IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

IN RE:	)	CHAPTER 11 CASE
FALCON STEEL COMPANY, NEW FALCON STEEL, LLC	)	CASE NO. 14-42585-dml-11 CASE NO. 14-42586-dml-11
DEBTORS.	)	**Jointly Administered Under Case No. 14-42585-dml-11**

AMENDED FIRST AMENDED DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE WITH RESPECT TO JOINT PLAN OF REORGANIZATION OF FALCON STEEL COMPANY AND NEW FALCON STEEL, LLC

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Dated: March 3, 2015
Fort Worth, Texas

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Falcon Steel Company and New Falcon Steel, LLC (collectively, the "Debtors"), the debtors and debtors-in-possession in the chapter 11 cases captioned above, submit this Amended First Amended Disclosure Statement Pursuant to Section 1125 of the United States Bankruptcy Code With Respect to the First Amended Joint Plan of Reorganization of Falcon Steel Company and New Falcon Steel, LLC (the "Disclosure Statement"). This Disclosure Statement is to be used in connection with the solicitation of votes on the Amended First Amended Joint Plan of Reorganization of Falcon Steel Company and New Falcon Steel, LLC, dated March ____, 2015 (the "Plan"). A copy of the Plan is attached hereto as **Exhibit "A"**. Unless otherwise defined herein, terms used herein have the meanings ascribed thereto in the Plan (see Article I of the Plan entitled "Definitions").

For a general summary of the proposed treatment of your Claim or Interest under the Plan, please see the chart below.

I. NOTICE TO HOLDERS OF CLAIMS AND INTERESTS

A. Generally

The purpose of this Disclosure Statement is to enable creditors whose Claims are impaired to make an informed decision in exercising their right to vote to accept or reject the Plan.

THIS DISCLOSURE STATEMENT CONTAINS INFORMATION THAT MAY BEAR UPON YOUR DECISION TO ACCEPT OR REJECT THE PLAN. PLEASE READ THIS DOCUMENT WITH CARE.

On _____, 2015, the Bankruptcy Court entered an order pursuant to section 1125 of the Bankruptcy Code (the "Disclosure Statement Order") approving this Disclosure Statement as containing information of a kind, and in sufficient detail, adequate to enable a hypothetical, reasonable investor, typical of the solicited holders of Claims against and Interests in the Debtors, to make an informed judgment with respect to the acceptance or rejection of the Plan. A copy of the Disclosure Statement Order is included in the materials accompanying this Disclosure Statement. APPROVAL OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT DOES NOT CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT REGARDING THE FAIRNESS OR MERITS OF THE PLAN.

Each holder of a Claim or Interest entitled to vote to accept or reject the Plan should read this Disclosure Statement and the Plan in their entirety before voting. No solicitation of votes to accept or reject the Plan may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. Except for the Debtors and their professionals, no person has been authorized to use or promulgate any information concerning the Debtors, their business, or the Plan, other than the information contained herein, in connection with the solicitation of votes to accept or reject the Plan. No holder of a Claim entitled to vote on the Plan should rely upon any information relating to the Debtors, their business, or the Plan other than that contained in the Disclosure Statement and the exhibits hereto. Unless otherwise indicated, the source of all information set forth herein is the Debtors.

After carefully reviewing this Disclosure Statement, including the attached exhibits, please indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the enclosed ballot and returning the same to the address set forth on the ballot, in the

enclosed return envelope so that it will be received by the Debtors' counsel, no later than 5:00 p.m., Central Time, on _____, **2015**.

If you do not vote to accept the Plan, or if you are the holder of an unimpaired Claim or Interest, you may be bound by the Plan if it is accepted by the requisite holders of Claims or Interests. See "Confirmation of the Plan – Solicitation of Votes; Vote Required for Class Acceptance" and "Cramdown" below.

TO BE SURE YOUR BALLOT IS COUNTED, YOUR BALLOT MUST BE RECEIVED NO LATER THAN 5:00 P.M., CENTRAL TIME, ON _____, **2015**. For detailed voting instructions and the name, address, and phone number of the person you may contact if you have questions regarding the voting procedures, see "Confirmation of the Plan – Solicitation of Votes; Voting Procedures – Parties In Interest Entitled to Vote" below.

Pursuant to section 1128 of the Bankruptcy Code, the Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan (the "Confirmation Hearing"), on _____, **2015, at _____ __.m.,** Central Time, in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be filed and served on or before 5:00 p.m., Central Time, _____, **2015**, in the manner described under the caption, "Confirmation of the Plan – Confirmation Hearing" below.

THE DEBTORS SUPPORT CONFIRMATION OF THE PLAN AND URGE ALL HOLDERS OF IMPAIRED CLAIMS AND INTERESTS TO VOTE TO ACCEPT THE PLAN.

B. Summary of Treatment Under The Plan

The following is an estimate of the numbers and amounts of classified Claims and Interests to receive treatment under the Plan, and a summary of the proposed treatment of such Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and to the Plan for a complete description of the classification and treatment of Claims and Interests.

The bar date for filing proofs of claim was November 6, 2014. The table below is drawn from the Debtors' Schedules and filed Proofs of Claim. The final universe of claims, as actually Allowed, may differ from this table.

Class	Treatment
Class 1 - Secured Tax Claims **Estimated Amount: $457,433.86** **Estimated Holders: 2**	Impaired • Each holder of an Allowed Secured Tax Claim shall retain its Liens and shall be paid the amount of such holder's Allowed Claim, plus interest, (a) in one Cash payment on the Distribution Date; (b) in substantially equal annual Cash payments, beginning on the first day of the first month after the initial Distribution Date and continuing annually thereafter until the last anniversary thereof that precedes June 29, 2019; or (c) pursuant to such other treatment as may be agreed to in writing by the holder of the Allowed Secured Tax Claim and the Debtors. • Interest on each Allowed Secured Tax Claim shall accrue from the date of tax delinquency until the Effective Date at 1% per month, and beginning on the day after the Effective Date, at 12% per annum. Estimated Recovery: 100% of Allowed Claim
Class 2 – Bank Secured Claim **Estimated Amount: $17,500,000*** **Holders: 1** ***The Bank asserts an aggregate claim of at least $17,266,826.90 as of the Petition Date (See Claim No. 77 and Addendum). As of December 31, 2014, the Bank asserts an aggregate claim of at least $19,011,671.77.**	Impaired • In full satisfaction of the Allowed Bank Secured Claim, the Debtors shall execute the New Bank Loan in the original principal amount of $17,500,000. • The New Bank Loan may be evidenced by more than one new term note payable at 5% interest with a 15-year amortization. The notes shall mature 5 years after the Effective Date. • In addition to the amortization described above, the Debtors shall pay to the Bank 35% of any Available Net Cash Flow on a yearly basis plus 75% of net proceeds of the Miscellaneous Assets. **Estimated Recovery: 100% of Allowed Claim**

Class	Treatment
Class 3 – Other Secured Claims **Estimated Amount: $37,567.28** **Estimated Holders: 1**	Impaired • The holder of each Allowed Other Secured Claim shall receive, on or as soon as practicable after the Distribution Date, either (a) return of the Collateral securing such Other Secured Claim in full satisfaction of such Other Secured Claim; (b) payment in Cash in an amount equivalent to the lesser of (i) the value of such Collateral or (ii) the full amount of the Other Secured Claim; (c) treatment of such Other Secured Claim in accordance with sections 1124(2) or 1129(b)(2) of the Bankruptcy Code; or (d) such other treatment as may be agreed to in writing by the holder of such Other Secured Claim and the Debtors. **Estimated Recovery: 100% of Allowed Claim**
Class 4 - Priority Non-Tax Claims **Estimated Amount: $52,882.00** **Estimated Holders: 252**	Unimpaired • Each holder of an Allowed Priority Non-Tax Claim, consisting of accrued employee leave, shall retain such benefits from and after the Effective Date in accordance with the Debtors' current employee policies and practices. **Estimated Recovery: 100% of Allowed Claim**
Class 5 – Convenience Claims **Estimated Amount: $47,273.26** **Total Holders: 91**	Impaired • Each holder of an Allowed Convenience Claim shall be paid a sum equal to 100% of such Convenience Claim within thirty (30) days after the Effective Date of the Plan. **Estimated Recovery: 100%**

Class 6 – General Unsecured Claims **Estimated Amount: $5,309,000[1]** **Total Holders: 110**	Impaired • Each holder of an Allowed General Unsecured Claim shall receive (a) quarterly payments in accordance with a 5-year amortization schedule at 5% interest and (b) a pro rata portion of 25% of the proceeds from liquidation of the Miscellaneous Assets to the extent payments in (a) remain unpaid. • Any Class 6 creditor may agree to less favorable payment terms than as described above. For instance, by agreement, WesTech will be paid $300,000 of its Allowed Claim over the 5-year amortization period described above, and will receive the $200,000 balance of its claim at the end of such 5-year period. • In addition to trade creditors, this Class includes current or former employees who received a promissory note from Falcon before the Petition Date for the purchase of stock, defined in the Plan as holders of Promissory Note Claims. • For the avoidance of doubt, this Class does not include current or former employees who currently retain stock and were not issued a promissory note from Falcon before the Petition Date for the purchase of stock and do not otherwise hold an Unsecured Claim. • The Debtors will not pursue causes of action arising or relating to any transfer by the Debtors on account of the Debtors' STA (Stock Transfer Agreement) or any promissory note issued or other obligations arising in connection therewith and will not seek to subordinate or recharacterize the debt of Allowed Promissory Note Claims, except as otherwise provided in **Exhibit "E"** attached hereto and **Schedule 7.11** of the Plan with respect to David Smith, John Janczak and other former or current officers and directors of the Debtors. The Debtors do not think it is appropriate to bring actions of this nature as the benefit would distract from the business. If the Plan fails or the case is converted, new management or a trustee may have a different view and could potentially, subject to applicable statute of limitations, bring such

Class	Treatment
	actions. • Notwithstanding anything contained herein to the contrary, and for the avoidance of doubt, no Avoidance Action (including, without limitation, under section 510(b) of the Bankruptcy Code) shall be filed or prosecuted against David McKinney, Guy Stanton, Jack Wilcox, James Whiteley, Joe Handley, Johnny Frost, Kay Handley, Larry Swagger, Nolan Williams, Patricia Gruene, Robert Rice or Susan Gray-Frank on account of the issuance to any of them of a promissory note issued pursuant to the STA (Stock Transfer Agreement) or any payments made pursuant to any such promissory note, except in the event that the bankruptcy case is converted to Chapter 7. For the further avoidance of doubt, the foregoing does not include any other Retained Cause of Action, which such other Retained Causes of Action the Debtors specifically preserve and reserve any and all right to file and prosecute against any person. • The Debtors' intentions with respect to Retained Causes of Action, including STA Causes of Action, are clarified and reflected in **Exhibit "E"** attached to the Disclosure Statement and in **Schedule 7.11** to the Plan. All Class 6 creditors are encouraged to closely review such documents, as well as Section VIII.B.11 below and Section 7.11 of the Plan for the most current information regarding Retained Causes of Action. **Estimated Recovery: 100%**

[1] This estimate represents the Debtors' current estimate of unsecured claims that ultimately will be allowed. Interested parties should be advised that the final amount of allowed general unsecured claims could vary significantly from the amount estimated above. This estimate also includes an Allowed Claim of Western Technologies, Inc. ("WesTech") in the amount of $500,000, as discussed in more detail in Section IV.F of this Disclosure Statement. As provided therein, WesTech has agreed that $300,000 of its Allowed Claim will be amortized over five (5) years along with other Class 6 Claimants, and the remaining $200,000 will be paid at the conclusion of such 5-year period. Although the $500,000 WesTech Claim has not been included in the Debtors' projections provided in Exhibit "B", the Debtors do not believe that the additional $300,000 to be amortized over the first five (5) years of the Plan will materially impact the viability of the projections.

Class	Treatment
Class 7 – Interests in the Debtors **Total Holders: 24**	Impaired • Each holder will retain their Interests in full satisfaction of their Interests and any Claim related to the STA (defined as the Stock Transfer Agreement dated July 1, 1992). • The STA (Stock Transfer Agreement) shall be deemed terminated on the Effective Date and the New STA (New Stock Transfer Agreement) will become effective. See Section VIII.B.8 below for an overview of the New STA. • No payments or other distributions shall be made on account of Interests unless and until all Allowed Claims in Classes 1 through 6 have been paid in full. • The Plan provides that the Debtors retain the right to sue certain Persons who are current or former holders of Interests even after the confirmation of the Plan and even if such holders vote to accept the Plan. Schedule 7.11 attached to the Plan includes a description of the Retained Causes of Action and a list of some of the Potential Parties (as defined therein). Holders of Interests are encouraged to closely review **Exhibit "E"** to this Disclosure Statement and **Schedule 7.11** attached to the Plan, as well as section VIII.B.11 of this Disclosure Statement and Section 7.11 of the Plan.

The total universe of Claims and holders of Interests, as ultimately Allowed, may be greater or smaller than as reflected in the above analysis.

II. EXPLANATION OF CHAPTER 11

A. Overview of Chapter 11

Chapter 11 is the principal reorganization chapter of the Bankruptcy Code. Pursuant to chapter 11, the debtor-in-possession attempts to reorganize its business for the benefit of the debtor, its creditors, and other parties in interest. The present cases commenced with the filing of voluntary chapter 11 petitions by the Debtors on June 29, 2014.

The commencement of a chapter 11 case creates an estate comprising all the legal and equitable interests of the debtor in property as of the date the petition is filed. Sections 1101, 1107, and 1108 of the Bankruptcy Code provide that a debtor may continue to operate its

business and remain in possession of its property as a "debtor in possession" unless the bankruptcy court orders the appointment of a trustee. In the present cases, the Debtors have remained in possession of their properties and have continued to operate their business as debtors-in-possession.

The filing of a chapter 11 petition also triggers the automatic stay provisions of the Bankruptcy Code. Section 362 of the Bankruptcy Code provides, *inter alia,* for an automatic stay of all attempts to collect pre-petition claims from the debtor or otherwise interfere with its property or business. Except as otherwise ordered by the bankruptcy court, the automatic stay remains in full force and effect until the effective date of a confirmed plan of reorganization.

The formulation of a plan of reorganization is the principal purpose of a chapter 11 case. The plan sets forth the means for satisfying the claims against and interests in the debtor. Generally, unless a trustee is appointed, only the debtor may file a plan during the first 120 days of a chapter 11 case (the "Exclusive Period"). However, section 1121(d) of the Bankruptcy Code permits the court to extend or reduce the Exclusive Period upon a showing of "cause." After the Exclusive Period has expired, a creditor or any other party in interest may file a plan, unless the Debtors has filed a plan within the Exclusive Period, in which case, the Debtors is generally given 60 additional days (the "Solicitation Period") during which it may solicit acceptances of its plan. The Solicitation Period may also be extended or reduced by the court upon a showing of "cause."

B. Plan of Reorganization

Although referred to as a plan of reorganization, a plan may provide anything from a complex restructuring of a debtor's business and its related obligations to a simple liquidation of the debtor's assets. In this case, the Plan, as proposed by the Debtors, provides for full payment, over time, of all secured and unsecured claims. Interests in the Debtors shall remain in place.

After a plan of reorganization has been filed, the holders of impaired claims against or interests in a debtor are permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, section 1125 of the Bankruptcy Code requires the debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. This Disclosure Statement is presented to holders of Claims against and Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

If all classes of claims and interests accept a plan of reorganization, the bankruptcy court may nonetheless still not confirm the plan unless the court independently determines that the requirements of section 1129 of the Bankruptcy Code have been satisfied. Section 1129 sets forth the requirements for confirmation of a plan and, among other things, requires that a plan meet the "best interests of creditors" test and be "feasible." The "best interests of creditors" test generally requires that the value of the consideration to be distributed to the holders of claims and Interests under a plan may not be less than those parties would receive if the debtor were liquidated pursuant to a hypothetical liquidation occurring under chapter 7 of the Bankruptcy Code. Under the "feasibility" requirement, the court generally must find that there is a reasonable probability that the debtor will be able to meet its obligations under its plan without the need for further financial reorganization.

The Debtors believe that the Plan satisfies all the applicable requirements of section

1129(a) of the Bankruptcy Code, including, in particular, the "best interests of creditors" test and the "feasibility" requirement. The Debtors support confirmation of the Plan and urge all holders of impaired Claims to accept the Plan.

Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the bankruptcy court to confirm the plan. At a minimum, however, the plan must be accepted by a majority in number and two-thirds in amount of those claims actually voting in at least one class of impaired claims under the plan. The Bankruptcy Code also defines acceptance of the plan by a class of Interests (equity securities) as acceptance by holders of two-thirds of the number of shares actually voting. In the present case, only the holders of Claims or Interests who actually vote will be counted as either accepting or rejecting the Plan.

In addition, classes of claims or Interests that are not "impaired" under a plan of reorganization are conclusively presumed to have accepted the plan and thus are not entitled to vote. Accordingly, acceptances of a plan will generally be solicited only from those persons who hold claims or Interests in an impaired class. A class is "impaired" if the legal, equitable, or contractual rights attaching to the claims or Interests of that class are modified in any way under the plan. However, if holders of the claims or Interests in a class do not receive or retain any property on account of such claims or Interests, then each such holder is deemed to have voted to reject the plan and does not actually cast a vote to accept or reject the plan.

All Classes except Class 4 are impaired under the Plan. Therefore, each holder of a Claim or Interest in any Class, except Class 4, is entitled to vote on the Plan. Class 4 is unimpaired and is deemed to have accepted the Plan.

The bankruptcy court may also confirm a plan of reorganization even though fewer than all the classes of impaired claims and interests accept it. For a plan of reorganization to be confirmed despite its rejection by a class of impaired claims or interests, the proponents of the plan must show, among other things, that the plan does not "discriminate unfairly" and that the plan is "fair and equitable" with respect to each impaired class of claims or interests that has not accepted the plan.

Under section 1129(b) of the Bankruptcy Code, a plan is "fair and equitable" as to a class of rejecting claims if, among other things, the plan provides: (a) with respect to secured claims, that each such holder will receive or retain on account of its claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim; and (b) with respect to unsecured claims and interests, that the holder of any claim or Interest that is junior to the claims or Interests of such class will not receive or retain on account of such junior claim or Interest any property at all unless the senior class is paid in full.

A plan does not "discriminate unfairly" against a rejecting class of Claims if (a) the relative value of the recovery of such class under the plan does not differ materially from that of any class (or classes) of similarly situated Claims, and (b) no senior class of Claims is to receive more than 100% of the amount of the Claims in such class.

The Debtors believe that the Plan has been structured so that it will satisfy these requirements as to any rejecting Class of Claims, and can therefore be confirmed, if necessary, over the objection of any Classes of Claims. The Debtors, however, reserves the right to request confirmation of the Plan under the "cramdown" provisions of section 1129 of the Bankruptcy Code.

III. THE DEBTORS AND THEIR BUSINESS

A. The Debtors

Falcon Steel Company ("Falcon") is a Texas corporation founded 51 years ago in Fort Worth, Texas by C. W. Minnis, Hubert I "Pete" Allen, Sr., and J. R. Johnston. Falcon is a designer and fabricator of quality steel structures to include custom-engineered solutions and technical advice. Falcon operates three locations:

- Euless Division operates in a 38,980 SF industrial building complex on approximately 5.69 acres located at 3501 House Anderson Road, Euless, Texas 76040
- Haltom City Division operates in a 114,435 SF industrial building complex on approximately 17.98 acres located at 4201 Old Denton Road, Haltom City, Texas 76117
- Kaufman Division operates in a 91,172 SF industrial building complex on approximately 23.67 acres located at 1400 Rand Road, Kaufman, Texas 75142

Falcon's collective workforce consists of approximately 243 employees.

Falcon's contracts are awarded through competitive bidding basis. Contract terms and rates vary depending on competitive conditions, geographical area, customization and services to be supplied, and anticipated duration of the work to be performed.

Twenty-four (24) current and former employees with various percentages of ownership privately hold Falcon.

New Falcon Steel, LLC ("New Falcon") is a wholly owned subsidiary of Falcon. New Falcon was initially formed in 2012 as a joint venture between Falcon and a foreign entity to construct a new manufacturing facility with operations similar to those of its parent company. In March 2013, Falcon acquired all of the equity interest in New Falcon. In June 2013, New Falcon's operations were suspended indefinitely.

B. Debtors' Management

The Debtors are managed by James "Jim" T. Taylor, Chief Executive Officer and President; and Larry Minor, Executive Vice President, GM Kaufman Division. The Debtors' Board of Directors consist of James "Jim" T. Taylor, Chairman; Larry Minor, Secretary; and David Dunlap, Member at Large.

C. Pre-Petition Financing Structure

As of the Petition Date, Falcon was indebted to Texas Capital Bank, N.A. (the "Bank") in the approximate total amount of $16,049,000, pursuant to a Loan Agreement dated November 21, 2006, as amended, and various obligations, as follows (collectively, the "Loans"):

- Revolving Note dated February 15, 2014 in the original principal amount of $15,000,000, which has a current outstanding balance of approximately $12,797,000 ("Revolver"),
- Term Note in the original principal amount of $1,700,000, which has a current

outstanding balance of approximately $1,158,000 ("Term A Note"),

- Term Note in the original principal amount of $800,000, which has a current outstanding balance of approximately $241,000 ("Term B Note"),

- Promissory Note in the original principal amount of $1,000,000, which has a current outstanding balance of approximately $318,000 (the "Equipment Loan"), and

- Term Note in the original principal amount of $2,000,000, which has a current outstanding balance of approximately $1,535,000 ("Term C Note").

The Loans are secured by, among other things, Falcon's accounts, inventory, equipment, and real property, as well as the assets of New Falcon Steel. The Bank asserts an aggregate claim of at least $17,266,826.90 as of the Petition Date (See Claim No. 77 and Addendum). As of December 31, 2014, the Bank asserts an aggregate claim of at least $19,011,671.77.

The Bank asserted an aggregate claim of at least $17,266,826.90 as of the Petition Date (See Claim No. 77 and Addendum). As of December 31, 2014, the Bank asserts an aggregate claim of at least $19,011,671.77 including accrued post-petition interest and fees. The Debtor asserts the Bank is oversecured. Accordingly, the Bank is entitled to post-petition interest, fees, costs and charges pursuant to Section 506(b) of the Bankruptcy Code. The Bank has agreed to compromise its claim amount at $17,500,000 subject to the terms and conditions of the Plan. In light of the Bank's compromise on its claim amount, the Debtor believes the release of any claims against the Bank are in the best interest of the estate and creditors. Additionally, the Debtor and Committee investigated the extent, priority, and validity of the liens asserted by the Bank against the Debtors' real and personal property, and other claims that may exist against the Bank, including potential lender liability claims. In resolution of any potential claims against the Bank, and in addition to the reduction of the Bank's claim explained above, the Bank agrees that 25% of the net proceeds of the liquidation of the Miscellaneous Assets shall be earmarked and paid pro rata to Class 6 Creditors toward payment of their Allowed Claims. The Debtors and Committee believe that this is a reasonable, fair, and cost-beneficial result that maximizes the Debtors' value for the benefit of creditors and Interest holders.

D. Continued Use of Bank's Cash Collateral

Following the Petition Date, the Debtors reached interim and financial agreements with the Bank to allow the Debtors to continue to use the Bank's cash collateral for business operations in exchange for the Bank's receiving, among other things, a replacement lien in all new cash collateral generated by the Debtors. These cash collateral agreements were approved by the Bankruptcy Court and memorialized by orders entered by the Bankruptcy Court on July 2, 2014 (Docket No. 18), July 17, 2014 (Docket No. 37); July 28, 2014 (Docket No. 60); and August 29, 2014 (Docket No. 109, extended by Stipulation at Docket No. 243).

E. Debtor-in-Possession Financing

The Debtors have not required, sought, or received any debtor-in-possession financing apart from the continued use of the Bank's cash collateral.

IV. THE CHAPTER 11 CASES

A. Factors Leading To Chapter 11 Filing

Falcon had completed an extensive and very successful four-year project with Oncor Electric, but failed to prepare adequately for the ramp down and the decreasing sales pipeline. Falcon lost approximately $7 million in investments in land and equipment for the New Falcon venture, which in the end did not prove viable. Falcon retained James "Jim" T. Taylor as its Chief Restructuring Officer (CRO) to assist Falcon in devising a new business strategy to enable Falcon to proceed forward. Through this process, Falcon started implementing operational changes consistent with a refocused business plan, which included lowering costs and stabilizing and growing revenues.

The Bank Loans matured on February 15, 2014. Over the next several months, Falcon and the Bank engaged in extensive negotiations for the purpose of entering into a forbearance agreement. Falcon and the Bank did not finalize a forbearance agreement. On June 26, 2014, the Bank offset approximately $1.4 million in cash from Falcon's operating account. The Bank's actions left Falcon with very little cash for operations in the short run and with few options other than to file an emergency chapter 11 bankruptcy.

B. Commencement of the Chapter 11 Cases

The Debtors filed for bankruptcy protection on June 29, 2014. The bankruptcy cases are pending before the United States Bankruptcy Court for the Northern District of Texas. The case number for the lead bankruptcy case is 14-42585. The bankruptcy cases are currently assigned to United States Bankruptcy Judge D. Michael Lynn.

C. The Debtors' Professionals

The Debtors' bankruptcy counsel in the case is Forshey & Prostok, LLP, 777 Main Street, Suite 1290, Fort Worth, Texas 76102. The Debtors' accountants are Rylander, Clay & Opitz, LLP, 3200 Riverfront Drive, Fort Worth, Texas 76107. In addition, the Bankruptcy Court has authorized the Debtors to engage Greater Yield, Ltd., 15851 North Dallas Parkway, Suite 600, Addison, Texas 75001, as management and operations consultants; Western Operations LLC, 3100 West 7th Street, Suite 300, Fort Worth, Texas 76107, as financial consultants; and Ryan, LLC, 13155 Noel Road, Suite 100, Dallas, Texas, as property tax consultants. No other professionals of the Debtors have been retained in this case.

D. Post-Petition Operations and Events

Since the commencement of their chapter 11 cases, the Debtors are implementing a business strategy that will ensure the Debtors' financial stability. Prior to filing of bankruptcy, the Debtors hired an outside operational improvement firm to focus on shortening the time it takes to make the product, while improving the quality and reduce cost both in variable- and fixed-cost areas throughout the organization. The Debtors have made substantial progress in all the above areas plus have been able to make the bid process more effective resulting in a substantial backlog increase and filing the current capacity of the three locations thru the next six (6) months. In addition, since the filing, the Debtors have been awarded a number of bids including two large master supplier agreements, one for three (3) years and one for five (5) years. The Debtors now have five (5) master supplier agreements allowing the Debtors to forecast with much more accuracy and to ensure a consistent positive backlog. With minor capital projects

completed in the last three months, the Debtors are now in a position to expand their galvanizing business as well as diversify and re-enter the steel pole business.

Because the Debtors have maintained open and positive communications with their vendors, the accounts payable post-petition are very small. This will allow the Debtors the ability to quickly expand production as soon as the Debtors leave bankruptcy.

The Debtors will continue to focus on their core businesses of TXDOT work, transmission towers, transmission poles and substation structures for the utility industry.

E. Success of the Debtors' Business Post-Restructuring

The Debtors anticipate that their business will perform successfully going forward and that they will be able to meet their obligations, including the payments required under the Plan and their ongoing operating expenses. The Debtors' belief is supported by the financial projections attached to the Disclosure Statement as **Exhibit "B"**. The financial projections represent the projected income and expenses for the Debtors over the next five years through the end of the fiscal third quarter of 2019. The projections are a culmination of the Debtors' historical sales and expense information, certain assumptions relating to market conditions going forward as set forth herein and in the projections, and substantial analysis and evaluation of Debtors' management. The Debtors believe that the projections provide an accurate, if slightly conservative, estimate of the Debtors' financial future. The Debtors encourages parties to review Exhibit "B" in detail.

F. Compromise with Western Technologies, Inc. ("WesTech")

In its bankruptcy schedules, New Falcon listed WesTech as having a disputed claim in the amount of $0.00. WesTech filed a Proof of Claim for an unsecured claim in the amount of $1,310,821. The Proof of Claim was based on an alleged contract between WesTech and New Falcon for the fabrication of a galvanizing plant, including supplying the Debtor with six (6) large rectangular galvanizing tanks (the "Tanks"). The Debtors filed an objection to the WesTech Proof of Claim and WesTech filed a motion for allowance and to estimate the Claim for Plan purposes. The Debtors and WesTech have agreed, subject to Bankruptcy Court approval, to compromise the disputed claim as provided in the Stipulation Regarding the Claim of Western Technologies, Inc. attached hereto as **Exhibit "D"** (the "WesTech Stipulation"). As provided in the WesTech Stipulation, WesTech shall have an Allowed General Unsecured Claim in the amount of $500,000 (the "WesTech Claim") and shall transfer title to the Tanks to the Debtors upon approval of the WesTech Stipulation. The WesTech Claim will be treated as a Class 6 Claim, except that $300,000 of the WesTech Claim shall be amortized and paid over five (5) years along with other Class 6 Claimants, and the balance of $200,000 shall be paid at the end of such period, as provided in the WesTech Stipulation.

V. LITIGATION INVOLVING THE DEBTORS

Except as expressly set forth in the Plan, all causes of action, claims, counterclaims, defenses and rights of offset or recoupment (including but not limited to all Estate Claims, Estate Defenses and Avoidance Actions) belonging to the Debtors shall, upon the occurrence of the Effective Date, be retained by, received by and vested in the respective Reorganized Debtors for the benefit of the Debtors and the Debtors' estates. Except as expressly set forth in the Plan, the rights of the Reorganized Debtors to commence, prosecute or settle such causes of action shall be preserved notwithstanding the occurrence of the Effective Date. **No Person**

may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any cause of action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available causes of action (including all Estate Claims, Estate Defenses and Avoidance Actions) against them. The Debtors and their estates expressly reserve all rights to prosecute any and all causes of action (including all Estate Claims, Estate Defenses and Avoidance Actions) against any Person, except as otherwise provided in the Plan. Unless any causes of action against a Person are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, the Debtors expressly reserve all causes of action (including all Estate Claims, Estate Defenses and Avoidance Actions) for later adjudication, and, therefore, no preclusion doctrine, including without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such causes of action upon or after the confirmation or consummation of the Plan. The Debtors and the Reorganized Debtors may also assert Estate Defenses as a defense to the allowance of any Claim not otherwise Allowed.

VI. THE PLAN

A. Classification and Treatment Summary

THE FOLLOWING IS A SUMMARY OF THE MATTERS CONTEMPLATED TO OCCUR EITHER PURSUANT TO OR IN CONNECTION WITH THE CONSUMMATION OF THE PLAN. THIS SUMMARY HIGHLIGHTS THE SUBSTANTIVE PROVISIONS OF THE PLAN AND IS NOT, NOR IS IT INTENDED TO BE, A COMPLETE DESCRIPTION OR A SUBSTITUTE FOR A FULL AND COMPLETE REVIEW OF THE PLAN. THE FOLLOWING SUMMARY IS COMPLETELY QUALIFIED BY THE TERMS OF THE PLAN. IN THE EVENT OF ANY CONFLICT BETWEEN THE FOLLOWING SUMMARY AND THE PLAN, THE PLAN WILL CONTROL.

The Plan classifies the various Claims against and Interests in the Debtors. These Classes take into account the different nature and priority of Claims against and Interests in the Debtors. In addition, in accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expenses and certain Priority Claims (other than Priority Tax Claims) are not classified for purposes of voting or receiving distributions under the Plan. Rather, all such Claims are treated separately as unclassified Claims.

1. Unclassified Claims Against the Debtors

Unclassified Claims against the Debtors consist of Administrative Expenses, Priority Tax Claims, and certain fees payable to the United States Trustee. This includes both ordinary post-petition business expenses and Claims attributable to the Debtors' Professionals.

Trade debt will be paid in the ordinary course of business. Fees and expenses owed to the Debtors' Professionals are payable upon the allowance of an appropriate fee application.

An Administrative Expense is any cost or expense of administration of the Chapter 11 Cases allowed under subsections 503(b) and 507(a)(2) of the Bankruptcy Code, including, without limitation, any actual and necessary expenses of preserving the estate of the Debtors, any actual and necessary expenses of operating the business of the Debtors, all compensation or reimbursement of expenses to the extent allowed by the Bankruptcy Court under section 330 or 503 of the Bankruptcy Code, and any fees or charges assessed against the estate of the

Debtors under section 1930, chapter 123 of title 28 of the United States Code.

a. Administrative Expenses

All Administrative Expenses against the Debtors shall be treated as follows:

Payment. Each holder of an Allowed Administrative Expense shall receive, at the Reorganized Falcon's option, (i) the amount of such holder's Allowed Administrative Expense in one cash payment on the later of the Effective Date or the tenth (10th) Business Day after such Claim becomes an Allowed Claim, (ii) the amount of such holder's Allowed Administrative Expense Claim in accordance with the ordinary business terms of such expense or cost, or (iii) such other treatment as may be agreed to in writing by such Administrative Expense Creditor and Reorganized Falcon, or as ordered by the Bankruptcy Court.

Procedure for Filing. Unless the Bankruptcy Court orders to the contrary or Reorganized Falcon agrees to the contrary in writing, the holder of a Claim for an Administrative Expense, other than such a Claim by a Professional, a liability incurred and paid in the ordinary course of business by the Debtors, or an Allowed Administrative Expense, shall file with the Bankruptcy Court and serve upon Reorganized Falcon and its counsel a written notice of such Claim for an Administrative Expense within thirty (30) days after the Effective Date. Such notice shall include at a minimum: (i) the name, address, telephone number and fax number (if applicable) of the holder of such Claim, (ii) the amount of such Claim, and (iii) the basis of such Claim (including any documentation evidencing or supporting such Claim). FAILURE TO TIMELY AND PROPERLY FILE AND SERVE SUCH NOTICE SHALL RESULT IN SUCH CLAIM FOR AN ADMINISTRATIVE EXPENSE BEING FOREVER BARRED, DISALLOWED AND DISCHARGED WITHOUT FURTHER ORDER OF THE BANKRUPTCY COURT.

Allowance. A Claim for an Administrative Expense, for which a proper notice was filed and served in accordance with the Plan, shall become an Allowed Administrative Expense Claim if no Objection is filed within thirty (30) days of the filing and service of such notice. If a timely Objection is filed, the Claim shall become an Allowed Administrative Expense Claim only to the extent allowed by a Final Order.

Professionals' Fees and Expenses. The procedures set forth above for filing and allowance of Administrative Expenses shall not apply to Professionals, who shall each file and submit a final fee application to the Bankruptcy Court no later than sixty (60) days after the Effective Date. A Claim for Administrative Expense by a Professional in respect of which a final fee application has been properly filed and served shall become an Allowed Administrative Expense Claim only to the extent allowed by Final Order and, if so Allowed, shall be paid in accordance with the Plan. Professional fees and expenses to any Professional incurred on or after the Effective Date may be paid without necessity of application to or order by the Court.

Ordinary Course of Business. The procedures for filing a proof of administrative expense shall not apply to expenses incurred by the Debtors in the ordinary course of the Debtors' business.

The Debtors estimate the amount of Administrative Expense claims as of the filing of the Disclosure Statement to be approximately $1,604,478, including Professional fees and expenses (although the same are subject to approval). Assuming that no objection to confirmation of the Plan is filed, the Debtors estimate the amount of Administrative Expense claims through the Effective Date of the Plan to be $1,868,228, including Professional fees and

expenses.

b. Priority Tax Claims

Each holder of an Allowed Priority Tax Claim shall receive, at the Debtors' option, (a) the amount of such holder's Allowed Claim in one Cash payment on the Distribution Date; (b) the amount of such holder's Allowed Claim, in substantially equal annual Cash payments on each anniversary of the Distribution Date with interest thereon at the non-default statutory rate applicable to the tax in question, without penalties, until the last anniversary of the Distribution Date that precedes June 29, 2019; or (c) such other treatment as may be agreed to in writing by the holder of the Priority Tax Claim and the Debtors.

The Debtors estimate the amount of Priority Tax Claims as of the filing of this Disclosure Statement to be approximately $0.

c. Trustee's Fees

The Reorganized Debtors shall pay the U.S. Trustee's quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6). Any fees due as of the Confirmation Date shall be paid in full on the Effective Date. After the Confirmation Date, each Reorganized Debtor shall pay quarterly fees as they accrue until a final decree is entered and its bankruptcy case is closed. The Reorganized Debtors shall file with the Bankruptcy Court and serve on the U.S. Trustee quarterly financial reports for each quarter, or portion thereof, that their bankruptcy cases remain open.

2. Classified Claims and Interests

Classified Claims and Interests shall receive the treatment as described in Section VII herein.

VII. TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

Class 1 – Secured Tax Claims. Allowed Secured Tax Claims shall be treated as follows:

- Each holder of an Allowed Secured Tax Claim shall retain all Liens securing the payment of such Allowed Secured Tax Claim until such Allowed Secured Tax Claim is paid in full.

- Each holder of an Allowed Secured Tax Claim shall be paid, on account of such Allowed Secured Tax Claim, at the Debtors' option, the amount of such holder's Allowed Claim, plus interest as provided below and in section 5.01(c) of the Plan (a) one Cash payment on the Distribution Date; (b) substantially equal annual Cash payments, beginning on the first day of the first month after the initial Distribution Date and continuing annually thereafter until the last anniversary thereof that precedes June 29, 2019; or (c) pursuant to such other treatment as may be agreed to in writing by the holder of the Allowed Secured Tax Claim and the Debtors.

- Interest on each Allowed Secured Tax Claim shall accrue as follows: (i) for the period beginning on the date any portion of the tax underlying the Allowed Secured Tax Claim became or becomes delinquent under State Law, and to the extent of such delinquency, and continuing through the Effective Date, interest shall accrue at the

state statutory rate of 1% per month in compliance with sections 506(b) and 511 of the Bankruptcy Code; and (ii) for the period beginning on the day after the Effective Date and continuing through the day on which such Allowed Secured Tax Claim is paid in full, interest shall accrue on the unpaid tax at the state statutory rate of 12% per annum in compliance with sections 511 and 1129 of the Bankruptcy Code.

Class 2 – Bank Secured Claim. The Bank Secured Claim shall be Allowed as provided in the Plan and not shall not be Contested or subject to Objection. The Allowed Bank Secured Claim shall be paid and treated as follows:

- In full satisfaction of the Allowed Bank Secured Claim, Reorganized Falcon shall execute and deliver to the Bank a new loan agreement, notes, mortgages, security agreements, and other customary loan documents in form and substance satisfactory to the Bank (collectively, the "New Loan Documents") dated as of the Effective Date of the Plan evidencing the treatment of the Allowed Bank Secured Claim as provided herein (collectively, the "New Bank Loan"). Notwithstanding anything to the contrary in the Plan, subject to the occurrence of the Effective Date, the Bank shall be released from all Avoidance Actions and certain other claims, causes of action and liabilities as provided in Section 7.12.

- The New Bank Loan shall be secured by Liens on all Assets of Reorganized Falcon and Reorganized New Falcon. The Bank shall retain all of its Liens in the Assets, notwithstanding the vesting of the Assets in the Reorganized Debtors. To secure payment of the New Bank Loan, (i) the Bank shall retain its pre-existing Liens and (ii) shall be granted additional Liens on all unencumbered Assets of Reorganized Falcon and Reorganized New Falcon.

- The principal amount of the New Bank Loan shall be $17,500,000.00. If the closing of the New Loan Documents occurs after April 15, 2015: (i) the principal amount of the New Bank Loan shall be $17,500,000.00, plus the Bank's reasonable fees and costs incurred between April 15, 2015 and the closing date of the new Loan Documents, including, but not limited to all reasonable professional fees, pursuant to section 506(b) of the Bankruptcy Code; and (ii) the Bank shall be paid in Cash on the Effective Date its reasonable fees and costs related to the drafting and negotiation of the New Loan Documents.

- The New Bank Loan shall be evidenced by two new term notes (Term A and Term B) and each note shall bear interest at five percent (5%) per annum accruing as of April 15, 2015, with equal monthly payments calculated on a fifteen (15) year amortization schedule:

- The New Bank Loan shall mature on the first day of the first month that is five (5) years after the Effective Date of the Plan.

- The first installment payments on the New Bank Loan shall be paid on the first day of the month immediately following the Effective Date, with like installments being due and payable on the first day of each calendar month thereafter until the maturity date of the New Bank Loan, at which time all remaining unpaid amounts due on the New Bank Loan shall be due and payable. All scheduled payments on the New Bank Loan shall be made via auto-debit from the Debtors' general operating account maintained at the Bank.

- In addition to the amortization set forth above, beginning the end of the first fiscal year after the Effective Date, the Debtors shall pay to the Bank, on account of the New Bank Loan, thirty five percent (35%) of Available Net Free Cash Flow (if any) on a yearly basis. Such payment shall be made within sixty (60) days after the end of each fiscal year and shall be applied as an unscheduled principal payment on the New Bank Loan; *provided, however*, any such annual payment shall not be payable to the extent such payment would cause a breach of the financial covenants contained in the New Loan Documents. If payment of the excess cash flow payment to the Bank would result in the Debtors' cash on hand to fall below 1.5 times the average monthly cash expenditures of the last three fiscal months of the year, the Debtors may pay the excess cash flow payment in three monthly installments commencing 60 days after the end of the fiscal year.

- Drafts of the New Loan Documents shall be filed as Plan Documents not later than five (5) days before the date scheduled for the commencement of the Confirmation Hearing. The New Loan Documents shall contain: (i) a fixed charge coverage ratio requirement of 1:1 based on trailing twelve month EBITDA / trailing twelve month Bank debt starting as of Dec. 31, 2015 to be tested quarterly; (ii) a minimum liquid asset collateral threshold covenant based on the aggregate weighted collateral value in the final plan budget/projections to be tested quarterly starting the first calendar quarter end after the Effective Date; (iii) a covenant requiring the Reorganized Debtors to maintain their primary accounts with the Bank consistent with the Debtors' current cash management system; and (iv) other reasonable and customary terms, conditions, and reporting requirements to which the Debtors and the Bank agree, with such agreement not to be unreasonably withheld, similar to standard commercial loan documents for a credit facility of the size and type of the New Bank Loan. Any party in interest may obtain a copy of the New Loan Documents by contacting the Debtors as follows:

  Forshey & Prostok, L.L.P.
  777 Main Street, Suite 1290
  Fort Worth, Texas 76102
  Attn: Linda Breedlove

- The application of the proceeds from the liquidation of Miscellaneous Assets (as defined herein) to the New Bank Loan shall be governed by section 7.10 of the Plan.

- No Distributions shall be made to any other Creditors at any time a payment or financial covenant default exists (as described in section 5.02(h) of the Plan) under the New Loan Documents.

- Notwithstanding any stay, injunction, or other prohibition set forth in the Plan or Confirmation Order, Bank shall be entitled to exercise all of its rights and remedies under the New Loan Documents, and applicable law, without further order or action of the Bankruptcy Court.

Class 3 – Other Secured Claims. Each Allowed Other Secured Claim shall be placed within a separate subclass of this Class 3. Accordingly, each such Class 3 Claim shall, for purposes of accepting or rejecting the Plan and for receiving distributions under the Plan, be treated as though in a separate Class. The holder of each Allowed Other Secured Claim shall receive, on or as soon as practicable after the Initial Distribution Date, either (a) return of the

Collateral securing such Other Secured Claim in full satisfaction of such Other Secured Claim; (b) payment in Cash in an amount equivalent to the lesser of (i) the value of such Collateral or (ii) the full amount of the Other Secured Claim; (c) treatment of such Other Secured Claim in accordance with sections 1124(2) or 1129(b)(2) of the Bankruptcy Code; or (d) such other treatment as may be agreed to in writing by the holder of such Other Secured Claim and the Debtors.

Class 4 – Priority Non-Tax Claims. Each holder of an Allowed Priority Non-Tax Claim, consisting of accrued employee leave, shall retain such benefits from and after the Effective Date in accordance with the Debtors' current employee policies and practices.

Class 5 – Convenience Claims. Each holder of an Allowed Convenience Claim shall be paid a sum equal to 100% of such Convenience Claim within thirty (30) days after the Effective Date of the Plan.

Class 6 – General Unsecured Claims.

- Except as provided below, each holder of an Allowed General Unsecured Claims will receive, on account of such Allowed General Unsecured Claim: (i) equal quarterly payments of Cash, commencing on the 1st day of the month immediately following sixty (60) days after the Effective Date, sufficient to amortize the full amount of such Allowed General Unsecured Claim over five (5) years, with interest at the rate of five percent (5%) per annum accruing from and after the Effective Date on the unpaid principal balance of such Allowed General Unsecured Claim; and (ii) a pro rata portion of the proceeds from the liquidation of Miscellaneous Assets (as defined in the Plan and in section VIII.B.10 below), to the extent payments in (i) hereof remain unpaid, pursuant to and as provided in section 7.10 of the Plan.

- Nothing in the Plan shall prevent any holder of an Allowed General Unsecured Claim from agreeing in writing to payment terms that are less favorable than as described in section 5.06(a). In this regard, by agreement, the Allowed Unsecured Claim of WesTech shall be paid as provided in the WesTech Stipulation attached hereto as Exhibit "D".

Class 7 – Interests in the Debtors. Allowed Interests in the Debtors shall be treated as follows:

- Each holder of an Allowed Interest in the Debtors, shall retain such Interest subject to the terms of the Plan.

- The retention of each holder's Interest shall be deemed to be in full satisfaction of such holders' Interests and any Claim that could be asserted as a result of the termination of the STA (Stock Transfer Agreement) as provided below and in section 7.08 of the Plan.

- The STA (Stock Transfer Agreement) shall be deemed terminated on the Effective Date as provided in section 7.08 of the Plan. From and after the Effective Date of the Plan, Interests of the Debtors shall be subject to a new Stock Transfer Agreement (the "New STA"). A draft of the New STA shall be filed as a Plan Document and served on all Interest holders not later than March 3, 2015.

- No payments or other distributions shall be made on account of the Class 7 Interests unless and until all Allowed Claims in Classes 1 through 6 have been paid in full.

- Holders of Interests should read section VIII.B.8 of the Disclosure Statement below in detail.

VIII. IMPLEMENTATION OF THE PLAN

A. Estimation of Amounts of Claims

The amounts of all Claims contained herein are estimated as of the date of this Disclosure Statement. The bar date for filing claims, including government claims, has passed. The Debtors have begun, but not completed, the process of verifying proofs of Claim and reconciling the amounts sought therein with the Debtors' books and records. The Debtors anticipate that adjustments in the amounts of the Claims set forth herein may be necessary after the claim verification process is completed. Pursuant to the Plan, the Debtors will retain the exclusive right to object to Claims.

B. Means for Implementation of the Plan

1. Assumption of Allowed Claims

As of the Effective Date, Reorganized Falcon assumes the liability for and obligation to perform and make all Distributions or payments on account of all Allowed Claims in the manner provided in the Plan.

2. Vesting of Assets

As of the Effective Date, pursuant to sections 1141(b) and (c) of the Bankruptcy Code, all Assets shall be transferred to, and vested in, the respective Reorganized Debtors, free and clear of all rights, title, interests, claims, liens, encumbrances and charges, except as expressly set forth in the Plan. Without limiting the generality of the foregoing, all Assets shall vest in the Reorganized Debtors free and clear of any Lien except as expressly provided in the Plan. On and after the Effective Date, each Reorganized Debtor may operate its business and may use, acquire or dispose of property without supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order. Without limiting the foregoing, each Reorganized Debtor may pay the charges that it incurs on or after the Effective Date for all fees, disbursements, expenses or related support services of Professionals (including fees relating to the preparation of professional fee applications) without application to, or approval of, the Bankruptcy Court.

3. Substantive Consolidation for Plan Purposes

For purposes of voting, confirmation and distribution only, the Plan is premised upon the substantive consolidation of the Debtors. Entry of the Confirmation Order shall constitute the approval, pursuant to section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the consolidation of the Chapter 11 Cases for all purposes related to the Plan, including, without limitation, for purposes of voting, confirmation and distribution. Pursuant to such order, (i) each Debtor's assets and liabilities shall be merged and pooled with the assets and liabilities of each of the other Debtors, (ii) no distributions shall be made under the Plan on account of

Intercompany Claims held by the Debtors, and (iii) each and every Claim filed or to be filed in the Chapter 11 Case of any Debtor shall be deemed filed against the consolidated Debtors, and shall be deemed one Claim against, and obligation of, the consolidated Debtors. Such substantive consolidation shall not (other than for purposes related to the Plan) affect (i) the legal and corporate structures of the Reorganized Debtors and (ii) obligations that arise after the Effective Date.

4. Management of the Reorganized Debtors

From and after the Effective Date, Reorganized Falcon shall be managed in accordance with applicable law. Reorganized Falcon's initial management shall consist of James T. Taylor (CEO & President) and Larry Minor (EVP, GM Kaufman Division). The initial Board of Directors of Reorganized Falcon from and after the Effective Date shall consist of James T. Taylor (Chairman), Larry Minor (Secretary), and David Dunlap (Member at Large).

5. Actions by Debtors and Reorganized Debtors to Implement Plan

The entry of the Confirmation Order shall constitute authorization for the Debtors and the Reorganized Debtors (as the case may be) to take or cause to be taken all actions necessary or appropriate to implement all provisions of, and to consummate, the Plan prior to, on and after the Effective Date and all such actions taken or caused to be taken shall be deemed to have been authorized and approved by the Bankruptcy Court without further approval, act or action under any applicable law, order, rule or regulation, including without limitation, any action required by the holders of Interests in the Debtors and the Reorganized Debtors (as the case may be), including, among other things, (i) the adoption or amendment of any organizational documents; (ii) all transfers of Assets that are to occur pursuant to the Plan; (iii) the incurrence of all obligations contemplated by the Plan and the making of all Distributions required under the Plan; (iv) the reinstatement and assumption of any indemnity obligations to the officers, members, managers and/or employees of the Debtors; (v) taking of all actions to preserve and provide for the prosecution of retained causes of action, including but not limited to the Estate Claims; and (vi) entering into any and all transactions, contracts, or arrangements permitted by applicable law, order, rule or regulation.

The management of the Debtors and the Reorganized Debtors (as the case may be) are authorized and directed to do all things and to execute and deliver all agreements, documents, instruments, notices and certificates as are contemplated by the Plan and to take all necessary action required in connection therewith, in the name of and on behalf of the Debtors and the Reorganized Debtors. Any obligations of the Debtors to indemnify and hold harmless their current and former officers, members, managers and/or employees, whether arising under the Debtors' constituent documents, contract, law or equity, shall be fully reinstated and assumed by the Debtors upon the occurrence of the Effective Date with the same effect as though such obligations constituted executory contracts that are assumed under section 365 of the Bankruptcy Code, and all such obligations shall be fully enforceable on their terms from and after the Effective Date.

6. Continued Existence of the Debtors

The Debtors shall continue to exist, as Reorganized Debtors, after the Effective Date as separate entities, with all the powers available to such legal entities, in accordance with applicable law and pursuant to their constituent documents. On or after the Effective Date, the Reorganized Debtors may, within their sole and exclusive discretion, take such action as

permitted by applicable law and their constituent documents as they determine is reasonable and appropriate.

7. Source of Funding for Operations and Plan Obligations

The operation of Reorganized Falcon's business and the Distributions to be made by Reorganized Falcon under the Plan shall be funded from Reorganized Falcon's income and revenues from operation of its business. From and after the Effective Date, it is not contemplated that Reorganized New Falcon will have any ongoing business. After consummation of its Plan obligations and the liquidation of its remaining Assets, New Falcon will be wound down and dissolved under applicable State law.

8. Termination of STA (Stock Transfer Agreement; New STA (New Stock Transfer Agreement) to Become Effective

Notwithstanding anything to the contrary in section 10.01 of the Plan, the STA (Stock Transfer Agreement) shall be deemed terminated by Falcon as of the Effective Date and the New STA (New Stock Transfer Agreement) shall become effective from and after the Effective Date. The Reorganized Debtors are prohibited from executing any agreements that allows for or requires any Cash payments to shareholders, other than ordinary employee compensation and benefits (including employee bonuses and expense reimbursements) unless and until all Allowed Claims in Classes 1 through 6 have been paid in full. This prohibition will prevent Reorganized Falcon from purchasing a shareholder's stock interests until such Allowed Claims have been paid.

Falcon anticipates that the New STA (New Stock Transfer Agreement) will have terms and conditions substantially similar to the STA except: (i) the mandatory obligation of Falcon to purchase a shareholder's stock upon the termination of employment will be replaced with a provision that provides Falcon an option and the first right of refusal to purchase a shareholder's stock upon their death, disability, retirement, termination of employment, or involuntary transfer; and (ii) the payment terms of the New STA will provide Falcon an option to pay for the stock it purchases in cash or pay for the stock it purchases in installments over a period of time. Falcon anticipates that the installment option will consist of a down payment of ten percent (10%) of the purchase price up to $100,000 that is payable at the time the stock is purchased, with the remaining balance accruing interest at the applicable federal rate and payable over a term that will not exceed ten (10) years. In addition to the foregoing differences, the New STA will contain other terms and conditions that are typically included in stock transfer agreements. A draft of the New STA shall be filed as a Plan Document and served on all Interest holders not later than March 3, 2015.

At present, the STA protects holders of Interests in many important respects. Among other things, it provides current shareholders the right to transfer stock to any existing shareholder, and it obligates Falcon to repurchase the stock at set prices and at set times. Under the Plan, the STA would be terminated, meaning that the Debtors and the Reorganized Debtors would no longer have to comply with the STA. This will impact the holders of Interests. A New STA will become effective that is expected to include the provisions as provided in the above paragraph. The New STA will be provided to Interest holders by March 3, 2015.

Under the Bankruptcy Code, holders of Interests may have a "claim" as a result of the termination of the STA, although the Debtors reserve all of their rights to contest any such claim. If the holders of Interests have valid claims resulting from the termination of the STA, then the

Bankruptcy Code requires those claims to be treated under the Plan. Under the Plan, those alleged claims would be treated and fully satisfied by the retention of stock in the Reorganized Debtors. The Interest holders will not receive cash payments on account of any such alleged claim.

While the Debtors disagree, it is the belief of David Smith, Vichien Nopratvarakorn and Gerald Wallace, that the termination of the Debtor's obligation to purchase stock at set prices and at set times may substantially impair the value of stock in the Reorganized Debtors because of the prices and timing to be provided for in the new STA and because they allege there will be no market for holders of Interests in the Reorganized Debtors to sell their stock.

The Debtors believe that the termination of the STA and effectiveness of the New STA is critical to the Debtors' reorganization, and therefore to the value of Interests in the Debtors. For instance, as demonstrated in the Liquidation Analysis attached to this Disclosure Statement as Exhibit "C", if Falcon is unable to reorganize and converts its bankruptcy case to Chapter 7, the Interests of the Debtors would be worthless. The consent of the Debtors' secured lender to the Plan is dependent on termination of the existing STA due to the financial strain the STA would place on the Reorganized Debtors. The Debtors believe that the termination of the STA provides the Debtor with the best prospect for a successful reorganization, and in the end, will enhance the net worth of the company for the benefit of its Interest Holders.

The Debtors are continuing to develop the terms of the New STA, which will govern Interests of the Reorganized Debtors. The Debtors will file and serve the New STA on or before March 3, 2015. Holders of Interests are encouraged to read the New STA closely.

Holders of Interests, the same as holders of Claims, are not required to accept the Plan. They may vote to reject the Plan. If you hold an Interest, you should make an informed decision as to whether the benefits of the Plan, including retaining stock in the Reorganized Debtors, outweigh the potential negatives of the Plan, including the termination of the STA (Stock Transfer Agreement) and the satisfaction of a potential claim resulting from the termination of the STA with the retention of stock in the Reorganized Debtors.

Note: The following paragraph was requested to be inserted by counsel for David Smith, Vichien Nopratvarakorn and Jeff Jones. These individuals call themselves the "Ad Hoc Committee". These individuals have not been authorized by the Bankruptcy Court to form a statutory committee of equity holders, and in fact, their request to form such a committee was denied by the Bankruptcy Court. The comments below are included here verbatim at the request of counsel for these three (3) individuals, but the information below does not necessarily reflect the representations, descriptions or conclusions of the Debtors. The Debtors certainly disagree that they "refused" to provide certain information.

Insert requested by counsel for David Smith, Vichien Nopratvarakorn and Jeff Jones:
The Ad Hoc Committee of Equity Security Holders (consisting of Vichien Nopratvarakorn, David Smith, and Jeff Jones) (the "Ad Hoc Committee"), which is attempting to represent the interests of stockholders in the Bankruptcy Case, has requested that the Debtors disclose what their intention may be, if any, with respect to issuance of future stock if the Plan is confirmed. Of primary interest to the Ad Hoc Committee is whether, after the Plan is confirmed and there is no longer an open bankruptcy process, Falcon Steel will issue new stock which would have the effect of diluting current stock, and what it would require in return, if anything, for any such new stock. The Ad Hoc Committee does not necessarily find anything wrong with the issuance of new stock, if it is done to raise capital, because then the holders of current stock benefit by the

newly raised capital. If, however, new stock is issued as a "bonus" to directors or officers for no cash consideration, then the value of all existing stock would be diluted and reduced. The Ad Hoc Committee has reason to believe that the Debtors do intend to issue stock after confirmation. This is why the Ad Hoc Committee has requested a disclosure of any such intentions. The Debtors have refused to provide any such disclose or to state categorically that they have no intentions to dilute stock.

9. Proceeds of Ingenia Equipment

The net proceeds from the sale of the Debtors' equipment pursuant to the motion filed on December 17, 2014 (Docket No. 229) shall be used to fund the Debtors' obligations and Distributions under the Plan, and the Bank's liens as to such proceeds shall be deemed released as of the Effective Date.

10. Liquidation of Miscellaneous Assets

The Reorganized Debtors shall diligently pursue the liquidation of the following Assets (collectively, the "Miscellaneous Assets") in a manner that will achieve the highest and best value for such Assets:

- the approximately 85 acre real estate parcel in Kaufman County, Texas owned by New Falcon;
- (2007 MotoMan fabrication robot with wire welder and plasma torch heads ("Robot Welder");
- galvanizing tubs, furnaces, and related assets owned by New Falcon and currently located in Tulsa, Oklahoma; and
- any receivables, interests, notes or claims due from or related to Falcon Prestressed Concrete, LLC.

To the extent any of the Miscellaneous Assets are liquidated: (i) seventy-five percent (75%) of the net proceeds (net only of ordinary and reasonable closing costs and expenses) shall be immediately paid to Bank and applied as an unscheduled principal payment on the New Bank Loan; and (ii) twenty-five percent (25%) of the net proceeds (net only of ordinary and reasonable closing costs and expenses) shall be paid pro rata to Class 6 Creditors with such payments to be applied as unscheduled principal payments on account of such claims until all such Claims are paid in full. To the extent Class 6 Creditors have not otherwise been paid in full, upon the sale of the Miscellaneous Assets, the Bank shall be deemed to release its liens as to twenty-five percent (25%) of the net sale proceeds of the Miscellaneous Assets until Class 6 Creditors are paid in full. The Reorganized Debtors shall keep the Bank notified of its efforts to liquidate the Miscellaneous Assets and shall provide notice to the Bank of all offers for the Miscellaneous Assets; *provided, however*, no further notice to other parties or Bankruptcy Court approval is required for the liquidation of the Miscellaneous Assets.

11. Retention and Assertion of Causes of Action and Defenses

Except as expressly set forth in the Plan, all causes of action, claims, counterclaims, defenses and rights of offset or recoupment (including but not limited to all Estate Claims, Estate Defenses and Avoidance Actions) belonging to the Debtors (collectively, the "Retained

Causes of Action") shall, upon the occurrence of the Effective Date, be retained by, received by and vested in the respective Reorganized Debtors for the benefit of the Debtors and the Debtors' estates. Without limitation, the Retained Causes of Action include the claims and causes of action described in **Exhibit "E"** attached to this Disclosure Statement and in **Schedule 7.11** to the Plan.

Except as expressly set forth in the Plan, the rights of the Reorganized Debtors to commence, prosecute or settle the Retained Causes of Action shall be preserved notwithstanding the occurrence of the Effective Date. **No Person may rely on the absence of a specific reference in the Plan or the Disclosure Statement to any cause of action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available causes of action (including all Estate Claims, Estate Defenses and Avoidance Actions) against them. The Debtors and their estates expressly reserve all rights to prosecute any and all of the Retained Causes of Action (including all Estate Claims, Estate Defenses and Avoidance Actions) against any Person, except as otherwise provided in the Plan**. Unless any causes of action against a Person are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or a Final Order, the Debtors expressly reserve all causes of action (including all Estate Claims, Estate Defenses and Avoidance Actions) for later adjudication, and, therefore, no preclusion doctrine, including without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such causes of action upon or after the confirmation or consummation of the Plan. The Debtors and the Reorganized Debtors may also assert Estate Defenses as a defense to the allowance of any Claim not otherwise Allowed.

Without limitation, the Retained Causes of Action include claims and causes of action against the Persons specifically named in **Exhibit "E"** to this Disclosure Statement and in **Schedule 7.11** attached to the Plan. This means that the Persons listed or otherwise described in Plan Schedule 7.11 will not be released under the Plan, and the Debtors and Reorganized Debtors may sue them in the future. The list of Potential Parties described in **Exhibit "E"** to this Disclosure Statement and **Schedule 7.11** attached to the Plan includes, but is not limited to, certain former or present holders of Interests who may be sued, even after the confirmation of the Plan, for any and all claims arising out of or relating to any transfer by the Debtors on account of the STA (Stock Transfer Agreement). This may include actions to set aside any promissory note as a fraudulent transfer or to recapture any prior payments made to such holders of Interest. All holders of Claims and Interests are encouraged to review **Exhibit "E"** to this Disclosure Statement and **Schedule 7.11** attached to the Plan for information on Retained Causes of Action.

The Committee believes that the most significant contributor leading the Debtors into Chapter 11 is former directors' gross mismanagement and self-dealing conduct in breach of their duty of care and loyalty to the company. For example, Falcon's former directors routinely authorized the company's purchase of shares for amounts that exceeded the limitations in the Stock Transfer Agreement, which the Committee believes caused Falcon to become significantly undercapitalized and eventually led to liquidity issues, as well as Falcon's inability to pay other creditors.

The Committee believes that valuable and valid causes of action exist against third parties, including causes of action that, if successful, could be paid by insurance coverage. For example, the Committee believes that valid claims for breaches of fiduciary duties exist against the Debtors' former board of directors and/or officers, for which insurance coverage appears

available, as well claims existing against Falcon's former board of directors and/or officers that, if successful, would reduce the amount of General Unsecured Claims. While the Debtors intend to preserve certain causes of action in the Reorganized Debtors under the Plan, the Plan does not require the Debtors to pursue any of these causes of action, even in the event of a default to General Unsecured Claims.

Retained STA (Stock Transfer Agreement) Causes of Action. As used herein, the term "STA Causes of Action" shall include the following: (a) any cause of action arising out of, or relating to, any transfer by the Debtors to any past or present shareholder on account of the STA, (b) any claim to subordinate or recharacterize the debt of any holder of an Allowed Promissory Note Claim, and (c) any defense under section 502(d) against any holder of an Allowed Promissory Note Claim based on the assertion that any transfer by the Debtors to any such holder pursuant to the STA constituted a fraudulent transfer.

The Debtors' management believes that the Debtors can repay all holders of Allowed Claims in full in accordance with the terms of this Plan without asserting any of the STA Causes of Action. Indeed, Debtors' management believes that the prosecution of the STA Causes of Action would not benefit the Reorganized Debtors and would likely cause a significant distraction from the conduct of their businesses. Consequently, while the STA Causes of Action are included among the Retained Causes of Action, the management of the Debtors has made the decision that the Reorganized Debtors will not pursue any of the STA Causes of Action. However, the STA Causes of Action, as a part of the Retained Causes of Action, may be asserted by any Chapter 7 trustee in the event that this bankruptcy case is converted to a Chapter 7 liquidation. As a consequence of the decision of the Debtors' management that the Reorganized Debtors will not assert the STA Causes of Action, it is likely that many of these causes of action will become time barred by the applicable statutes of limitation and applicable statutes of repose. In that event, it is anticipated that it may be difficult for any Chapter 7 trustee to obtain any substantial recovery on account of such STA Causes of Action.

The STA Causes of Action, as defined above, do not include any claims or causes of action against David Smith and/or John Janczak. The Debtors intend to retain and potentially pursue all claims and causes of action of every type and nature against both David Smith and/or John Janczak, including without limitation all claims for breach of fiduciary duty. The STA Causes of Action, as defined above, do not include any and all causes of action by either of the Debtors against any past or present officer or director of either of the Debtors, including without limitation all such causes of action for any negligent acts or omissions or for breach of fiduciary duties, including with respect to any transfer by either of the Debtors pursuant to the STA, or against any insurer or other D & O Insurance Coverage, including Zurich American Insurance Company, including without limitation all such claims or causes of action against David Smith, James "Jim" Stephens, Jerry Milligan, Justin Wilcox, Patricia Gruene, Dale Griffin, Noland "Gene" Williams, Eddie Evans, John Janczak and/or Larry Minor. However, the retention of the above referenced claims shall not affect management's decision to not assert any STA Causes of Action against the above-named parties.

Notwithstanding anything contained herein to the contrary, and for the avoidance of doubt, no Avoidance Action (including, without limitation, under section 510(b) of the Bankruptcy Code) shall be filed or prosecuted against David McKinney, Guy Stanton, Jack Wilcox, James Whiteley, Joe Handley, Johnny Frost, Kay Handley, Larry Swagger, Nolan Williams, Patricia Gruene, Robert Rice or Susan Gray-Frank on account of the issuance to any of them of a promissory note issued pursuant to the STA (Stock Transfer Agreement) or any payments made pursuant to any such promissory note, except in the event that the bankruptcy case is converted

to Chapter 7. For the further avoidance of doubt, the foregoing does not include any other Retained Cause of Action, which such other Retained Causes of Action the Debtors specifically preserve and reserve any and all right to file and prosecute against any person.

12. Release of Claims and Causes of Action Against the Bank

Note: This paragraph entitled "Release of Claims and Causes of Action Against the Bank" was requested to be inserted by counsel for David Smith, Vichien Nopratvarakorn and Jeff Jones. These individuals call themselves the "Ad Hoc Committee". These individuals have not been authorized by the Bankruptcy Court to form a statutory committee of equity holders, and in fact, their request to form such a committee was denied by the Bankruptcy Court. The comments below are included here verbatim at the request of counsel for these three (3) individuals, but the information below does not necessarily reflect the representations, descriptions or conclusions of the Debtors, the Official Committee of Unsecured Creditors or the Bank. The Debtors certainly disagree that they "refused" to provide certain information.

Insert requested by counsel for David Smith, Vichien Nopratvarakorn and Jeff Jones: The Plan releases any and all claims, causes of action, and defenses that the Debtors may have against the Bank. The Ad Hoc Committee of Equity Security Holders (consisting of Vichien Nopratvarakorn, David Smith, and Jeff Jones) (the "Ad Hoc Committee"), which is attempting to represent the interests of stockholders in the Bankruptcy Case, has requested that the Debtors disclose to all creditors and equity holders what these released claims and causes of action may be, and what the potential value of the claims may be, such that all persons who vote on the Plan can know what they may be giving up and what the potential alternatives to the Plan are.

The Debtors have refused to provide these disclosures. The Official Committee of Unsecured Creditors has likewise not disclosed what potential claims against the Bank may be, even though it has made a formal investigation of the Bank and even though it has filed a lengthy document disclosing what claims and causes of action it believes may exist against various unsecured creditors and equity interest holders. The Ad Hoc Committee notes that administrative expenses, including attorney's fees to the Debtors' counsel and the Official Committees' counsel, exceed $1.6 million at present (the Ad Hoc Committee is not included in this estimate), which includes investigations of the Bank. The Ad Hoc Committee believes that all creditors and equity interest holders have a right to know the basic, non-privileged results of these investigations, since they are indirectly paying the cost.

The Bankruptcy Court has therefore permitted the Ad Hoc Committee to include this discussion in the Disclosure Statement. Unlike the Debtors and the Official Committee, the Ad Hoc Committee has not undertaken a detailed investigation, it has not obtained discovery from the Bank, and it has not interviewed witnesses. Therefore, the Ad Hoc Committee's discussion of these potential claims and causes of action is necessarily limited and is not the result of thorough factual or legal analysis. Nevertheless, even from the public statements that the Debtors have made and from their bankruptcy filings, it is apparent that valuable claims and causes of action against the Bank are being released under the Plan.

a. The Bank Should Have No Lien Against New Falcon

A review of the electronic records of the Texas Secretary of State reveals that the Bank did not file a UCC financing statement against New Falcon. New Falcon's schedules list that it owns machinery, fixtures, equipment, and supplies of at least $4,195,000.00. Because the

Bank did not file a UCC financing statement against New Falcon, the Ad Hoc Committee believes that the Bank has no lien against this equipment and machinery or any lien it may have would be easily avoidable under 11 U.S.C. § 544 by the Debtors or by a Chapter 7 trustee.

On December 20, 2014, the Bankruptcy Court entered an order [Bankruptcy Case docket no. 249] granting a motion filed by New Falcon to sell certain equipment it owns manufactured by Ingenia. According to the sale motion filed by New Falcon [Bankruptcy Case docket no. 229], the equipment would be sold for approximately $1,082,851.63. Because the Bank did not file a UCC financing statement against New Falcon, the Ad Hoc Committee believes that the Bank has no lien against the proceeds or any lien it may have would be easily avoidable under 11 U.S.C. § 544 by the Debtors or by a Chapter 7 trustee.

According to its schedules, New Falcon owns 85 acres of undeveloped land in Kaufman County, which it values at $725,000.00. The real property records of Kaufman County reveal that New Falcon purchased the 85 acres in approximately July, 2012. The statement of financial affairs of New Falcon disclose that the Bank acquired its lien against the 85 acres on February 10, 2014. Also according to its schedules, New Falcon is not an obligor on any debt to the Bank. This means that New Falcon pledged its property to secure the debt of another person, without itself having any debt obligation. The Ad Hoc Committee believes that any lien of the Bank against this real property would be easily avoidable under 11 U.S.C. § 548 by the Debtors or by a Chapter 7 trustee as a fraudulent transfer, meaning a transfer of an interest given without reasonably equivalent value back. Additionally, although less likely, is the potential to avoid the Bank's lien against the 85 acres as a preference, which would depend on whether the Bank can be classified as an "insider" of the Debtors as discussed below.

In any event, the Ad Hoc Committee believes that there is millions of dollars of value in New Falcon which Falcon Steel, as the sole owner of equity in New Falcon, can use as unencumbered funds in its own bankruptcy case, and which should be used for the benefit of unsecured creditors first, and then equity interest holders. Under the Plan, all of these assets and their value would be pledged to the Bank.

b. <u>Claim to Avoid Bank Lien Against 1200/1400 Rand Road, Kaufman Texas</u>

Falcon Steel owns more than 20 acres of land and improvements in Kaufman, Texas, alternatively addressed at 1200 or 1400 Rand Road, Kaufman, Texas, which Falcon Steel lists on its schedules as having a value of $1,150,000.00. Falcon Steel has large machinery which, depending on facts that are not known to the Ad Hoc Committee, may have become "improvements" to the land and would be part of the land, in which case the value would be higher.

The Ad Hoc Committee has not located a deed of trust recorded by the Bank against this property by having searched the online records of Kaufman County. The proof of claim filed by the Bank claims that the Bank has a lien against this land by virtue of having recorded a deed of trust as instrument number 2014-0002034. When this instrument is searched for by number, the deed of trust does appear. However, the deed of trust must appear when the underlying real property is searched in order for the lien to be perfected. It is unclear at this time whether a search of the real property itself would yield the deed of trust.

Assuming that the Bank recorded a deed of trust against this land as instrument number 2014-0002034, it did so only on February 10, 2014. This fact raises several potential causes of action. First, the Ad Hoc Committee believes that the Debtors or a chapter 7 trustee could avoid

the deed of trust as a fraudulent transfer under 11 U.S.C. § 548, meaning a transfer of an interest in property for less than reasonably equivalent value. Second, if the Bank can be found to be an "insider" of the Debtors (as discussed below), then the deed of trust can easily be avoided as an insider preference under 11 U.S.C. § 547. Third, because the Bank knew of the Debtors' financial problems at that time, but other creditors did not, and because the Bank had and used its influence against the Debtors, which has continued through to the Plan, the Ad Hoc Committee believes that there may be grounds to equitably subordinate the Bank's deed of trust lien under 11 U.S.C. § 510(b).

c. Claim to Return $1.4 Million Setoff by the Bank

On June 26, 2014, the Bank offset $1.4 million in cash from the Debtors' operating account. 11 U.S.C. § 553(b) permits a debtor to avoid the offset under certain circumstances. Generally, a debtor can avoid and recover the difference between the "insufficiency" that existed on the date of the setoff and the date that is ninety days before the bankruptcy filing, where "insufficiency" means the amount by which a claim against the debtor exceeds a mutual debt owing to the debtor by the holder of such claim. Here, the Ad Hoc Committee does not know how much the Debtors held on account at the Bank on the day that was ninety days prior to the bankruptcy filing. However, the Ad Hoc Committee does believe that the Debtors have a valid, straightforward, and potentially valuable claim against the Bank to recovery the $1.4 million.

Separately, the Ad Hoc Committee has not been provided the underlying loan documents, any account control agreement, or any deposit account agreement. Without analyzing the same, it is impossible to know whether the Bank may have breached any contractual agreement it had regarding the $1.4 million setoff (for example, whether any notice or cure period contractually applied). This is something that the Ad Hoc Committee believes should be thoroughly investigated because, if the Bank breached a contractual obligation in setting off the $1.4 million, it would be subject to damages for more than just a return of the setoff funds.

d. Claim to Recover $740,000.00

The week prior to June 26, 2014, the Debtors paid the Bank $740,000.00. If this payment was made from a source that was not the Bank's collateral, or from a source that was the Bank's collateral only by virtue of the UCC financing statement amendment that can be avoided (see discussion below), then the Ad Hoc Committee believes that the Debtors or a chapter 7 trustee could easily avoid and recover said $740,000.00 as a preference under 11 U.S.C. § 547 whether or not the Bank is characterized as an "insider."

e. Bank May Not Have Liens Against All Personal Property of Falcon Steel

The Bank filed four (4) UCC financing statements against Falcon Steel in 2006. Three of these are very limited in scope. However, the first UCC financing statement filed by the Bank is broad. Originally, this financing statement perfected a lien in favor of the Bank against Falcon Steel's: (i) "accounts"; (ii) "equipment"; (iii) "inventory"; (iv) "general intangibles"; and (v) "supporting obligations." On March 28, 2014, the Bank filed an amendment to this UCC financing statement, to "add" collateral. The amended financing statement contains the following collateral: (i) "accounts"; (ii) "inventory"; (iii) "chattel paper"; (iv) "equipment"; (v) "instruments"; (vi) "investment property"; (vii) "documents"; (viii) "deposit accounts"; (ix) "letter of credit rights"; (x) "general intangibles"; and (xi) "supporting obligations."

The March 28, 2014 amendment clearly added collateral. Falcon Steel filed bankruptcy on June 29, 2014. This was 93 days after the filing of the amendment UCC financing statement, which would normally not make the Bank subject to a preference action to avoid the amended UCC financing statement. However, the Debtors had been negotiating with the Bank for some time, the Debtors made a payment of $740,000.00 to the Bank as a sign of good faith, and the Ad Hoc Committee believes that the Bank knew that the Debtors would file bankruptcy and actively delayed such filing and led the Debtors on in order to pass the ninety (90) day mark. As a result, the Ad Hoc Committee believes that the Debtors may have a claim to avoid the UCC amendment as an insider preference. If the Bank can be classified as an "insider," at least for purposes of a preference, then the insider preference claim against the Bank would be very solid and would result in the loss of the amended UCC financing statement, freeing up as unencumbered property whatever assets Falcon Steel had that was not subject to the original 2006 UCC financing statements.

According to the schedules filed by Falcon Steel, Falcon Steel held $432,558 on deposit at JP Morgan Chase, more than $300,000 on deposit at Frost Bank, $68,265.70 on deposit at American National Bank, cash surrender value of officer's life insurance of $324,487, shares in the Bank worth more than $25,000, 100% of the stock of New Falcon of unknown value, 50% of the stock of Falcon Prestressed Concrete, LLC of unknown value, notes receivable from shareholders of $23,724, a note receivable from Falcon Prestressed Concrete, LLC of $1,309,525, a tax refund of $1,521,161, and software licenses of unknown value, vehicles worth $143,671. If the UCC financing statement amendment can be avoided as a preference or otherwise, then the Ad Hoc Committee does not believe that the Bank would have an enforceable lien against these assets or their proceeds.

f. Possible Lender Liability

As noted above, neither the Debtors nor the Official Committee of Unsecured Creditors have provided any discussion of potential claims against the Bank. The Ad Hoc Committee has not been provided with discovery or witnesses, and can therefore not know what the universe of potential claims may be. One claim that the Ad Hoc Committee believes should be investigated is a potential lender liability or equitable subordination claim. According to the Debtors' public filings, the Debtors began discussing their financial problems with the Bank months prior to bankruptcy, and entered into a default on February 15, 2014. As discussed above, it was in February and March, 2014, that the Bank appears to have "shored up" its collateral position by recording brand new deeds of trust against real property it had never recorded deeds of trust against before, and by filing an amended UCC financing statement to add personal property collateral. It further appears that the Bank then strung the Debtors' management along, until 90 days would pass and the Bank would be potentially safe from a preference avoidance of its new liens. It is not likely to be a coincidence that the Bank setoff the $1.4 million—which would likely precipitate a bankruptcy filing—on the 90th day after filing its amended UCC financing statement, and that after obtaining a payment of $740,000.00 the week before.

The Ad Hoc Committee strongly believes that a thorough investigation should be made, and that the Debtors should disclose, what exactly was discussed with the Bank, what possible promises the Bank made, and what the Bank may have done or said to lead the Debtors' management to avoid a bankruptcy filing during the period that the Bank was shoring up its liens.

g. Possible Aiding and Abetting Claims

The Official Committee of Unsecured Creditors has filed one or more documents in the Bankruptcy Case accusing the Debtors' former directors of being responsible for the Debtors' bankruptcy: "the Debtors were already well on their way because of numerous ultra vires acts authorized by the Debtors' former board of directors, the most detrimental of which was the repeated and excessive abuse of the STA [Stock Transfer Agreement]." *See* Bankruptcy Case Docket No. 281 at p. 4. In a nutshell, the allegation is that former directors and possibly officers committed unauthorized acts and breached fiduciary duties by draining the Debtors of money and channeling the money to themselves or other employees. The allegation further is that this is why the Debtors became obligated to the Bank and subsequently increased their obligations to the Bank. If, in fact, the former directors or officers breached their duties or committed unlawful actions, then the Ad Hoc Committee believes that the Bank knew what the purpose of the loans was and that, accordingly, there may be a claim against the Bank for aiding and abetting the alleged actions and wrongs of the former directors and officers. Other than the allegations of the Official Committee of Unsecured Creditors and various statements by them and the Debtors, the Ad Hoc Committee has not investigated potential aiding and abetting claims and does not know whether they would have merit or value.

13. Releases

The Release Parties shall be deemed to have released each of the other Release Parties from (i) any and all claims, causes of actions, and other liabilities arising before the Effective Date, including, but not limited to, Avoidance Actions and (ii) any and all claims, causes of action, and other liabilities arising from the actions taken or not taken in connection with the Plan and the Chapter 11 Cases unless such conduct amounts to gross negligence, willful misconduct, or actual fraud. Additionally, the Debtors and their bankruptcy estates shall be deemed to have released the Bank and its shareholders, officers, directors, and professionals, including lawyers and financial advisors, from (i) any and all claims, causes of actions, and other liabilities arising before the Effective Date, and (ii) any and all claims, causes of action, and other liabilities arising from the actions taken or not taken in connection with the Plan and the Chapter 11 Cases unless such conduct amounts to gross negligence, willful misconduct, or actual fraud. The Debtors and their bankruptcy estates further release the Committee, its members, and professionals, including lawyers and financial advisors, from any and all claims, causes of actions, and other liabilities arising from actions taken or not taken in connection with the Plan and the Chapter 11 Cases unless such conduct amounts to gross negligence, willful misconduct, or actual fraud.

14. Exculpation of the Debtors

The Debtors and any of their respective agents, advisors, or professionals shall not have or incur any liability to any holder of a Claim or Interest for any act, event, or omission from the Petition Date to the Effective Date relating to, connected with, or arising out of the Chapter 11 Cases or the Confirmation of the Plan, unless such action constitutes bad faith, gross negligence, willful misconduct, or actual fraud.

15. Dissolution and Release of the Committee

Upon the Effective Date, the Committee shall dissolve, and their members and its professionals shall be released and discharged from all further authority, duties, responsibilities and obligations relating to and arising from the Chapter 11 Cases. The retention and employment of the Professionals retained by the Committee shall terminate as of the Effective Date, *provided, however*, that the Committee shall exist, and their Professionals shall be

retained, after such date with respect to applications filed pursuant to sections 330 and 331 of the Bankruptcy Code and motions seeking the enforcement of the provisions of the Plan or the Confirmation Order.

C. Provisions Governing Distributions

1. Source of Distributions

All Distributions to be made to Creditors under the Plan shall be made by Reorganized Falcon.

2. Collection Costs

Procedure. To the extent any holder of a Secured Claim asserts a right to fees, costs, or charges pursuant to section 506(b) of the Bankruptcy Code, unless otherwise agreed between Reorganized Falcon and such Secured Creditor, the allowance of Collection Costs shall be handled as set forth in this section. Within twenty (20) days after the Effective Date, the Secured Creditor shall file an application with the Bankruptcy Court for allowance of such Collection Costs. No later than twenty (20) days after each such application for Collection Costs is filed, Reorganized Falcon may file any objections thereto, and the Secured Creditor shall file any response within twelve (12) days thereafter. If the Secured Creditor and Reorganized Falcon are unable to reach agreement, the matter shall then be submitted to the Bankruptcy Court for determination on no less than twenty (20) days' notice of the hearing.

Amount and Payment. Notwithstanding anything herein to the contrary, Reorganized Falcon and any secured creditor may agree in writing on the amount and timing and method of payment of any Collection Costs asserted pursuant to section 506(b) of the Bankruptcy Code without further notice, motion or Bankruptcy Court approval. Except to the extent that Reorganized Falcon and the holder of an Allowed Secured Claim reach a written agreement to the contrary regarding timing and method of payment of Collection Costs, the amount of any such Collection Costs, whether determined by the Bankruptcy Court or by agreement, shall be included in the principal amount of the Allowed Secured Claim and shall be paid in the same way as the entirety of such Allowed Secured Claim as provided in the Plan.

3. Timing and Amount of Distributions

No Distribution shall be made on account of any Claim until such Claim is Allowed, except as otherwise set forth in the Plan or ordered by the Bankruptcy Court pursuant to a Final Order. No Distribution shall be made on account of any Contested Claim until such Claim is Allowed. Any Distributions pursuant to the Plan shall be made on the respective Initial Distribution Dates applicable to each such Allowed Claim except as otherwise provided in the Plan or ordered by the Bankruptcy Court. Any Unclaimed Property may be paid into the registry of the Bankruptcy Court or otherwise distributed in accordance with the orders of the Bankruptcy Court.

Except as expressly set forth in the Plan or in the Confirmation Order, Reorganized Falcon shall determine the timing and amount of all Distributions which it is required to make under the Plan, consistent with the goal of making such Distributions as expeditiously as possible. Reorganized Falcon may, but shall not be required to, seek approval of the Bankruptcy Court for any such Distributions.

4. Record Date for Distributions

As of the close of business on the Effective Date (the "Distribution Record Date"), the register for Claims and Interests will be closed, and there shall be no further changes in the holder of record of any Claim or Interest. Reorganized Falcon shall have no obligation to recognize any transfer of any Claim or Interest occurring after the Distribution Record Date, and shall instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those holders of record stated on the register of Claims and/or Interests as of the Distribution Record Date for Distributions under the Plan.

5. Means of Cash Payment

Cash payments pursuant to the Plan shall be made by check drawn on, or by wire transfer from, a domestic bank, or by other means agreed to by the payor and payee.

6. Delivery of Distributions

All Distributions, deliveries and payments to the holders of any Allowed Claims shall be made to the addresses set forth on the holders' respective proofs of Claim filed in the Debtors' bankruptcy cases. Any such Distribution, delivery or payment shall be deemed as made for all purposes relating to the Plan when deposited in the United States Mail and served as provided in section 14.05 below. Whether secured or unsecured, if no proof of Claim is filed, any Distribution shall be made to the Creditor at the last known address or as reflected in the Schedules. If any Distribution is returned as undeliverable, no further Distribution shall be made on account of such Allowed Claim unless and until Reorganized Falcon is notified of such holder's then current address, at which time all missed Distributions shall be made to the holder of such Allowed Claim. All claims for undeliverable Distributions shall be made on or before the first anniversary of the attempted Distribution. After such date, all Unclaimed Property shall revert to Reorganized Falcon and the Claim of any holder with respect to such property shall be discharged and forever barred.

7. Time Bar to Cash Payments

Checks issued in respect of Allowed Claims shall be null and void if not cashed within ninety (90) days of the date of issuance thereof. Requests for reissuance of any check shall be made directly to Reorganized Falcon by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check shall be made on or before the later of the first anniversary of the Initial Distribution Date or ninety (90) days after the date of issuance of such check. After such date, all Claims in respect of void checks shall be discharged and forever barred.

8. Cure Period

Except as otherwise set forth herein or in the New Loan Documents, the failure by the Reorganized Debtors to timely perform any term, provision or covenant contained in the Plan, or to make any payment or Distribution required by the Plan to any Creditor, or the failure to make any payment or perform any covenant on any note, instrument or document issued pursuant to the Plan, shall not constitute an Event of Default unless and until the Reorganized Debtors have been given written notice of such alleged default in the manner provided in the Plan, and provided thirty (30) days immediately thereafter for an opportunity to cure such alleged default. Until the expiration of such thirty (30) day cure period, the Reorganized Debtors shall not be in

default, and performance during such thirty (30) day cure period shall be deemed as timely for all purposes. Such written notice and passage of the thirty (30) day cure period shall constitute conditions precedent to declaring or claiming any default under the Plan or bringing any action or legal proceeding by any Person to enforce any right granted under the Plan. Failure of the Reorganized Debtors to cure any default, including but not limited to any failure to make payments or Distributions provided in this Plan, within the thirty (30) day cure period shall constitute an Event of Default.

9. Pre-Payment of Claims

Unless the Plan expressly prohibits or conditions the pre-payment of an Allowed Claim, Reorganized Falcon may pre-pay any Allowed Claim in whole or in part at any time and may do so without penalty.

10. Distributions after Substantial Consummation

All Distributions of any kind made to any of the Creditors after Substantial Consummation and any and all other actions taken under the Plan after Substantial Consummation shall not be subject to relief, reversal or modification by any court unless the implementation of the Confirmation Order is stayed by an order granted under Bankruptcy Rule 8005.

D. Procedures for Resolving and Treating Contested and Contingent Claims

1. Objection Deadline

All Objections to Claims shall be served and filed by the Objection Deadline; *provided, however*, the Objection Deadline shall not apply to Claims which are not reflected in the Debtors' Schedules or in the claims register, including any alleged informal proofs of Claim. The Reorganized Debtors may seek to extend the Objection Deadline pursuant to a motion filed on or before the then applicable Objection Deadline with respect to any Claims. In the event that a Reorganized Debtor files such a motion and the Bankruptcy Court denies such motion, the Objection Deadline shall nevertheless be automatically extended to that date which is ten (10) Business Days after the date of entry of the Bankruptcy Court's order denying such motion. Any proof of Claim filed more than sixty (60) days after the Effective Date shall be of no force and effect and need not be objected to by the Reorganized Debtors. Nothing contained herein shall limit the rights of the Reorganized Debtors to object to Claims, if any, filed or amended after the Objection Deadline.

2. Responsibility for Objecting to Claims

From and after the Effective Date, the Reorganized Debtors shall have the exclusive right to (i) file, settle, or litigate to Final Order any Objections to any Claims (whether or not an Objection has been filed); and (ii) seek to subordinate any Claim.

For any compromised Claim that results in the holder having an Allowed Claim of $100,000 or less, either the affected Claimant shall file an Amended Proof of Claim or the Reorganized Debtor shall file a Stipulation, signed by or on behalf of the affected Claimant, setting forth the Allowed amount of the compromised Claim.

For any compromised Claim that would result in the holder having an Allowed Claim of more than $100,000, the Reorganized Debtor shall file a summary of the proposed compromise with the Court, with notice to the United States Trustee, counsel for the Bank, and the twenty (20) largest unsecured creditors, and providing such parties with twenty-four (24) days to object to the proposed compromise. If no objections are filed with the Court and served on the Reorganized Debtor and its counsel, the proposed settlement shall be deemed approved without the need for a Court order. If an objection is filed to the proposed settlement, the Reorganized Debtor shall seek approval of the proposed compromise or settlement with the Court pursuant to applicable federal and local bankruptcy rules. Except as provided in this paragraph, Bankruptcy Rule 9019 shall not apply to any settlement or compromise of a Contested Claim after the Effective Date.

3. Distributions on Account of Contested Claims

If a Claim is Contested, then the Initial Distribution Date as to such Contested Claim shall be determined based upon its date of Allowance, and thereafter Distribution shall be made on account of such Allowed Claim pursuant to the provisions of the Plan. No Distribution shall be made on account of a Contested Claim until Allowed. Until such time as a contingent Claim becomes fixed and absolute by a Final Order allowing such Claim, such Claim shall be treated as a Contested Claim for purposes of estimates, allocations, and Distributions under the Plan. Any contingent right to contribution or reimbursement shall continue to be subject to section 502(e) of the Bankruptcy Code.

4. No Waiver of Rights to Object

Except as expressly provided in the Plan, nothing contained in the Disclosure Statement, the Plan, or the Confirmation Order shall waive, relinquish, release, or impair the Reorganized Debtors' rights to object to any Claim.

5. Rights Under Section 505

The Reorganized Debtors shall retain all rights pursuant to section 505 of the Bankruptcy Code.

6. Liquidating and Allowance of Contested or Disputed Claims

Nothing contained in the Plan, Disclosure Statement or Confirmation Order shall change, waive or alter any requirement under applicable law that the holder of a Contested Claim must file a timely proof of Claim, and the Claim of any such Creditor who is required to file a proof of Claim and fails to do so shall be discharged and shall receive no Distribution through the Plan. The adjudication and liquidation of Contested Claims is a determination and adjustment of the debtor/creditor relationship, and is, therefore, an exercise of the Bankruptcy Court's equitable power to which the legal right of trial by jury is inapplicable. The holder of any Contested Claim shall not have a right to trial by jury before the Bankruptcy Court in respect of any such Claim. Exclusive venue for any Contested Claim proceeding shall be in the Bankruptcy Court or a court of competent jurisdiction located in Tarrant County, Texas. Contested Claims shall each be determined separately, except as otherwise ordered by the Bankruptcy Court. Texas Rule of Civil Procedure 42 and Federal Rule of Civil Procedure 23 shall not apply to any Contested Claim proceeding. The Reorganized Debtors shall retain all rights of removal to federal court as to any Contested Claim proceeding.

All Contested Claims shall be liquidated and determined as follows:

- Application of Adversary Proceeding Rules. Unless otherwise ordered by the Bankruptcy Court or provided by the Bankruptcy Rules, any Objection to a Contested Claim shall be treated as a contested proceeding subject to Bankruptcy Rule 9014. However, any party may move the Bankruptcy Court to apply the rules applicable to adversary proceedings to any Claim Objection. The Reorganized Debtors may, however, at their election, make and pursue any Objection to a Claim in the form of an adversary proceeding.

- Scheduling Order. With respect to an Objection to a Claim treated as a contested proceeding subject to Bankruptcy Rule 9014, the Reorganized Debtors may request entry of a scheduling order as to each Objection to a Claim. The Reorganized Debtors may tender a proposed scheduling order with each Objection and/or include a request for a scheduling conference for the entry of a scheduling order. Any such scheduling order may include (i) discovery cut-off, (ii) deadlines to amend pleadings, (iii) deadlines for designation of and objections to experts, (iv) deadlines to exchange exhibit and witness lists and for objections to the same, and (v) such other matters as may be appropriate.

- Mediation. The Bankruptcy Court may order the parties to mediate in connection with any Objection to a Claim. The Reorganized Debtors may include a request for mediation in an Objection to a Claim and may request that the Bankruptcy Court require mediation as a part of any scheduling order.

7. Offsets and Defenses

The Reorganized Debtors shall be vested with and retain all Estate Claims and Estate Defenses, including without limitation all rights of offset or recoupment and all counterclaims against any Claimant holding a Claim. Assertion of counterclaims by the Reorganized Debtors against any Claimants shall constitute "core" proceedings.

8. Claims Paid or Reduced Prior to Effective Date

Notwithstanding the contents of the Schedules, Claims listed therein as undisputed, liquidated and not contingent shall be reduced by the amount, if any, that was paid by the Debtors prior to the Effective Date, including pursuant to orders of the Bankruptcy Court. To the extent such payments are not reflected in the Schedules, such Schedules will be deemed amended and reduced to reflect that such payments were made. Nothing in the Plan shall preclude the Reorganized Debtors from paying Claims that the Debtors were authorized to pay pursuant to any Final Order entered by the Bankruptcy Court prior to the Confirmation Date.

E. Executory Contracts and Unexpired Leases

1. Assumption and Rejection of Executory Contracts

All Executory Contracts of Falcon, including without limitation those Executory Contracts identified on **Schedule 10.01(a) – Schedule of Assumed Falcon Executory Contracts** attached to the Plan, shall be deemed as assumed by the Debtors upon the Effective Date, unless an Executory Contract is identified on **Schedule 10.01(a) – Schedule of Rejected Falcon Executory Contracts** attached to the Plan, or unless an Executory Contract (i) has

been previously assumed or rejected pursuant to an order of the Bankruptcy Court, (ii) is identified in the Plan or the Confirmation Order to be rejected, or (iii) is the subject of a motion to reject filed on or before the Confirmation Date.

All Executory Contracts of New Falcon shall be deemed as rejected by the Debtors upon the Effective Date, unless an Executory Contract is identified on **Schedule 10.01(b) – Schedule of Assumed New Falcon Executory Contracts** attached to the Plan, or unless an Executory Contract (i) has been previously assumed or rejected pursuant to an order of the Bankruptcy Court, (ii) is identified in the Plan or the Confirmation Order to be assumed, or (iii) is the subject of a motion to assume filed on or before the Confirmation Date.

Any Executory Contract to be assumed under the Plan that has been amended or modified at any time after the Petition Date shall be deemed assumed as amended or modified. The Plan shall constitute a motion to assume or reject, as applicable, the Executory Contracts. However, the Debtors may file a separate motion for the assumption or rejection of any Executory Contract at any time through the Confirmation Date.

2. Cure Payments and Release of Liability

All payments which may be required by section 365(b)(1) of the Bankruptcy Code to satisfy any Cure Claim shall be made by the Reorganized Debtors on the Initial Distribution Date unless other treatment is provided for such Cure Claim hereunder; *provided, however*, in the event of a dispute regarding the amount of any Cure Claim, the cure of any other defaults, the ability of the Reorganized Debtors to provide adequate assurance of future performance, or any other matter pertaining to assumption or assignment of an Executory Contract, the Reorganized Debtors shall make such cure payments and cure such other defaults and provide adequate assurance of future performance, all as may be required by section 365(b)(1) of the Bankruptcy Code, following the entry of a Final Order by the Bankruptcy Court resolving such dispute.

3. Bar to Rejection Claims

Except as otherwise ordered by the Bankruptcy Court, any Rejection Claim based on the rejection of an Executory Contract shall be forever barred and shall not be enforceable against the Reorganized Debtors or the Assets unless a proof of Claim is filed with the Bankruptcy Court and served upon Reorganized Falcon and its counsel by the later of thirty (30) days after the Effective Date or thirty (30) days after entry of the Final Order approving rejection of such Executory Contract.

4. Rejection Claims

Any Rejection Claim not barred by failure to file a timely proof of Claim, except any such Rejection Claim held by Interest holders, shall be classified as a Class 6 General Unsecured Claim subject to the provisions of section 502(g) of the Bankruptcy Code; *provided, however*, that any Rejection Claim based upon the rejection of an unexpired lease of real property, either prior to the Confirmation Date, upon the entry of the Confirmation Order, or upon the Effective Date, shall be limited in accordance with section 502(b)(6) of the Bankruptcy Code and state law mitigation requirements. Any Rejection Claim held by an Interest holder will be treated in accordance with section 5.07 of the Plan. Nothing contained in the Plan shall be deemed an admission by the Debtors or the Reorganized Debtors that such rejection gives rise to or results in a Claim or shall be deemed a waiver by the Reorganized Debtors of any objections to such

Claim if asserted.

5. Reservation of Rights

Nothing contained in the Plan shall constitute an admission by the Debtors that any contract or lease is in fact an Executory Contract or that the Debtors have any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Reorganized Debtors shall have thirty (30) days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease.

6. Pass-Through

Except as otherwise provided in the Plan, any rights or arrangements necessary or useful to the operation of the Reorganized Debtors' businesses under the Plan, but not otherwise addressed as a Claim or Interest, including non-exclusive or exclusive patent, trademark, copyright, maskwork or other intellectual property licenses and other executory and/or non-executory contracts not assumable under section 365(c) of the Bankruptcy Code, shall, in the absence of any other treatment under the Plan or Confirmation Order, be passed through the Debtors' bankruptcy cases for the benefit of the Reorganized Debtors and the counterparty unaltered and unaffected by the Debtors' bankruptcy filings and bankruptcy cases.

F. Conditions Precedent to Confirmation and Effectiveness of Plan

The Plan shall not become effective until the following conditions shall have been satisfied or waived by the Debtors, as determined in their exclusive discretion: (a) the Confirmation Order shall have been entered, in form and substance acceptable to the Debtors and shall have become a Final Order; (b) all other conditions precedent have been satisfied to the satisfaction of the Debtors; (c) the Bar Date has passed, and no additional Claims have been filed which, in the sole discretion of the Debtors' management, adversely impact the Plan; and (d) a notice of the Effective Date has been filed by the Debtors and thereafter served upon all Creditors and parties in interest. Any or all of the above conditions may be waived at any time by the Debtors.

G. Effect of the Plan on Claims and Interests

1. Compromise and Settlement

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration of the classification, potential Distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise and settlement of all Claims, Interests and controversies resolved pursuant to the Plan, including, without limitation, all Claims arising prior to the Petition Date, whether known or unknown, foreseen or unforeseen, asserted or unasserted, arising out of, relating to or in connection with the businesses or affairs of, or transactions with, the Debtors. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of each of the foregoing compromises or settlements, and all other compromises and settlements provided for in the Plan, and the Bankruptcy Court's findings shall constitute its determination that such compromises and settlements are in the best interests of the Debtors, the Debtors' bankruptcy estates, Creditors and other parties in interest, and are fair, equitable, and within the range of reasonableness.

It is not the intent of the Debtors that confirmation of the Plan shall in any manner alter or amend any settlement and compromise between the Debtors and any Person that has been previously approved by the Bankruptcy Court (each, a "Prior Settlement"). To the extent of any conflict between the terms of the Plan and the terms of any Prior Settlement, the terms of the Prior Settlement shall control and such Prior Settlement shall be enforceable according to its terms.

2. Satisfaction of Claims

The rights afforded in the Plan and the treatment of all Claims and Interests herein shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Interests of any nature whatsoever against the Debtors, the Debtors' bankruptcy estates, and the Assets. Except as otherwise provided herein, on the Effective Date, all Claims against the Debtors shall be satisfied, discharged, and released in full. Except as otherwise provided herein, all Persons shall be precluded and forever barred from asserting against the Debtors and their affiliates, successors, assigns, the Debtors' bankruptcy estates and the Assets any event, occurrence, condition, thing, or other or further Claims or causes of action based upon any act, omission, transaction, or other activity of any kind or nature that occurred or came into existence prior to the Effective Date, whether or not the facts of or legal bases therefore were known or existed prior to the Effective Date.

3. Discharge

The terms, covenants and consideration under the Plan shall be in exchange for, and in complete satisfaction, discharge, and release of, all Claims of any nature whatsoever against the Debtors, the Reorganized Debtors and the Assets. Except as otherwise expressly provided herein, upon the Effective Date, the Debtors and the Reorganized Debtors, and their successors in interest and assigns, shall be deemed discharged and released pursuant to section 1141(d)(1)(A) of the Bankruptcy Code from any and all Claims, demands and liabilities that arose 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 upon such debt is filed or deemed filed under section 501 of the Bankruptcy Code; (b) a Claim based upon such debt is Allowed under section 502 of the Bankruptcy Code; (c) the holder of a Claim based upon such debt has accepted the Plan; or (d) the Claim has been Allowed, Disallowed, or estimated pursuant to section 502(c) of the Bankruptcy Code. The Confirmation Order shall be a judicial determination of discharge of all liabilities of the Debtors and the Reorganized Debtors, and their successors in interest and assigns, other than those obligations specifically set forth pursuant to the Plan. Notwithstanding the above, neither the Plan nor the Confirmation Order shall discharge the Debtors from any state or federal governmental regulatory or criminal investigations or actions; provided, however, that any claim, as defined in the Bankruptcy Code, that was asserted or which could have been timely asserted against the Debtors or their estates by a state, federal or local governmental authority will be discharged as provided herein.

4. Injunction

On the Effective Date and *except* as otherwise provided herein, all Persons who have been, are, or may be holders of Claims against or Interests in the Debtors shall be permanently restrained and enjoined from taking any of the following actions against or affecting the Debtors, the Reorganized Debtors, the Debtors' bankruptcy estates, the Assets, or their respective assets and property, with respect to such Claims or Interests (other than actions brought to enforce any rights or obligations under the Plan): (a) commencing, conducting, or continuing in

any manner, directly or indirectly, any suit, action or other proceeding of any kind with respect to any such Claim or Interest; (b) enforcing, levying, attaching, collecting, or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree, or order; (c) creating, perfecting, or otherwise enforcing in any manner, directly or indirectly, any Lien or encumbrance of any kind; (d) asserting any control over, interest, rights or title in or to any of the Assets except as expressly provided in the Plan; (e) asserting any setoff, right of subrogation or recoupment of any kind against any obligation due a Reorganized Debtor as assignee, except upon order of the Bankruptcy Court; and (f) performing any act, by any manner or means, whether directly or indirectly, in any place whatsoever, that does not conform to or comply with the provisions of the Plan; *provided, however*, that this injunction shall not bar any Creditor from asserting any right granted pursuant to the Plan; *provided, further, however*, that each holder of a Contested Claim shall be entitled to enforce its rights under the Plan, including seeking allowance of such Contested Claim pursuant to the Plan.

5. Setoffs

Except as otherwise expressly provided for in the Plan, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable nonbankruptcy law, or as may be agreed to by the holder of a Claim, the Reorganized Debtors may setoff against any Allowed Claim and the Distributions to be made pursuant to the Plan on account of such Allowed Claim (before such Distribution is made), any claims, rights, Estate Claims and Estate Defenses of any nature that the Debtors may hold against the holder of such Allowed Claim, to the extent such claims, rights, Estate Claims and Estate Defenses against such holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); *provided, however*, that neither the failure to effect such a setoff nor the allowance of any Claim or Interest pursuant to the Plan shall constitute a waiver or release by the Debtors of any such claims, rights, Estate Claims and Estate Defenses that the Debtors may possess against such Claimant. In no event shall any Claimant or Interest holder be entitled to setoff any Claim or Interest against any claim, right, or Estate Claim of the Debtors without the consent of the Debtors unless such holder files a motion with the Bankruptcy Court requesting the authority to perform such setoff notwithstanding any indication in any proof of Claim or otherwise that such holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise.

6. Recoupment

Except as otherwise expressly provided for in the Plan, in no event shall any holder of Claims or Interests be entitled to recoup any Claim or Interest against any claim, right, account receivable, or Estate Claim of the Debtors or the Reorganized Debtors unless (a) such holder actually provides notice thereof in writing to the Debtors or the Reorganized Debtors of its intent to perform a recoupment; (b) such notice includes the amount to be recouped by the holder of the Claim or Interest and a specific description of the basis for the recoupment; and (c) the Debtors or the Reorganized Debtors have provided a written response to such Claim or Interest holder, stating unequivocally that the Debtors or the Reorganized Debtors consent to the requested recoupment. The Debtors and the Reorganized Debtors shall have the right, but not the obligation, to seek an order of the Bankruptcy Court allowing any or all of the proposed recoupment. In the absence of a written response from the Debtors or the Reorganized Debtors consenting to a recoupment or an order of the Bankruptcy Court authorizing a recoupment, no recoupment by the holder of a Claim or Interest shall be allowed.

7. Turnover

On the Effective Date, any rights of the Debtors' bankruptcy estates to compel turnover of Assets under applicable nonbankruptcy law and pursuant to section 542 or 543 of the Bankruptcy Code shall be deemed transferred to and vested in the Reorganized Debtors.

8. Automatic Stay

The automatic stay pursuant to section 362 of the Bankruptcy Code, except as previously modified by the Bankruptcy Court, shall remain in effect until the Effective Date of the Plan as to the Debtors and all Assets. As of the Effective Date, the automatic stay shall be replaced by the injunction described above.

H. Jurisdiction of the Courts and Modifications of the Plan

1. Retention of Jurisdiction

Pursuant to sections 1334 and 157 of title 28 of the United States Code, the Bankruptcy Court shall retain exclusive jurisdiction of all matters arising in, arising under, and related to the Debtors' Chapter 11 Cases and the Plan, for the purposes of sections 105(a) and 1142 of the Bankruptcy Code, and for, among other things, the following purposes:

(a) To hear and determine any and all objections to or applications concerning the allowance of Claims or the allowance, classification, priority, compromise, estimation, or payment of any Administrative Expense or Claim;

(b) To hear and determine any and all applications for payments of fees and expenses from the Reorganized Debtors' estate made by attorneys or any other Professional pursuant to sections 330 or 503 of the Bankruptcy Code, or for payment of any other fees or expenses authorized to be paid or reimbursed from the Reorganized Debtors' estate under the Bankruptcy Code, and any and all objections thereto;

(c) To hear and determine pending applications for the rejection, assumption, or assumption and assignment of unexpired leases and executory contracts and the allowance of Claims resulting therefrom, and to determine the rights of any party in respect to the assumption or rejection of any executory contract or unexpired lease;

(d) To hear and determine any and all adversary proceedings, applications, or contested matters, including any remands or appeals;

(e) To hear and determine all controversies, disputes, and suits which may arise in connection with the execution, interpretation, implementation, consummation, or enforcement of the Plan or in connection with the enforcement of any remedies made available under the Plan, including without limitation, (i) adjudication of all rights, interests or disputes relating to any of the Assets, (ii) the valuation of all Collateral, including hearing all Valuation Motions, (iii) the determination of the validity of any Lien or claimed right of offset; and (iv) determinations of objections to Contested Claims;

(f) To liquidate and administer any disputed, contingent, or unliquidated Claims; including the allowance of all Contested Claims;

(g) To administer distributions to holders of Allowed Claims as provided herein;

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

(i) To enable the Reorganized Debtors to prosecute any and all proceedings which may be brought to set aside liens or encumbrances and to recover any transfers, assets, properties or damages to which the Reorganized Debtors may be entitled under applicable provisions of the Bankruptcy Code or any other federal, state or local laws, including causes of action, controversies, disputes and conflicts between the Reorganized Debtors and any other party, including but not limited to, any causes of action or objections to Claims, preferences of fraudulent transfers and obligations or equitable subordination.

(j) To consider any modification of the Plan pursuant to section 1127 of the Bankruptcy Code, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation the Confirmation Order;

(k) To enforce the Plan injunction and discharge described in the Plan;

(l) To the extent necessary, to approve the sale after the Effective Date of any of the Assets free and clear of all Liens, claims and interests by the Reorganized Debtor;

(m) To enter and implement all such orders as may be necessary or appropriate to execute, interpret, implement, consummate, or enforce the terms and conditions of the Plan and the transactions required or contemplated thereunder;

(n) To hear and determine any other matter not inconsistent with the Bankruptcy Code and title 28 of the United States Code that may arise in connection with or related to the Plan;

(o) To determine proceedings pursuant to section 505 of the Bankruptcy Code; and

(p) To enter a final decree closing the Chapter 11 Cases.

2. Abstention and Other Courts

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising out of or relating to the Debtors' Chapter 11 Cases, the Plan shall have no effect upon and shall not control, prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such matter.

3. Non-Material Modifications

The Reorganized Debtors may, with the approval of the Bankruptcy Court and without notice to all holders of Claims and Interests, correct any defect, omission, or inconsistency in the Plan in such manner and to such extent as may be necessary or desirable. The Reorganized Debtors may undertake such nonmaterial modification pursuant to this section insofar as it does not adversely change the treatment of the Claim of any Creditor or the Interest of any Interest holder who has not accepted in writing the modification.

4. Material Modifications

Modifications of the Plan may be proposed in writing by the Debtors at any time before confirmation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Debtors shall have complied with section 1125 of the Bankruptcy Code. The Plan may be modified at any time after confirmation and before its Substantial Consummation, provided that the Plan, as modified, meets the requirements of sections 1122 and 1123 of the Bankruptcy Code, and the Bankruptcy Court, after notice and a hearing, confirms the Plan, as modified, under section 1129 of the Bankruptcy Code, and the circumstances warrant such modification. A holder of a Claim or Interest that has accepted or rejected the Plan shall be deemed to have accepted or rejected, as the case may be, such Plan as modified, unless, within the time fixed by the Bankruptcy Court, such holder changes its previous acceptance or rejection.

5. Revocation

The Debtors reserve the right to revoke or withdraw the Plan prior to the Confirmation Date in accordance with the provisions of the Bankruptcy Code. If the Plan is revoked or withdrawn, or for any other reason not confirmed, nothing contained in the Plan shall be deemed to constitute a waiver or release of any Claim by or against the Debtors or any other Person or to prejudice in any manner the right of the Debtors or any other Person in any further proceedings involving the Debtors.

6. Effect of Withdrawal or Revocation

If the Debtors revoke or withdraw the Plan, or if the conditions to the Effective Date do not occur within sixty (60) days after the Confirmation Date, then the Plan shall be deemed null and void and shall not be binding on the Debtors or any other Person.

I. Miscellaneous Provisions

1. Severability

Should the Bankruptcy Court determine that any provision of the Plan is unenforceable either on its face or as applied to any Claim or Interest or transaction, the Reorganized Debtors may modify the Plan so that such provision shall not be applicable to the holder of any Claim or Interest. Such a determination of unenforceability shall not (a) limit or affect the enforceability and operative effect of any other provision of the Plan or (b) require the resolicitation of any acceptance or rejection of the Plan.

2. Oral Agreements; Modification of Plan; Oral Representations or Inducements

The terms of the Plan, Disclosure Statement and Confirmation Order may not be changed, contradicted or varied by any oral statement, agreement, warranty or representation. The Plan may only be modified, amended or supplemented in writing signed by an authorized representative of the Debtors or an authorized representative of the Reorganized Debtors. Neither the Debtors nor their attorneys have made any representation, warranty, promise or inducement relating to the Plan or its confirmation except as expressly set forth in the Plan, the Disclosure Statement, or the Confirmation Order or other order of the Court.

3. Waiver

The Reorganized Debtors shall not be deemed to have waived any right, power or privilege pursuant to the Plan unless the waiver is in writing and signed by an authorized representative of the Reorganized Debtors. There shall be no waiver by implication, course of conduct or dealing, or through any delay or inaction by the Reorganized Debtors, of any right pursuant to the Plan, including the provisions of this anti-waiver section. The waiver of any right under the Plan shall not act as a waiver of any other or subsequent right, power or privilege.

4. Construction

The Plan shall control over any inconsistent term of the Disclosure Statement. The Confirmation Order shall control over any inconsistent provision of the Plan.

5. Notice

Any notice or communication required or permitted by the Plan shall be given, made or sent as follows:

- If to a *Creditor*, notice may be given as follows: (i) if the Creditor has filed no proof of claim, then to the address reflected in the Schedules, or (ii) if the Creditor has filed a proof of claim, then to address reflected in the proof of claim.

- If to the *Reorganized Debtors,* notice shall be sent to the following address:

Falcon Steel Company
Attention: James T. Taylor, CEO
4201 Old Denton Rd.
Haltom City, TX 76117
817-581-6898 Fax

New Falcon Steel, LLC
Attention: James T. Taylor, CEO
4201 Old Denton Rd.
Haltom City, TX 76117
817-581-6898 Fax

Concurrently with service of such notice on the Reorganized Debtors, a copy thereof shall be served in the same manner on the following legal counsel:

Jeff P. Prostok
Lynda L. Lankford
Forshey & Prostok, L.L.P.
777 Main Street, Suite 1290
Fort Worth, Texas 76102
817-877-4151 Fax
jprostok@forsheyprostok.com
llankford@forsheyprostok.com

Any Creditor desiring to change its address for the purpose of notice may do so by giving notice to the Reorganized Debtors of its new address in accordance with the terms of this

section.

Any notice given, made or sent as set forth above shall be effective upon being (i) deposited in the United States Mail, postage prepaid, addressed to the addressee at the address as set forth above; (ii) delivered by hand or messenger to the addressee at the address set forth above; (iii) telecopied to the addressee as set forth above, with a hard confirmation copy being immediately sent through the United States Mail; or (iv) delivered for transmission to an expedited or overnight delivery service such as FedEx.

6. Compliance with All Applicable Laws

If notified by any governmental authority that they are in violation of any applicable law, rule, regulation, or order of such governmental authority relating to their businesses, the Reorganized Debtors shall comply with such law, rule, regulation, or order; *provided, however*, that nothing contained herein shall require such compliance if the legality or applicability of any such requirement is being contested in good faith in appropriate proceedings and, if appropriate, an adequate reserve has been set aside on the books of the Reorganized Debtors.

7. Duties to Creditors

No agent, representative, accountant, financial advisor, attorney, shareholder, officer, affiliate, member or employee of the Debtors shall ever owe any duty to any Person (including any Creditor) other than the duties owed to the Debtors' bankruptcy estates, for any act, omission, or event in connection with, or arising out of, or relating to, any of the following: (a) the Debtors' bankruptcy cases, including all matters or actions in connection with or relating to the administration of the estates, (b) the Plan, including the proposal, negotiation, confirmation and consummation of the Plan, or (c) any act or omission relating to the administration of the Plan after the Effective Date.

8. Binding Effect

The Plan shall be binding upon, and shall inure to the benefit of the Reorganized Debtors, the holders of the Claims or Liens, the holders of Interests, and their respective successors in interest and assigns.

9. Governing Law, Interpretation

Unless a rule of law or procedure supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) is applicable, the internal laws of the State of Texas shall govern the construction and implementation of the Plan and any Plan Documents without regard to conflicts of law. The Plan shall control any inconsistent term or provision of any other Plan Documents.

10. Payment of Statutory Fees

All fees payable pursuant to section 1930 of Title 28 of the United States Code shall be paid on or before the Effective Date, and thereafter shall be paid by the Reorganized Debtors as such statutory fees become due.

11. Filing of Additional Documents

On or before Substantial Consummation of the Plan, the Reorganized Debtors may file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan.

12. Computation of Time

If the final day for any Distribution, performance, act or event under the Plan is not a Business Day, then the time for making or performing such Distribution, performance, act or event shall be extended to the next Business Day. Any payment or Distribution required to be made hereunder on a day other than a Business Day shall be due and payable on the next succeeding Business Day.

13. Elections by the Reorganized Debtors

Any right of election or choice granted to the Reorganized Debtors under the Plan may be exercised, at the Reorganized Debtors' election, separately as to each Claim, Creditor or Person.

14. Release of Liens

Except as otherwise provided in the Plan or the Confirmation Order, all Liens against any of the Assets shall be deemed to be released, terminated and nullified.

15. Rates

The Plan does not provide for the change of any rate that is within the jurisdiction of any governmental regulatory commission after the occurrence of the Effective Date.

16. Retiree Benefits

To the extent that the Debtors provide any retiree benefits which are subject to section 1129(a)(13) of the Bankruptcy Code, such retiree benefits shall continue to be provided by the Reorganized Debtors from and after the Effective Date for the period the Debtors are obligated to provide such benefits. For the avoidance of doubt, the STA is not a retiree benefit subject to continuance pursuant to section 1129(a)(13) of the Bankruptcy Code.

17. Compliance with Tax Requirements

In connection with the Plan, the Reorganized Debtors shall comply with all withholding and reporting requirements imposed by federal, state and local Taxing Authorities and all Distributions under the Plan shall be subject to such withholding and reporting requirements. Notwithstanding the above, each holder of an Allowed Claim or Interest that is to receive a Distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any governmental unit, including income, withholding and other tax obligations, on account of such Distribution under the Plan.

18. Notice of Occurrence of the Effective Date

Promptly after occurrence of the Effective Date, the Reorganized Debtors, as directed by

the Bankruptcy Court, shall serve on all known parties in interest and holders of Claims and Interests, notice of the occurrence of the Effective Date.

19. Interest and Attorney's Fees

Interest accrued after the Petition Date will accrue and be paid on Allowed Claims only to the extent specifically provided for in the Plan, the Confirmation Order or as otherwise required by the Bankruptcy Court or by applicable law. Except as set forth in the Plan or as ordered by the Bankruptcy Court, no award or reimbursement of attorney's fees or related expenses or disbursements shall be allowed on, or in connection with, any Claim.

20. No Admissions

As to contested matters, adversary proceedings and other causes of action or threatened causes of action, the Plan shall not constitute or be construed as an admission by the Debtors or the Reorganized Debtors of any fact or liability, stipulation, or waiver, but shall constitute and be construed as a statement made in settlement negotiations. The Plan shall not be construed to be conclusive advice on the tax, securities, and other legal effects of the Plan as to holders of Claims against, and Interests in, the Debtors or their affiliates, as debtors and debtors in possession in the Chapter 11 Cases.

IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

THE PLAN AND ITS RELATED TAX CONSEQUENCES ARE COMPLEX. MOREOVER, MANY OF THE INTERNAL REVENUE CODE PROVISIONS DEALING WITH THE FEDERAL INCOME TAX ISSUES ARISING FROM THE PLAN HAVE BEEN THE SUBJECT OF RECENT LEGISLATION AND, AS A RESULT, MAY BE SUBJECT TO AS YET UNKNOWN ADMINISTRATIVE OR JUDICIAL INTERPRETATIONS. THE DEBTORS HAS NOT REQUESTED A RULING FROM THE INTERNAL REVENUE SERVICE (THE "IRS") OR AN OPINION OF COUNSEL WITH RESPECT TO THESE MATTERS. ACCORDINGLY, NO ASSURANCE CAN BE GIVEN AS TO THE INTERPRETATION THAT THE IRS WILL ADOPT. THERE ALSO MAY BE STATE, LOCAL OR OTHER TAX CONSIDERATIONS APPLICABLE TO EACH CREDITOR. CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES OF THE PLAN TO THEM UNDER FEDERAL AND APPLICABLE STATE, LOCAL AND OTHER TAX LAWS. SUBJECT TO THE ABOVE, THE DEBTORS DISCLOSE THAT THEY BELIEVE THAT THE TERMINATION OF THE STA (STOCK TRANSFER AGREEMENT) AND THE REPLACEMENT OF THE STA WITH THE NEW STA (NEW STOCK TRANSFER AGREEMENT) WILL GENERALLY BE REGARDED AS NON-COMPENSATORY TO HOLDERS OF INTERESTS, AND THE DEBTORS DO NOT INTEND TO TREAT THE TERMINATION OF THE STA AND THE REPLACEMENT OF THE STA WITH THE NEW STA AS COMPENSATORY TO HOLDERS OF INTERESTS.

X. SELECTED FINANCIAL INFORMATION

Selected financial and operational information concerning the Debtors is attached hereto as **Exhibit B**, and includes the Debtors' Monthly Operating Reports for the months of September, October, and November, 2014. The information contained in the Monthly Operating Reports is provided by the Debtors' management and is prepared using accrual accounting.

XI. CONFIRMATION OF THE PLAN

A. Solicitation of Votes; Voting Procedures

1. Ballots and Voting Deadlines

A ballot to be used for voting to accept or reject the Plan, together with a postage-paid return envelope, is enclosed with all copies of this Disclosure Statement mailed to all holders of Claims and Interests entitled to vote. BEFORE COMPLETING YOUR BALLOT, PLEASE READ CAREFULLY THE INSTRUCTION SHEET THAT ACCOMPANIES THE BALLOT.

The Bankruptcy Court has directed that, in order to be counted for voting purposes, ballots for the acceptance or rejection of the Plan must be received no later than 5:00 p.m., Central Time, on _____, 2015, at the following address:

Forshey & Prostok, L.L.P.
777 Main Street, Suite 1290
Fort Worth, Texas 76102
Attn: Linda Breedlove

YOUR BALLOT MAY NOT BE COUNTED IF IT IS RECEIVED AT THE ABOVE ADDRESS AFTER 5:00 P.M., CENTRAL TIME, ON _____, 2015.

2. Parties in Interest Entitled to Vote

The holder of a Claim or Interest may vote to accept or reject the Plan only if the Plan impairs the Class in which such Claim or Interest is classified. Under the Plan, Classes 1-6 are impaired. Therefore, all holders of Claims in these Classes may vote to accept or reject the Plan.

Any Claim or Interest as to which an objection has been filed is not entitled to vote unless the Bankruptcy Court, upon application of the holder to whose Claim or Interest an objection has been made, temporarily allows such Claim or Interest in an amount that it deems proper for the purpose of accepting or rejecting the Plan. Any such application must be heard and determined by the Bankruptcy Court on or before commencement of the Confirmation Hearing. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

IF YOU HAVE ANY QUESTIONS REGARDING THE PROCEDURES FOR VOTING ON THE PLAN, PLEASE CONTACT THE DEBTORS' COUNSEL AT THE FOLLOWING ADDRESS:

Lynda L. Lankford
Forshey & Prostok, L.L.P.
777 Main Street, Suite 1290
Fort Worth, Texas 76102
817-877-8855
817-877-4151 Fax

3. Vote Required for Class Acceptance

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount, and more than one-half in number, of the claims of that class which actually cast ballots for acceptance or rejection of the Plan. Thus, class acceptance takes place only if at least two-thirds in amount and a majority in number of the holders of claims voting cast their ballots in favor of acceptance.

The Bankruptcy Code defines acceptance of a plan by a class of Interests as acceptance by holders of at least two-thirds in amount of the Interests of that class that actually cast ballots for acceptance or rejection of the plan. Thus, class acceptance takes place only if at least two-thirds in amount of the holders of Interests voting cast their ballots in favor of acceptance.

B. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the Confirmation Hearing has been scheduled for _____, 2015, at _____ __.m. Central Time, in the United States Bankruptcy Court for the Northern District of Texas, Fort Worth Division. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the confirmation hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court on or before 5:00 p.m. Central Time, on _____, 2015, at the following address:

Office of the Clerk
U.S. Bankruptcy Court
Eldon B. Mahon U.S. Courthouse
501 W. Tenth Street
Fort Worth, Texas 76102-3643

In addition, any such objection must be served upon the following parties, together with proof of service, on or before _____, 2015:

Lynda L. Lankford
Forshey & Prostok, L.L.P.
777 Main Street, Suite 1290
Fort Worth, Texas 76102

William T. Neary
United States Trustee
1100 Commerce Street, Room 976
Dallas, Texas 75242

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT WILL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

C. Requirements for Confirmation of the Plan

At the confirmation hearing, the Bankruptcy Court must determine whether the Bankruptcy Code's requirements for confirmation of the Plan have been satisfied, in which event the Bankruptcy Court will enter an order confirming the Plan. As set forth in section 1129 of the Bankruptcy Code, these requirements are as follows:

1. The plan complies with the applicable provisions of the Bankruptcy Code.

2. The proponents of the plan complied with the applicable provisions of the Bankruptcy Code.

3. The plan has been proposed in good faith and not by any means forbidden by law.

4. Any payment made or promised by the Debtors, by the plan proponents, or by a person issuing securities or acquiring property under the plan, for services or for costs and expenses in, or in connection with, the case, or in connection with the plan and incident to the case, has been approved by, or is subject to the approval of the Bankruptcy Court as reasonable.

5. (a) (i) The proponent of the plan has disclosed the identity and affiliations of any individual proposed to serve, after confirmation of the plan, as a director, officer, or voting trustee of the Debtors, an affiliate of the Debtors participating in a joint plan with the Debtors, or a successor to the Debtors under the plan; and

(ii) the appointment to, or continuance in, such office of such individual, is consistent with the interests of creditors and equity security holders and with public policy; and

(b) the proponent of the plan has disclosed the identity of any insider that will be employed or retained by the Reorganized Debtors, and the nature of any compensation for such insider.

6. Any governmental regulatory commission with jurisdiction, after confirmation of the plan, over the rates of the Debtors has approved any rate change provided for in the plan, or such rate change is expressly conditioned on such approval.

7. With respect to each impaired class of claims or interests:

(a) each holder of a claim or interest of such class has accepted the plan or will receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code on such date; or

(b) if section 1111(b)(2) of the Bankruptcy Code applies to the claims of such class, the holder of a claim of such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims.

8. With respect to each class of claims or interests:

(a) such class has accepted the plan; or

(b) such class is not impaired under the plan.

9. Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, the plan provides that:

(a) with respect to a claim of a kind specified in section 507(a)(2) or 507(a)(3) of the Bankruptcy Code, on the effective date of the plan, the holder of such claim will receive on account of such claim cash equal to the allowed amount of such claim;

(b) with respect to a class of claims of a kind specified in section 507(a)(1), 507(a)(4), 507(a)(5), 507(a)(6) or 507(a)(7) of the Bankruptcy Code, each holder of a claim of such class will receive:

(i) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(ii) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claim; and

(c) with respect to a claim of a kind specified in section 507(a)(8) of the Bankruptcy Code, the holder of such claim will receive on account of such claim regular installment payments in cash:

(i) of a total value, as of the effective date of the plan, equal to the allowed amount of such claim;

(ii) over a period ending not later than 5 years after the date of the order for relief under section 301, 302, or 303; and

(iii) in a manner not less favorable than the most favored nonpriority unsecured claim provided for by the plan (other than cash payments made to a class of creditors under section 1122(b) of the Bankruptcy Code); and

(d) with respect to a secured claim which would otherwise meet the description of an unsecured claim of a governmental unit under section 507(a)(8) of the Bankruptcy Code, but for the secured status of that claim, the holder of that claim will receive on account of that claim, cash payments, in the same manner and over the same period, as prescribed in 9(c) above.

10. If a class of claims is impaired under the plan, at least one class of claims that is impaired has accepted the plan, determined without including any acceptance of the plan by any insider holding a claim of such class.

11. Confirmation of the plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the plan, unless such liquidation or reorganization is proposed in the plan.

12. All fees payable under 28 U.S.C. section 1930, as determined by the Bankruptcy Court at the hearing on confirmation of the plan, have been paid or the plan provides for the payments of all such fees on the effective date of the plan.

13. The plan provides for the continuation after its effective date of payment of all retiree benefits, as that term is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to subsection (e)(1)(B) or (g) of section 1114, at any time prior to confirmation of the plan, for the duration of the period the Debtors has obligated itself to provide such benefits.

14. If the Debtors is required by a judicial or administrative order, or by statute, to pay a domestic support obligation, the Debtors has paid all amounts payable under such order or such statute for such obligation that first become payable after the date of the filing of the petition.

15. In a case in which the Debtors is an individual and in which the holder of an allowed unsecured claim objects to the confirmation of the plan:

(a) the value, as of the effective date of the plan, of the property to be distributed under the plan on account of such claim is not less than the amount of such claim; or

(b) the value of the property to be distributed under the plan is not less than the projected disposable income of the Debtors (as defined in section 1325(b)(2) of the Bankruptcy Code) to be received during the five year period beginning on the date that the first payment is due under the plan, or during the period for which the plan provides payments, whichever is longer.

16. All transfers of property of the plan shall be made in accordance with any applicable provisions of nonbankruptcy law that govern the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

The Debtors believe that the Plan satisfies all the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all the requirements of chapter 11, and that the Plan is proposed in good faith.

The Debtors believe that holders of all Allowed Claims and Interests impaired under the Plan will receive payments under the Plan having a present value, as of the Effective Date, not less than the amounts likely to be received if the Debtors were liquidated in a case under chapter 7 of the Bankruptcy Code. At the Confirmation Hearing, the Bankruptcy Court will determine whether holders of Allowed Claims or Allowed Interests would receive greater distributions under the Plan than they would receive in a liquidation under chapter 7.

The Debtors also believe that the feasibility requirement for confirmation of the Plan is satisfied by the fact that the Debtors' future operating revenues will be sufficient to satisfy the Debtors' obligations under the Plan in addition to supporting sustainable growth of the enterprise. These facts and others demonstrating the confirmability of the Plan will be shown at the Confirmation Hearing.

D. Cramdown

In the event that any impaired Class of Claims or Interests does not accept the Plan, the Bankruptcy Court may still confirm the Plan at the request of the Debtors if, as to each impaired Class which has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to that Class. A plan of reorganization "does not discriminate unfairly" within the meaning of the Bankruptcy Code if no Class receives more than it is legally entitled to receive for its claims or Interests.

"Fair and equitable" has different meanings with respect to the treatment of secured and unsecured claims. As set forth in section 1129(b)(2) of the Bankruptcy Code, those meanings are as follows:

1. With respect to a class of secured claims, the plan provides:

(a) (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the Debtors or transferred to another entity, to the extent of the allowed amount of such claims; and

(ii) that each holder of a claim of such class receive on account of such claim deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder's interest in the estate's interest in such property;

(b) for the sale, subject to section 363(k) of the Bankruptcy Code, of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale, and the treatment of such liens on proceeds under clause (a) and (b) of this subparagraph; or

(c) the realization by such holders of the "indubitable equivalent" of such claims.

2. With respect to a class of unsecured claims, the plan provides:

(a) that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(b) the holder of any claim or interest that is junior to the claims of such class will not receive or retain under the plan on account of such junior claim or interest any property, except that in a case in which the debtor is an individual, the debtor may retain property included in the estate under section 1115 of the Bankruptcy Code, subject to the requirements of section 1129(a)(14) of the Bankruptcy Code.

3. With respect to a class of interests, the plan provides:

(a) that each holder of an interest of such class receive or retain on account of such interest property of a value, as of the effective date of the plan, equal to the greatest of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled or the value of such interest; or

(b) that the holder of any interest that is junior to the interests of such class will not receive or retain under the plan on account of such junior interest any property.

In the event that one or more Classes of impaired Claims or Interests reject the Plan, the Bankruptcy Court will determine at the Confirmation Hearing whether the Plan is fair and equitable with respect to, and does not discriminate unfairly against, any rejecting impaired Class of Claims or Interests. For the reasons set forth above, the Debtors believe the Plan does not discriminate unfairly against, and is fair and equitable with respect to, each impaired Class of Claims or Interests.

XII. RISK FACTORS

The following is intended as a summary of certain risks associated with the Plan, but it is not exhaustive and must be supplemented by the analysis and evaluation made by each holder of a Claim or Interest of the Plan and this Disclosure Statement as a whole with such holder's own advisors.

A. Variances from Projections

While the Debtors are confident regarding their projections in support of the Plan, there are various risk factors that must be considered.

1. General

The Plan is premised on the financial analyses and projections prepared by the Debtors and attached to the Disclosure Statement as **Exhibit "B"**. The projections contained in the financial analysis include, among other items, assumptions concerning general economic conditions, the ability to make necessary capital expenditures, and other factors. The Debtors believe that the assumptions underlying the projected financial statements are reasonable and that it will be able to perform its obligations under the Plan. There are certain other factors, however, that relate to the Reorganized Debtors' ability to achieve the projections. For instance, collectability of accounts owed to the Debtors is also a potential risk. This is addressed on a liquidation basis in the Liquidation Analysis included in **Exhibit "C"**.

2. Expenses

The Debtors' management has projected increases in various expense categories. The Debtors' assumptions about the increases in expenses have been broken out in its projections and are attached. The Debtors' management believes that these projected increases in expense categories are reasonable based on history and the knowledge of the Debtors' management. If expenses increase significantly beyond the Debtors' projections, it could have an adverse impact on the Debtors' business operations

3. Economic Recession

The Debtors' income projections are based on experience and take into account normal fluctuations in the economy generally. Nonetheless, a continued severe recession or economic depression could adversely affect the Debtors' projections. Although the Debtors believe that their projections are conservative, the Debtors cannot guarantee them. In the event that a severe economic downturn continues or occurs, the Debtors could face difficulties in meeting

the projections.

B. Bankruptcy Risks

1. Insufficient Acceptances

For the Plan to be confirmed, each impaired Class of Claims is given the opportunity to vote to accept or reject the Plan. With regard to such impaired voting Classes, the Plan will be deemed accepted by a Class of impaired Claims if the Plan is accepted by claimants of such Class actually voting on the Plan who hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the total Allowed Claims of the Class voted. Only those members of a Class who vote to accept or reject the Plan will be counted for voting purposes. The Debtors reserve the right to request confirmation pursuant to the cramdown provisions in section 1129(b) of the Bankruptcy Code, which will allow confirmation of the Plan regardless of the fact that a particular Class of Claims or Interests has not accepted the Plan. However, there can be no assurance that any impaired Class of Claims under the Plan will accept the Plan or that the Debtors would be able to use the cramdown provisions of the Bankruptcy Code for confirmation of the Plan.

2. Confirmation Risks

The following specific risks exist with respect to confirmation of the Plan:

(a) Any objection to confirmation of the Plan can either prevent confirmation of the Plan, or delay such confirmation for a significant period of time.

(b) Since the Debtors may be seeking to obtain approval of the Plan over the rejection of one or more impaired Classes of Claims, the cramdown process could delay confirmation.

3. Conditions Precedent

Confirmation of the Plan and occurrence of the Effective Date are subject to certain conditions precedent that may not occur. The Debtors, however, are working diligently with all parties in interest to ensure that all conditions precedent are satisfied.

XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors have evaluated several reorganization alternatives to the Plan, including the continued operation of the Debtors under their current debt structures and the liquidation of the Debtors. Several inquiries were made with regard to purchasing the company from both strategic and financial buyers or investors. All such inquiries were and continue to be considered. Discussions occurred with approximately ten (10) parties and preliminary valuation discussions were not sufficient to warrant further consideration. Preliminary indications of value ranged from amounts that would not be sufficient to satisfy secured and unsecured claims to amounts that would satisfy such claims but yield little or no value to shareholders. After studying these alternatives, the Debtors concluded that the Plan is the best alternative and will maximize recoveries by holders of Claims and Interests, assuming confirmation of the Plan and consummation of the transactions contemplated by the Plan. The following discussion provides a summary of the Debtors' analysis leading to their conclusion that the Plan will provide the highest value to holders of Claims.

A. Continued Operation Under Pre-Petition Debt Structure

Based on the Bank declining to renew and extend the indebtedness owed by the Debtors to the Bank, continued operation by the Debtors of its business under the Debtors' pre-petition debt structure is not an option available to the Debtors. Instead, such an attempt at continued operation would result in a foreclosure on the Debtors' Assets.

B. Liquidation of the Debtors

The Debtors also have analyzed whether a chapter 7 liquidation of the assets of the Debtors would be in the best interest of holders of Claims. That analysis reflects a liquidation value that is materially lower than the value that may be realized through the Plan. The Debtors believe that liquidation would result in substantial diminution in the value to be realized by holders of Claims because of (i) the failure to realize the greater going-concern value of the Debtors' assets; (ii) additional administrative expenses involved in the appointment of a trustee or trustees, attorneys, accountants, and other professionals to assist such trustee(s) in the case of a chapter 7 proceeding; (iii) additional expenses and claims, some of which would be entitled to priority in payments, which would arise by reason of the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations; and (iv) the substantial time which would elapse before creditors would receive any distribution in respect of their Claims. Consequently, the Debtors believe that the Plan, which provides for the continuation of the Debtors' core business, provides a substantially greater return to holders of Claims than would liquidation.

C. Alternatives if the Plan is Not Confirmed

If the Plan is not confirmed, the Debtors or any other party in interest in the Chapter 11 Case could attempt to formulate and propose a different plan or plans of reorganization. Such plans might involve either a reorganization and continuation of the Debtors' business, a sale of the Debtors' business as a going concern, an orderly liquidation of the Debtors' assets, or a combination thereof. Further, if no plan of reorganization can be confirmed, the Chapter 11 Case may be converted to a liquidation proceeding under chapter 7 of the Bankruptcy Code. In a chapter 7 case, a trustee would be elected or appointed to liquidate the assets of the Debtors. The proceeds of the liquidation would be distributed to the creditors of the Debtors in accordance with the priorities established by the Bankruptcy Code.

XIV. CONCLUSION

The Debtors urge holders of Claims in impaired Classes to vote to **ACCEPT** the Plan and to evidence such acceptance by returning their ballots so that they will be received on or before 5:00 p.m., Central Time, on _____, 2015.

[Remainder of page intentionally left blank]

Dated: March 3, 2015.

Respectfully submitted,

FALCON STEEL COMPANY

By: _____
James T. Taylor
President and Chief Executive Officer

NEW FALCON STEEL, LLC

By: _____
James T. Taylor
President and Chief Executive Officer

APPROVED:

/s/ Jeff P. Prostok
Jeff P. Prostok
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ATTORNEYS FOR DEBTORS
AND DEBTORS IN POSSESSION

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