interest due under the Pre-Petition Credit Facilities and the DIP Financing, as well as a \$50,000 good faith deposit securing certain indemnification obligations of the Debtor to FirstMerit under the Prepetition Credit Facilities and DIP Financing, as set forth in that certain Payoff Letter dated December 31, 2013; (2) \$1,345,000.00 to the Debtor's counsel, Brouse McDowell, to be held in its trust account (\$845,000 for the professional fee carve-outs authorized under the Final Cash Collateral Order plus the \$500,000 working capital adjustment escrow authorized under the Sale Order); and (3) the balance to the Debtor.

Working Capital Adjustment. ALM submitted a working capital adjustment claim in the amount of \$440,865.00. The Debtor disputed a portion of the claim. In accordance with section 2.4 of the asset purchase agreement executed in connection with the Sale the parties agreed to reduce the working capital adjustment to \$303,075.00.

MEPP Successor Liability. On December 12, 2013, the Debtor, the Union and the Trustees for the MEPP entered into that certain *Stipulation by and among the Debtor, the Industrial Maintenance and Vending Machine Service Employees Local Union 416, and the Board of Trustees of the Pension Regarding the Sale of Substantially all of the Assets of the Debtor* pursuant to which the parties agreed that the Sale would be free and clear of all successor liability claims related to the MEPP. The Union and Trustees, however, reserved the right to assert a Claim against the Debtor for the MEPP Withdrawal Liability. The Union and Trustees filed a proof of claim asserting that the MEPP Withdrawal Liability totals \$8,760,704. The Debtor believes the amount of the MEPP Withdrawal Liability to be in the \$2-4 million range.

Appeal of Sale Order/Capital Lease Agreements. On January 1, 2014, Richard Rogel, the Chairman, Chief Executive Officer and majority shareholder of the Debtor, filed a notice of appeal of the Sale Order. Rogel had personally guaranteed certain of the Capital Leases assumed by ALM. Grounds for Rogel's appeal of the Sale Order are that: (i) the Capital Leases are not "true" leases, but rather secured financing; (ii) Rogel should not be required to guaranty the Capital Leases beyond the market value of the equipment which is the subject of such Capital Leases; (iii) Rogel should not be required to personally guaranty the creditworthiness of ALM and (iv) the Bankruptcy Court should not have permitted the assumption and assignment of the

Capital Leases with his personal guaranty. The Debtor has reached agreements with the creditor parties to the applicable assumed Capital Leases and, therefore, that the appeal has been resolved. The terms of those agreements are as follows:

A. TCF Equipment Finance

The Debtor has agreed to escrow all remaining lease payments to TCF. In the event that ALM defaults on any payment due TCF, all remaining lease payments (appropriately discounted to the lease payoff amount) will be made by the Debtor in exchange for an assignment of TCF's position (including lease) to the Debtor and/or the Liquidation Trustee.

B. Bank of the West

The Debtor has agreed to escrow, through the end of 2014, nine (9) months of lease payments. In the event that ALM defaults on any payment due Bank of the West during that period, the Debtor will pay all unpaid lease payments for the balance of such nine month period from escrowed lease payments to Bank of West in exchange for assignment of Bank of the West's position (including lease) to the Debtor and/or the Liquidation Trustee. Rogel has agreed to reaffirm his guaranty, subject to certain notice and cure requirements.

Debtor's Professional Advisors

On November 15, 2013, the Bankruptcy Court authorized the Debtor's retention of Brouse McDowell, LPA as counsel for the Debtor. On November 8, 2013, the Bankruptcy Court authorized the employment of Amherst Consulting, LLC as restructuring consultant to the Debtor. Also on November 8, 2013, the Bankruptcy Court authorized the retention of Amherst Partners as investment banker to the Debtor.

The Debtor also retained the law firms of Roetzel & Andress, LPA ("Roetzel") and Stites & Harbison, PLLC as special counsel in connection with the Debtor's claim in the chapter 11 case of Oreck Manufacturing Corporation, pending in the United States Bankruptcy Court for the Middle District of Tennessee. Roetzel also was retained as special counsel to the Debtor on various labor litigation matters.

The Debtor has sought approval to retain the accounting firm of Bruner Cox LLP solely in connection with preparation of certain income tax returns.

Appointment of the Official Committee of Unsecured Creditors

On October 24, 2013, the Office of the United States Trustee filed a notice of appointment of the Official Committee of Unsecured Creditors of the Debtor, which was amended on October 28, 2013. Official committees appointed under Section 1102 of the Bankruptcy Code have, among other rights, the right (a) to consult with a debtor concerning the administration of a debtor's estate, (b) to investigate the acts, conducts, assets, liabilities, and financial condition of a debtor, the operation of a debtor's business, and any other matter

relevant to a debtor's bankruptcy case or to the formulation of a plan; and (c) to participate in the formulation and acceptance or rejection of a plan. The Committee's members are:

Imperial Zinc Corp.
c/o David Kozin
1031 E. 103rd Street
Chicago, Illinois 60628

Staffinders Inc.
c/o Douglas A. Labuda
4807 Rockside Road #100
Independence, Ohio 44131

**Aluminum & Zinc
Metal Sales, Inc.**
c/o Charles James Zaller
5493 Raven Parkway
Monroe, Michigan 48161

Trim Tool & Machine, Inc.
c/o Brent Willis
3431 Service Road
Cleveland, Ohio 44111

Modern Industries, Inc.
c/o Mitchell S. Willis
613 W. 11th Street
Erie, Pennsylvania 16501

Frech USA
c/o Robert Tracy
6000 S. Ohio Street
Michigan City, Indiana 46360

Teamsters Local Union No. 416
c/o Dominic Tocco III
707 Brookpark Road #416
Cleveland, Ohio 44109

On December 13, 2013, the Bankruptcy Court authorized the Committee's retention of Freeborn & Peters LLP as counsel *nunc pro tunc* to October 30, 2013.

Bar Dates

On January 22, 2014, the Bankruptcy Court entered the Bar Date Order, which established: (i) **February 28, 2014, at 4:00 p.m. Prevailing Eastern Time** as the deadline for

creditors of the Debtor to file general proofs of claims against the Debtor's estates (the "General Bar Date"); (ii) **April 14, 2014, at 4:00 p.m. Prevailing Eastern Time** as the deadline for government units to file proofs of claims against the Debtor's estate (the "Government Bar Date"), and (iii) **February 28, 2014, at 4:00 p.m. Prevailing Eastern Time** as the deadline for creditors of the Debtor to file administrative claims against the Debtor incurred on or before December 31, 2013 (the "Administrative Claim Bar Date").

Investigation of Avoidance Actions

Pursuant to the Plan, the Liquidation Trustee will determine whether avoidance claims will be prosecuted on behalf of the Debtor's Estate. The statute of limitations for filing avoidance claims has not passed.

The Debtor or the Committee has not conducted an investigation of any Avoidance Actions or Causes of Action of the Estates. However, according to the Debtor's business records, within the 90 days prior to the Petition Date, Transfers were made by the Debtor to various non-Insider parties in the approximate total amount of \$5,711,509.38 and Transfers were made by the Debtor to its Insiders in the 1 year period prior to the Petition Date in the amount of \$68,672.74. Attached hereto as Exhibit A is a list showing the parties, dates and amounts of the specific Transfers based upon the Debtor's current business records.¹ These Transfers may be subject to avoidance and recovery under applicable law, including Chapter 5 of the Bankruptcy Code.

Rookus Lawsuit

On January 8, 2014, the Debtor filed an adversary proceeding against Rookus Industrial Sales & Service, Inc. ("Rookus") seeking a determination that an equipment lease entered into by Debtor and Rookus is a disguised secured sale transaction, and accordingly, that Rookus is not entitled to cure payments, or adequate assurance of future performance, pursuant to section 365 of the Bankruptcy Code. The Debtor further seeks a declaratory judgment that Rookus does not hold a valid, properly-perfected security interest in the equipment based on its failure to comply with applicable provisions of the Uniform Commercial Code, as adopted in the State of Michigan or in the State of Ohio. Finally, Debtor seeks to recharacterize Rookus' Proof of Claim No. 18-1 filed on November 27, 2013 as a general unsecured claim, subject to the Bankruptcy Court's determination as to the value of the claim. The Rookus Lawsuit remains pending as of the date of this Disclosure Statement.

Oreck Settlement

Prior to the Petition Date, the Debtor asserted a proof of claim in the amount of \$109,650.06 against Oreck Manufacturing Company ("Oreck") in its chapter 11 proceedings

¹ The actual amounts of these transfers may differ from the amounts identified in the Debtor's business records. It is the intent of the Proponents and to retain and reserve any Avoidance Actions or Causes of Action that arise from these transfers, whether the actual amount of the transfers is the same or different from the amount identified in Exhibit A, for the benefit of the Liquidation Trust to the greatest extent available. Therefore, all parties that received transfers within the 90 day or 1 year period (as applicable) referenced are hereby put on notice that those transfers are potentially subject to avoidance and recovery.

pending the United States Bankruptcy Court for the Middle District of Tennessee (the "Oreck Claim"). A portion of the Oreck Claim (\$9,021.02) was allowed and paid pursuant to section 503(b)(9) of the Bankruptcy Code. Oreck objected to the balance of the Oreck Claim. On January 29, 2014, the Debtor and Oreck entered into an agreed order allowing the Oreck Claim as a secured claim in the amount of \$90,000 and further providing for the immediate and full payment of said amount.

Debtor's Unpaid Tax Obligations

The Debtor's unpaid tax obligations are being treated as set forth below in the Payment of Priority Tax Claims.

THE PLAN

THE FOLLOWING DISCUSSION OF THE PLAN CONSTITUTES A SUMMARY ONLY AND IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE PLAN ITSELF. YOU SHOULD READ THE PLAN BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. CHANGES MAY BE MADE TO THE PLAN. ANY SUCH CHANGES MADE TO THE PLAN WILL BE DESCRIBED AT THE CONFIRMATION HEARING. A COPY OF THE PLAN IS ATTACHED AS EXHIBIT 1 TO THIS DISCLOSURE STATEMENT.

Purpose of the Plan

The Plan is being proposed by the Proponents for purposes of (i) orderly liquidation of any remaining Estate Assets over time; (ii) providing the structure for review and prosecution of objections to Claims to the extent such objections are warranted, and (iii) providing the means for distribution of Estate Assets in accordance with the terms of the Plan, orders of the Bankruptcy Court and the distributive provisions of the Bankruptcy Code.

Liquidation Trust

1. On the Effective Date, the Debtor shall execute and deliver the Liquidation Trust Agreement creating the Liquidation Trust. On the Effective Date, the Debtor shall be deemed to have transferred, conveyed and assigned the Liquidation Trust Assets to the Liquidation Trust. The Liquidation Trustee shall be deemed to be appointed a representative of the Estate of the Debtor within the meaning of section 1123(b)(3)(B) of the Bankruptcy Code.

2. 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 pursue and/or enforce any Causes of Action, including the Avoidance Actions that the Debtor may hold against any entity, whether or not filed prior to the Confirmation Date.

3. The Liquidation Trust shall terminate automatically, without further order of the Bankruptcy Court, once the Liquidating Trustee has fully administered the Liquidation Trust

Assets in compliance with the Liquidating Trust and the terms of this Plan and filed a notice of such fact with the Bankruptcy Court.

Dissolution of the Committee and Appointment of the Creditor Advisory Board

Prior to the Effective Date, the Committee will select the members of the Creditor Advisory Board, which will be comprised of three members of the Committee. The Creditor Advisory Board shall be appointed for the sole purpose of the following purposes: (1) selecting a successor Liquidation Trustee in the event that the initial Liquidating Trustee needs or is required to resign or is unable to complete its duties as Liquidating Trustee; (2) reviewing and consenting to the Liquidating Trustee's recommendations concerning the prosecution of Causes of Action (which consent shall not unreasonably be withheld); (3) reviewing and consenting to the Liquidating Trustee's recommendations concerning the settlement of prosecuted Causes of Action (which consent shall not unreasonably be withheld); and (4) reviewing the Liquidating Trustee's proposed distributions to holders of Allowed Claims. The Creditor Advisory Board shall be entitled to periodic updates from the Liquidating Trustee concerning (1) the status of the Liquidating Trustee's claims reconciliation activities; (2) the status of the Liquidating Trustee's litigation efforts; and (3) the cash position of the Liquidating Trust. Except as otherwise provided in Article IV of the Plan, on the Effective Date, the Committee shall be dissolved, and its members shall be deemed released of all of their duties, responsibilities and obligations in connection with the Chapter 11 Case or the Plan and its implementation, and the retention or employment of the Committee's attorneys, financial advisors, and other agents shall terminate.

Cancellation of Obligations

On the Effective Date, except to the extent otherwise provided in the Plan, all notes, stock, instruments, certificates, and other documents evidencing obligations of the Debtor 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 Debtor thereunder or in any way related thereto shall be discharged.

Corporate Governance, Directors and Officers, and Corporate Action

1. Corporate Action

- (a) Prior to, on or after the Effective Date, as applicable, all matters provided for in the Plan that would otherwise require approval of the shareholders, members, managers, partners or directors of the Debtor or 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 Debtor.
- (b) 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.

Incorporation of Stipulations in Final Cash Collateral Order

Nothing in the Plan shall be deemed to affect the continued validity and effectiveness of the Final Cash Collateral Order, including the Stipulations set forth at paragraph K (i) through (v) of Docket No. 81, or the binding effect of such Stipulations as set forth in paragraph 13 of Docket No. 87.

Disallowance of Certain Tax Claims

Pursuant to section 502(b)(3) of the Bankruptcy Code, on and after the Confirmation Date, Debtor shall have no liability for any Claim based upon a tax assessed against property of the Estate in excess of the value of the Estate's interest in such property.

Preservation of Rights of Action

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 Debtor and its respective successors and assigns (including the Liquidation Trust) retain and may enforce any claims, rights, and causes of action that such Debtor or its Estate may hold against any entity, including, but not limited to, any Bankruptcy Claims, and any 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. The Debtor has not currently identified any existing claims or determined their value. As claims and Causes of Action are identified, the Debtor or the Liquidation Trustee shall disclose such actions to parties in interest.

Release of Liens

Except as otherwise provided in the Plan, or in any contract, instrument, release, or other agreement or document created in connection with the Plan, on the Effective Date, all secured creditors will retain their interest in all mortgages, deeds of trust, liens, or other security interests against the property of the Estate, or against property that is collateral for any obligation of the Debtor, until the receipt of payment of the liens in full or the receipt of the holder of such mortgages, deeds of trust, liens or other security interest of the indubitable equivalent of the value of such claim, in accordance with the terms of the Plan. 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 and discharged.

RELEASE, INJUNCTION, AND RELATED PROVISIONS

Discharge of Claims and Termination of Interests

1. *Complete Satisfaction, Discharge and Release*

Except as provided in the Plan or in the Confirmation Order, the rights afforded under the Plan and the treatment of Claims and Interests under the Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and termination of all Interests arising on or before the Effective Date, including any interest accrued on Claims from and after the Petition Date. Except as provided in the Plan or in the Confirmation Order, Confirmation will, as of the Effective Date: (i) discharge the Debtor and Committee from all Claims or other debts that arose on or before the Effective Date, and all debts of the kind specified in section 502(g), 502(h) or 502(i) of the Bankruptcy Code, whether or not (A) a proof of Claim based on such debt is filed or deemed filed pursuant to section 501 of the Bankruptcy Code, (B) a Claim based on such debt is allowed pursuant to section 502 of the Bankruptcy Code or (C) the holder of a Claim based on such debt has accepted the Plan; and (ii) terminate all Interests and other rights of holders of Interests in the Debtor.

2. *Discharge and Termination*

In accordance with the foregoing, except as provided in the Plan, the Confirmation Order will be a judicial determination, as of the Effective Date, of a discharge of all Claims and other debts and liabilities against the Debtor and the Committee and a termination of all Interests and other rights of the holders of Interests in the Debtor, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtor at any time, to the extent that such judgment relates to a discharged Claim or terminated Interest.

Preservation of Rights of Action

1. *Vesting of Causes of Action*

Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtor may hold against any Entity, including without limitation any Avoidance Actions, shall vest upon the Effective Date in the Liquidation Trustee.

The Debtor and the Committee anticipate that the Liquidation Trustee will prosecute Avoidance Actions seeking to recover preferential payments or transfers made in the 90 days or one year period preceding the Petition Date, as the case may be. A list of all such payments is provided in the Debtor's Statement of Financial Affairs, at questions 3.b or 3.c. and all creditors are directed to that document. The Liquidation Trustee will evaluate all preferential payments identified in questions 3.b and 3.c of the Debtor's Statement of Financial Affairs for any apparent defenses and will pursue recovery of those payments or transfers that it determines are subject to avoidance and reasonably determined to provide a benefit to the Estate. As of the date of this Disclosure Statement, the Debtor and the Committee are not aware of the existence of any Causes of Action, other than the Rookus Lawsuit and the Avoidance Actions detailed above,

although the Proponents expressly reserve all rights of the Liquidation Trustee to form his own opinion regarding Causes of Action.

The Liquidation Trustee shall be deemed a representative of the Estate of the Debtor within the meaning of section 1123(b)(3)(B) of the Bankruptcy Code to pursue such Causes of Action. Every person or entity listed in response to Debtor's Statement of Financial Affairs questions 3.b. or 3.c. as having received a transfer is hereby notified that the Liquidation Trustee may institute litigation to recover such transfers or any other transfers.

Except as otherwise provided in the Plan or the Confirmation Order, after the Effective Date, the Liquidation Trustee shall have the exclusive right to institute, prosecute, abandon, settle, or compromise any Causes of Action, including Avoidance Actions, in its sole discretion in any court or other tribunal, including, without limitation, in an adversary proceeding filed in the Chapter 11 Case. The Liquidation Trustee shall be entitled to settle or compromise any Avoidance Action or other Cause of Action of less than \$10,000 without further order of the Bankruptcy Court.

Releases

1. Release of Insiders by Other Insiders

As of the Effective Date, the Debtor, and the officers, directors, shareholders or other Insiders of the Debtor shall release each other and the Debtor from any and all Liabilities that they are entitled to assert against the Debtor, any officer, director, shareholder or other Insider, in any way relating to obligations by and between the Debtor, the Chapter 11 Estate, the formulation, preparation, negotiation, dissemination, implementation, administration, confirmation or consummation of any Plan, or the property to be distributed under the Plan, the Disclosure Statement, any contract, employee pension or other benefit plan, instrument, release or other agreement or document related to the Debtor, the Chapter 11 Case or the Estate created, modified, amended, terminated or entered into in connection with the Plan.

2. General Releases by Holders of Claims or Interests

As of the Effective Date, in consideration for the obligations of the Debtor under the Plan and the consideration and other contracts, instruments, releases, agreements or documents to be entered into or delivered in connection with the Plan, each holder of a Claim will be deemed to forever release, waive and discharge all Liabilities in any way relating to the Debtor, the Chapter 11 Case, the Estate, the Plan, or the Disclosure Statement that such entity has, had or may have against any Released Party in any derivative capacity (which release will be in addition to the discharge of Claims and termination of Interests provided herein and under the Confirmation Order and the Bankruptcy Code). For avoidance of doubt, this provision does not operate to release the individual non-derivative claims of individual creditors against Released Parties. This release shall not be construed to limit any other applicable provisions of, or releases contained in, the Plan.

Injunction

1. From and after the Effective Date, all Entities are permanently enjoined from commencing or continuing in any manner against the Debtor, the Committee, the Liquidation Trustee, their respective successors and assigns, and their assets and properties, as the case may be, any suit, action or other proceeding, on account of or respecting any Claim, demand, liability, obligation, debt, right, Cause of Action, interest or remedy released or to be released pursuant to the Plan or the Confirmation Order.

2. Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, from and after the Effective Date, all Entities shall be precluded from asserting against the Debtor, Debtor-in-Possession, Estate, Committee, Liquidation Trustee, their successors and assigns, and their assets and properties, any other Claims or Equity Interests based upon any documents, instruments, or any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.

3. The rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction of Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtor or any of their assets or properties. On the Effective Date, all such Claims against, and Equity Interests in, the Debtor shall be satisfied and released in full.

4. Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, all Parties and Entities are permanently enjoined, on and after the Effective Date, on account of any Claim or Equity Interest satisfied and released hereby, from:

- (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtor, the Liquidation Trustee, their respective successors and assigns, and their assets and properties;
- (b) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against the Debtor, its successors and assigns, and its assets and properties;
- (c) creating, perfecting, or enforcing any encumbrance of any kind against the Debtor, the Liquidation Trustee, or the property or estate of the Debtor or the Liquidation Trustee;
- (d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from the Debtor or against the property or estate of any the Debtor except to the extent a right to setoff, recoupment or subrogation is asserted with respect to a timely filed proof of claim; or

- (e) commencing or continuing in any manner any action or other proceeding of any kind in respect of any Claim or Equity Interest or Cause of Action released or settled hereunder.

Exculpation

Neither the Debtor, Liquidation Trustee, the Committee nor any of their respective officers, directors, professionals, attorneys, accountants, agents, shareholders, partners, members, or employees have or will incur any liability to any holder of a Claim or Equity Interest, or any other party in interest, or any of their respective members or former members, agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their predecessors, successors, or assigns, for any act or omission in connection with, relating to, or arising out of, the Chapter 11 Case, the Sale, the negotiation and pursuit of confirmation of this Plan, the consummation of this Plan, or the administration of this Plan excluding acts and/or omissions of the Liquidation Trustee under this Plan constituting gross negligence, bad faith, or willful misconduct, as finally determined by a court of competent jurisdiction, and in all respects are entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under this Plan or in the context of the Chapter 11 Case. Nothing in this Exculpation section is intended to waive any obligations of any party under this Plan.

RISK FACTORS

The implementation of the Plan on the Effective Date is subject to a number of material risks, including (1) those enumerated below and (2) risks and uncertainties not presently known to the Proponents. Prior to voting on the Plan, each party entitled to vote should carefully consider these risks, as well as all of the information contained in this Disclosure Statement, including the Exhibits hereto.

1. Treatment of Claims

The estimates of Allowed Claims in this Disclosure Statement are based on the 'Proponents' preliminary review of Claims filed in the Chapter 11 Case and the Debtor's books and records. Upon the passage of all applicable bar dates, of further analyses of the proofs of Claim, and the completion of Claims litigation and related matters, the total Claims that ultimately become Allowed Claims in the Chapter 11 Case may differ from the Debtor's estimates, and such difference could be material. In particular, Claims relating to the MEPP Withdrawal Liability may be substantially more than the \$2-4 million range estimated by the Debtor.

2. Non-Confirmation of Plan

Certain parties in interest may file objections to the Plan in an effort to persuade the Bankruptcy Court that the Proponents have not satisfied the confirmation requirements under sections 1129(a) and (b) of the Bankruptcy Code. However, even if (a) no objections are filed, (b) all impaired Classes of Claims and Interests accept or are deemed to have accepted the Plan,

or (c) with respect to any Class that rejects or is deemed to reject the Plan, the requirements for “cramdown” are met, the Bankruptcy Court, which can exercise substantial discretion, may determine that the Plan does not meet the requirements for confirmation under sections 1129(a) and (b) of the Bankruptcy Code. Section 1129(a) of the Bankruptcy Code requires, among other things, (a) a demonstration that the Confirmation of the Plan will not be followed by liquidation or need for further financial reorganization of the Debtor, except as contemplated by the Plan, and (b) that the value of distributions to parties entitled to vote on the Plan who vote to reject the Plan not be less than the value of distributions such creditors and equity security holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Proponents believe that the Plan meets the requirements for confirmation, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

DISTRIBUTIONS UNDER THE PLAN

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.

Distributions for Claims Allowed as of the Effective Date

Except as otherwise provided herein or as may be ordered by the Bankruptcy Court, the Liquidation Trustee shall make distributions on the Effective Date or as soon as reasonably practicable thereafter on account of all Allowed Claims that are entitled to receive distributions under the Plan, and, from time to time, shall make further distributions to holders of Claims that subsequently are determined to be Allowed Claims.

Pro Rata Distributions

Distributions allocated on a pro rata basis shall be calculated based solely on Allowed Claims.

Delivery of Distributions

1. Delivery of Distributions

Distributions to holders of Allowed Claims shall be made by the Liquidation Trustee; *provided, however*, that the manner of such distributions shall be determined at the reasonable discretion of the Liquidation Trustee, without further order of the Bankruptcy Court.

2. Address of Record

The address of the holder of a Claim shall be, for purposes of distributions made pursuant to the Plan, the address set forth in any proof of Claim filed by such holder, or, in the absence of such a proof of Claim, the address set forth in the Debtor’s books and records.

3. Undeliverable Distributions

In the event that the distribution to any holder of an Allowed Claim is returned as undeliverable, the Liquidation Trustee will hold such distribution for a period of 90 days after the date upon which distribution was first attempted. If the Liquidation Trustee receives written notice within such 90-day period of such holder's then current address, then the undelivered distribution, without interest, will be made to that address. If no such written notice is received, the Liquidation Trustee, in its sole discretion and after making a reasonable effort to locate the holder's new address, may stop payment on any distribution check remaining unpaid, and any such monies will revert to the Liquidation Trust and be distributed pro rata to the remaining Beneficiaries of the Liquidation Trust according to the priorities set forth in the Plan and the Liquidation Trust Agreement. Any and all distributions that remain undelivered after the 90-day hold period shall be made available for further distribution or abandonment and any Claims represented thereby shall be discharged and forever barred.

4. Distributions Withheld for Disputed Claims

To the extent of any Disputed Claims, the Liquidation Trustee shall reserve Cash from distributions to holders of Allowed Claims equal to the distributions to which holders of Disputed Claims would be entitled if such Disputed Claims become Allowed Claims.

5. Compliance with Tax Requirements/Allocations

In connection with the Plan, to the extent applicable, the Liquidation Trustee shall comply with all tax withholding and reporting requirements imposed on them by any governmental unit, and all distributions pursuant hereto shall be subject to such withholding and reporting requirements. For tax purposes, distributions received by holders in full or partial satisfaction of Allowed Claims will be allocated first to unpaid interest that accrued on such Claims, with any excess allocated to the principal amount of Allowed Claims.

Timing of Distributions

Distributions shall be made by the Liquidation Trustee on such dates as the Liquidation Trustee deems appropriate.

Minimum Distribution

Any other provision of the Plan notwithstanding, the Liquidation Trustee will not be required to make distributions of Cash less than \$25 in value, and each such Claim to which this limitation applies shall be discharged and its holder forever barred from asserting that Claim against the Debtor's Estate or the Liquidation Trust.

Setoffs

The Liquidation Trustee may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant hereto on account of such Allowed Claim (before any distribution is made on account of such Allowed Claim), the Equity Interests, rights and Causes of Action of any nature that the Debtor may hold against the holder of any such Allowed Claim; *provided that* neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtor and the Liquidation Trustee of any such equity interests, rights and Causes of Action that the Debtor may possess against any such holder, except as specifically provided herein.

Prosecution of Claims Objections

Upon further review and investigation of the Claims by the Proponents and the Liquidating Trustee, it may be determined that objections to certain Claims will be warranted. From and after the Effective Date, the Liquidation Trustee will have authority to file, settle, compromise, withdraw or litigate to judgment objections to Claims. The Liquidation Trustee will have standing to file objections to such Claims even if such Claims were scheduled by the Debtor as undisputed, liquidated and non-contingent. The Liquidation Trustee must file objections to such Claims by no later than one year after the Effective Date (unless extended by an order of the Bankruptcy Court); *provided, however*, that the Liquidation Trustee may file objections to amended Claims within ninety (90) days of their filing, even if such period is beyond the one-year Claims objection period. The Liquidation Trustee may settle or compromise any Claim of \$10,000 or less without any further notice to or approval of the Bankruptcy Court.

Claims Estimation

The Liquidation Trustee may, at any time, request that the Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtor has previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to any such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Liquidation Trustee may elect to pursue any supplemental proceedings to object to any ultimate payment on such Claim. All of the aforementioned Claims and objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

Payments and Distributions on Disputed Claims

Notwithstanding any provision herein to the contrary, except as otherwise agreed by the Liquidation Trustee no partial payments and no partial distributions will be made with respect to a Disputed Claim until the resolution of any such disputes by settlement or Final Order. On the date or, if such date is not a Business Day, on the next successive Business Day that is twenty (20) calendar days after the end of the calendar quarter in which a Disputed Claim becomes an Allowed Claim, the holder of such Allowed Claim will receive all payments and distributions to which that holder is then entitled under the Plan. Notwithstanding the foregoing, any holder of both an Allowed Claim and a Disputed Claim in the same Class of Claims will not receive payment or distribution in satisfaction of any such Allowed Claim, except as otherwise agreed by the Liquidation Trustee or ordered by the Bankruptcy Court, until all such Disputed Claims are resolved by settlement or Final Order. In the event that there are Claims that require adjudication or other resolution, the Liquidation Trustee reserves the right to, or shall upon an order of the Bankruptcy Court, establish appropriate reserves for potential payment of any such Claims.

Claims Allowance

Except as expressly provided herein or in any order entered in the Chapter 11 Case prior to the Effective Date (including the Confirmation Order), no Claim shall be deemed Allowed unless and until such Claim is deemed Allowed (i) under the Plan; (ii) by the Liquidating Trustee; or (iii) under the Bankruptcy Code or the Bankruptcy Court has entered a Final Order (including the Confirmation Order) in the Chapter 11 Case allowing such Claim. Except as expressly provided in the Plan or any order entered in the Chapter 11 Case prior to the Effective Date (including the Confirmation Order), the Liquidation Trustee will have and shall retain after the Effective Date any and all rights and defenses that the Debtor had with respect to any Claim as of the Petition Date. All Claims of any Entity subject to section 502(d) of the Bankruptcy Code shall be deemed disallowed as of the Effective Date unless and until such Entity pays in full the amount that it owes the Debtor or Liquidation Trustee.

GENERAL INFORMATION REGARDING THE PLAN

Classification and Treatment of Claims and Interests

In General

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.

ADMINISTRATIVE AND PRIORITY CLAIMS

A. *Administrative Claims*

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, each holder of an Allowed Administrative Claim against the Debtor will be paid the full unpaid amount of such Allowed Administrative Claim in Cash:

(a) if the Claim is Allowed as of the Effective Date, on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (b) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due); (c) at such time and upon such terms as may be agreed upon by such holder and the Liquidation Trustee; 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 Debtor which have either been paid in full or which will have to be paid in cash on or about the Effective Date, excluding priority tax claims, are primarily for Professional Fees and claims allowed under section 503(b)(9) of the Bankruptcy Code. The Debtor believes that Administrative Expenses will be approximately \$1,215,386.90 based upon the following estimations: (1) filed 503(b)(9) claims in the amount of \$232,406.62 and (2) Professional Fees as follows:

Professional	Estimated Fees/Expenses³
Brouse McDowell, LPA – Counsel to Debtor	\$238,926.91
Amherst Capital Partners, LLC – Investment Banker to Debtor	\$253,911.05
Amherst Consulting, LLC – Restructuring Consultant to Debtor	\$371,247.28
Bruner Cox – Accountant to Debtor	\$5,000
Stites & Harbison, PLLC – Special Counsel to Debtor	\$4,698.40
Freeborn & Peters LLP – Counsel to Committee	\$109,196.71

B. *Priority Tax Claims*

1. *Value of Priority Tax Claims.* The value of Priority Tax Claims filed against the Debtor is \$755,997.77. Upon a preliminary review of the Priority Tax Claims, the Debtor believes the value of the Allowed Priority Tax Claims, if any, to be less than \$172,000.00.

³ As of January 31, 2014.

2. *Payments.* Each holder of an Allowed Priority Tax Claim will be paid the full unpaid amount of such Allowed Priority Tax Claim in Cash (a) if such Claim is Allowed as of the Effective Date, on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Priority Tax Claim is due or as soon as practicable thereafter); (b) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter (or, if not then due, when such Allowed Priority Tax Claim is due); (c) at such time and upon such terms as may be agreed upon by such holder and the Liquidation Trustee; or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court.

In accordance with section 1124 of the Bankruptcy Code, and notwithstanding any other provision of the Plan to the contrary, the Plan shall not alter or otherwise impair the legal, equitable, and contractual rights of any holder of a Priority Tax Claim that is not otherwise due and payable on or prior to the Effective Date.

3. *Priority Tax Claims Becoming Due After the Effective Date.* The amount of any Priority Tax Claim that is not otherwise due and payable on or prior to the Effective Date, and the rights of the holder of such Claim, if any, to payment in respect thereof shall: (a) be determined in the manner in which the amount of such Claim and the rights of the holder of such Claim would have been resolved or adjudicated if the Chapter 11 Case had not been commenced; (b) survive after the Effective Date as if the Chapter 11 Case had not been commenced; and (c) not be discharged pursuant to section 1141 of the Bankruptcy Code. In accordance with section 1124 of the Bankruptcy Code, and notwithstanding any other provision of the Plan to the contrary, the Plan shall not alter or otherwise impair the legal, equitable, and contractual rights of any holder of a Priority Tax Claim that is not otherwise due and payable on or prior to the Effective Date.

CLASSIFICATION AND TREATMENT OF NON-PRIORITY CLAIMS AND EQUITY INTERESTS

A. *Summary*

The following is a classification of 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 ²	Percentage Distribution	Classification	Voting
Class 1	\$5,400.00	100%	Unimpaired	Deemed to Accept
Class 2	\$9,282,516.65	100%	Unimpaired	Deemed to Accept
Class 3	\$0	Up to 100%	Unimpaired	Deemed to Accept
Class 4	Unknown	0%- 5%	Impaired	Entitled to Vote
Class 5	Unknown	0%	Impaired	Deemed to Reject

B. *Classification and Treatment of Claims and Equity Interests*

1. *Class 1 – Other Priority Claims*

- (a) *Classification:* Class 1 consists of all Claims having priority under section 507(a) of the Bankruptcy Code, other than Administrative Claims or Priority Tax Claims.
- (b) *Treatment:* On the Effective Date, Class 1 Claims shall receive Cash equal to the full value of their Allowed Claim.
- (c) *Voting:* Class 1 is Unimpaired, and holders of Allowed Class 1 Claims are deemed to accept the Plan.
- (d) *Amount:* The value of each Class 1 Claim, as set forth in the filed proofs of claims is \$330,270. Based on a preliminary review of the Other Priority Claims, the Debtor believes that the value of the Allowed Other Priority Claims is \$5,400.

2. *Class 2 – Secured Claims of FirstMerit*

- (a) *Classification:* Class 2 consists of all Secured Claims of FirstMerit.
- (b) *Treatment:* The holder of the Class 2 Claims has received certain of the net proceeds of the Sale in full satisfaction of all Claims of FirstMerit against the Debtor. The holder of the Class 2 Claims will receive no additional distribution pursuant to the Plan.
- (c) *Voting:* Class 2 Claims are Unimpaired, and the holder of the Class 2 Claims is deemed to accept the Plan.
- (d) *Amount:* The value of the Class 2 Claim is \$9,282,516.65.

3. *Class 3 – Other Secured Claims*

² The Value of Claims, as filed and set forth herein, is subject to adjustment through the claims administration process.

- (a) *Classification*: Class 3 consists of Secured Claims held by parties other than FirstMerit.
- (b) *Treatment*: On or as soon as practicable after the Effective Date, each holder of an Allowed Other Secured Claim against the Debtor will receive, in the sole discretion of the Liquidation Trustee, except to the extent any holder of an Allowed Other Secured Claim agrees to a different treatment, either:
 - (i) the collateral securing such Allowed Other Secured Claim;
 - (ii) Cash in an amount equal to the value of the collateral securing such Allowed Other Secured Claim; or
 - (iii) the treatment required under section 1124(2) of the Bankruptcy Code for such Claim to be reinstated or rendered Unimpaired.
- (c) *Voting*: Class 3 is Unimpaired, and holders of Allowed Class 3 Claims are deemed to accept the Plan.
- (d) *Amount*: The value of the Class 3 Claims, as set forth in the filed proofs of claims, is \$714,718.92. Given the fact that either: (i) ALM has assumed the underlying agreements giving rise to the Other Secured Claims or (ii) the collateral securing such Allowed Other Secured Claim has been or will be returned to the holder of such claim, the Debtor believes the value of the Other Secured Claims to be \$0 and that such holders are unimpaired under the Plan.

4. *Class 4 – General Unsecured Claims*

- (a) *Classification*: Class 4 consists of General Unsecured Claims.
- (b) *Treatment*: Each holder of an Allowed General Unsecured Claim shall receive in full and final satisfaction of such Claim, based on the principal amount of each holders' Allowed Claim, its pro rata share of the Liquidation Trust, exclusive of any amounts payable to the Allowed Professional Fees.
- (c) *Voting*: Class 4 is Impaired, and holders of Allowed Class 4 Claims are entitled to vote on the Plan.
- (d) *Amount*: The value of the Class 4 Claims, as set forth in the filed proofs of claims, is \$12,754,901.22. The value of the Class 4 Claims, as set forth in the Debtor's Schedules of Assets and Liabilities (the "Schedules"), is \$4,830,103.22. Based on a preliminary review of the Claims, the Proponents anticipate a distribution of approximately 0% to 5% to the holders of Class 4 Claims; *provided, however*, this estimation does not include any potential proceeds recovered pursuant to Avoidance Actions. Estimations further assume that any claim relating to the

MEPP Withdrawal Liability filed by the Union or the Board of Trustees (as established in the MEPP) will be reduced to less than \$4,000,000.

5. *Class 5 – Equity Interests*

(a) *Classification*: Class 5 consists of all Equity Interests in the Debtor.

(b) *Treatment*: The Holder of Class 5 Equity Interests shall not be entitled to distributions of any kind on account of such Equity Interests.

(c) *Voting*: Class 5 is Impaired, and holders of Allowed Class 5 Interests are deemed to reject the plan.

C. *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.

D. *Special Provision Governing Unimpaired Claims*

Except as otherwise provided in the Plan, nothing under the Plan shall affect the Debtor'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 or recoupment against any such Unimpaired Claim.

E. *Cramdown*

The Proponents are seeking confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. In connection therewith, the Debtor and the Committee shall be allowed to modify the proposed treatment of the Allowed Claims in any Class that votes to reject the Plan consistent with section 1129(b)(2) of the Bankruptcy Code.

F. *U.S. Trustee Fees*

Pursuant to 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.

G. *Date of Distributions*

Except as otherwise provided herein or as may be ordered by the Bankruptcy Court, the Liquidation Trustee shall make distributions on the Effective Date or as soon as reasonably practicable thereafter on account of all Allowed Claims that are entitled to receive distributions under the Plan, and, from time to time, shall make further distributions to holders of Claims that subsequently are determined to be Allowed Claims.

H. *No Accrual of Postpetition Interest*

Except as otherwise provided in the Plan, no holder of an Allowed Unsecured Claim will be entitled to the accrual of postpetition interest or the payment of postpetition interest on account of such Claim for any purpose.

I. *Executory Contracts and Unexpired Leases*

A. *Assumption and Rejection of Executory Contracts and Unexpired Leases*

Any executory contracts not assumed through the Sale were rejected in the Sale Order. However, to the extent there are any contracts or unexpired leases not rejected by the Sale, such contracts or leases shall be deemed rejected by the Debtor 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.

B. *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 after the earlier of: (1) the date of entry of an order of the Bankruptcy Court approving any such rejection; and (2) 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 Debtor and its Estate, the Liquidation Trust, and their respective successors and assigns, and their assets and properties, unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction.

LIQUIDATION ANALYSIS

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 Debtor was liquidated under chapter 7 of the Bankruptcy Code.

The Debtor sought purchasers for all or substantially all of its assets during the summer of 2013. The Debtor engaged Amherst Partners, a professional consulting firm that specializes in mergers and acquisitions in the middle market. SRS acted as a stalking horse bidder for the purpose of the Sale. After a robust marketing and auction process, the Bankruptcy Court entered the order approving the Sale to ALM and the sale subsequently closed. The purchase price under the ALM sale was \$12,250,000. The proceeds of the Sale were distributed as set forth above, with the majority of proceeds being paid to FirstMerit, in full and final satisfaction of its claims against the Debtor.

If no plan of liquidation is confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code and the Debtor's 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 Debtor's assets for the benefit of creditors, the Proponents believe that the Plan provides a more efficient vehicle to accomplish this goal. The conversion of this case to a case under chapter 7 of the Bankruptcy Code would require the retention of new professionals and likely duplication of effort for work already performed by the professionals retained in the Chapter 11 Case. Further, a new bar date would arise upon conversion of the Chapter 11 Case to a case under chapter 7, thereby further delaying distributions to creditors. 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 Proponents believe 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 Proponents believe that creditors will receive greater and prompter distributions under the Plan than they would receive through a chapter 7 liquidation.

VOTING AND CONFIRMATION OF THE PLAN

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

- (a) the Plan complies with applicable provisions of the Bankruptcy Code including:
(1) the Plan has classified Claims and Interests in a permissible manner; and (2) the disclosure required by section 1125 of the Bankruptcy Code has been made;
- (b) the Proponents have complied with applicable provisions of the Bankruptcy Code;
- (c) the Proponents have proposed the Plan in good faith and not by any means forbidden by law;
- (d) any payment made, or to be made, by the Debtor or any person issuing securities acquiring property under the Plan, for services, costs, and expenses in Debtor's case, or in connection with Debtor's case, has been approved, or subject to approval by the Bankruptcy Court as reasonable;
- (e) the disclosures required under section 1129(a)(5) have been made;
- (f) the Plan has been accepted by the requisite votes of creditors (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code);
- (g) 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, unless each holder of a Claim or Interest in such Class has accepted the Plan;

- (h) if a Class of Claims is Impaired under the Plan, at least one class of Impaired claims has voted to accept the Plan;
- (i) 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 Debtor;
- (j) 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 on the Effective Date).

The Proponents anticipate that the Court will make such findings.

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 “CLASSIFICATION AND TREATMENT OF NON-PRIORITY CLAIMS AND EQUITY INTERESTS.”

The following voting procedures and standard assumptions will be used for purposes of tabulating ballots:

- (a) 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 filed with the Court unless such Claim is listed on the Schedules 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 any final order. If the holder of a Claim submits a ballot, but such holder has not timely filed a proof of Claim *and* (a) such holder’s Claim is listed on the Schedules as contingent, unliquidated, or disputed or (b) 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 Bankruptcy 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.

(b) Pursuant to section 502 of the Bankruptcy Code and Bankruptcy Rule 3018, the Bankruptcy Court may estimate and temporarily allow a Claim for voting or other purposes. The Debtor may seek an order of the Bankruptcy Court temporarily allowing, for voting purposes only, certain Disputed Claims.

(c) 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.

(d) 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, Debtor 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.

(e) 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 CONTAINED ON THE ENCLOSED 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 MARC B. MERKLIN, COUNSEL FOR THE DEBTOR.

Confirmation Hearing

The Bankruptcy Code requires that the Bankruptcy Court, after notice, hold a hearing on whether the Proponents have fulfilled the Confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation hearing has been scheduled for April 29, 2014 at 10:30 A.M. Eastern Time, before the Honorable Marilyn Shea-Stonum, United States Bankruptcy Court, Northern District of Ohio, Eastern Division, 260 U.S. Courthouse, 2 South Main Street, Akron, Ohio 44308. 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.

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: (a) 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 nonaccepting Class, (b) is in the “best interests” of each holder of a Claim or Interest in each impaired Class, (c) is feasible, and (d) complies with the applicable provisions of the Bankruptcy Code.

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, it (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 their Secured Claims. The Proponents believe that, if necessary, 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. If necessary and appropriate, the Proponents intend to modify the Plan to permit cramdown of dissenting Classes of Claims or Interests. 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 to the treatment provided to other Classes of equal rank. The Proponents do not believe that the Plan discriminates 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 Proponents’ ability to modify the Plan to satisfy the provisions of section 1129(b) of the Bankruptcy Code.

Best Interests Test

Each holder of a Claim or Interest in an impaired class must either (i) accept the Plan or (ii) 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 was liquidated under chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the Cash to be issued under the Plan to each holder equals or exceeds the value that would be allocated to the holder in a liquidation under chapter 7 of the Bankruptcy Code. The Proponents believe that the Plan meets this requirement.

FEDERAL INCOME TAX CONSIDERATIONS OF CONSUMMATION OF THE PLAN

General

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 DEBTOR 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.

Federal Income Tax Consequences to Debtor

Reduction of Debtor's Indebtedness

Cancellation of Indebtedness Income. Under the Plan, some of the Debtor's outstanding indebtedness will be satisfied in exchange for cash, and/or other property. The satisfaction of a Claim for an amount of cash and/or other property having a fair market value less than the "adjusted issue price" of the Claim generally would give rise to cancellation of indebtedness ("COD") income to the Debtor.

Generally, the discharge of a debt obligation by a Debtor for an amount less than the adjusted issue price gives rise to COD 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 Bankruptcy Court or pursuant to a plan of reorganization approved by the Bankruptcy Court. The Plan, if approved, would enable the Debtor to qualify for this bankruptcy exclusion rule if it has any COD income.

If debt is discharged in a chapter 11 case, however, certain tax attributes otherwise available and of value to the Debtor are reduced, in most cases by the principal amount of the indebtedness forgiven. Tax attributes subject to reduction include: (a) most credit carryforwards; (b) capital losses and carryforwards; and (c) the tax basis of the Debtor's depreciable and nondepreciable assets.

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 the Debtor.

Federal Income Tax Consequences to Holders

General

The tax consequences of the Plan to a holder of a Claim will depend, in part, on the nature of the Claim, whether the holder is a corporation or an individual, the type 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. If a Claim is restructured under the Plan, the Original Issue Discount ("OID") rules contained in Section 1271 through 1274 of the Code will apply to the restructured debt. The OID rules require that all applicable debt instruments bear a minimum rate of interest that accrues regularly over time. Under Section 1272 of the Code, this regular accrual is an economic accrual based on a minimum yield to maturity of the debt instrument. To the extent that the terms of a restructured debt do not provide for such accrual, the OID rules convert what may be denoted as principal into interest, which is deemed to accrue regularly over time, regardless of when it is actually paid. Even if a restructured debt instrument bears sufficient interest, if such interest is not paid regularly, the OID rules require that the interest be accrued so that it is spread regularly over the term of the restructured debt instrument. Thus, the OID rules may require a holder of a Claim to report income in excess of cash interest received, even when no cash interest is received.

Bad Debt Deduction

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 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.

RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Debtor and the Plan as is legally permissible, including, but not limited to, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;
2. grant or deny any applications for allowance of compensation or reimbursement of expenses for Retained Professionals authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;
3. resolve any matters related to the assumption, assignment or rejection of any executory contract or unexpired lease to which the Debtor is party or with respect to which the Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom;

4. ensure that distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
5. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving the Debtor that may be pending on the Effective Date or instituted by the Liquidation Trustee after the Effective Date;
6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan, the Transaction Documents and all other contracts, instruments, releases, indentures and other agreements or documents adopted in connection with the Plan or the Disclosure Statement;
7. resolve any cases, controversies, suits or disputes that may arise in connection with the Effective Date, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
8. issue injunctions, enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the Effective Date or enforcement of the Plan, except as otherwise provided in the Plan;
9. enforce Article IX of the Plan;
10. enforce the Injunction set forth in Article IX.D of the Plan;
11. resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in Article IX of the Plan, and enter such orders as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;
12. enter and implement such orders as necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;
13. resolve any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document adopted in connection with the Plan or the Disclosure Statement; and
14. enter an order and/or the decree contemplated in Bankruptcy Rule 3022 concluding the Chapter 11 Case.

MISCELLANEOUS PROVISIONS

Bar Dates

1. Retained Professionals' Fees and Final Fee Applications

The deadline for submission by Retained Professionals of applications for Bankruptcy Court approval of Accrued Professional Compensation incurred prior to the entry of the Confirmation Order shall be thirty (30) days after the Effective Date.

Payment of Statutory Fees/Filing on Reports

All fees payable pursuant to section 1930 of title 28 of the United States Code after the Effective Date, as determined by the Bankruptcy Court at a hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid prior to the closing of the Chapter 11 Case on the earlier of when due or the Effective Date, or as soon thereafter as practicable. All quarterly fees will be paid until the Chapter 11 Case is converted, dismissed or a final decree is entered by the Bankruptcy Court.

The Debtor will file all outstanding operating reports within thirty (30) days of the entry of the Confirmation Order. After the Effective Date and until such time as the Chapter 11 Case is converted, dismissed or a final decree is entered by the Bankruptcy Court, the Liquidation Trustee shall be responsible for filing all quarterly post-Confirmation reports required by the United States Trustee. All such quarterly reports shall be filed within thirty (30) days of the end of each quarter.

Successors and Assigns

The rights, benefits and obligations of any Entity named or referred to herein shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of Ohio, without giving effect to the principles of conflict of laws thereof.

Reservation of Rights

Except as expressly set forth herein, the Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order. Neither the filing of the Plan, any statement or provision contained herein, nor the taking of any action by the Debtor, the Committee or any other Entity with respect to the Plan shall be or shall be deemed to be an admission or waiver of

any rights of: (1) the Debtor or the Committee with respect to the holders of Claims or Equity Interests or other parties-in-interest; or (2) any holder of a Claim or other party-in-interest prior to the Effective Date.

Section 1146 Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment.

Section 1125(e) Good Faith Compliance

The Debtor, the Committee, and each of their Representatives, shall be deemed to have acted in "good faith" under section 1125(e) of the Bankruptcy Code.

Further Assurances

The Debtor, Committee, Liquidation Trustee, and all holders of Claims receiving distributions hereunder and all other parties-in-interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

Service of Documents

Any pleading, notice or other document required by the Plan to be served on or delivered to the Debtor or Committee, as applicable, shall be sent by first class U.S. mail, postage prepaid to:

Marc B. Merklin, Esq.
BROUSE McDOWELL
388 S. Main Street, Suite 500
Akron, Ohio 44311

Thomas R. Fawkes, Esq.
FREEBORN & PETERS LLP
311 South Wacker Drive, Suite 3000
Chicago, Illinois 60606

Further Documents

On or before the Effective Date, the Debtor, the Committee or the Liquidation Trustee may file with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

The Confirmation Order shall contain a waiver of any stay of enforcement otherwise applicable, including pursuant to Bankruptcy Rules 3020(e) and 7062.

RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtor and the Committee believe that the Confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtor and the Committee urge all holders of Claims to vote to accept the Plan and to evidence their acceptance by duly completing and returning their ballots to Kate M. Bradley, Brouse McDowell, 388 S. Main Street, Suite 500, Akron, OH 44311 so that they will be received on or before April 25, 2014 at 5:00 p.m., EST.

Respectfully submitted,

EMPIRE DIE CASTING CO., INC.

By: /s/ Robert Spiegle

And

/s/ Marc B. Merklin

Marc B. Merklin (0018195)
Kate M. Bradley (0074206)
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