

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF WEST VIRGINIA**

In re)	Chapter 11
)	
FREEDOM INDUSTRIES, INC.)	
)	Case No. 14-20017-RGP
)	
Debtor.)	
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**SUMMARY OF DEBTOR'S
PLAN OF LIQUIDATION DATED
APRIL 30, 2015**

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In re)	Chapter 11
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FREEDOM INDUSTRIES, INC.)	
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Summary of Plan of Liquidation dated April 30, 2015

I. Sources of Funding for Plan of Liquidation as of Effective Date (i.e., closing date) of Plan Projected for June, 2015

Estimated Cash on Hand (dependent upon extent/nature of remediation obligations)	[\$100,000]
Chemstream/Former Ds & Os Contribution	[\$2,820,000]
Southern Contribution	[\$300,000]
AIG Settlement Proceeds	[\$3,199,318]
Potential Etowah River Terminal Sale Proceeds	[\$100,000]
Total Sources of Plan Funding	<u>[\$6,519,318]</u>

II. Uses of Funding for Plan of Liquidation as of Effective Date (ie, closing date) of Plan
Projected for June, 2015¹

IRS Secured (Principal & Interest Only)	[\$500,000]
DEP Dedicated Fund	[\$150,000]
Estimated Allowable 503(b)(9) Claims	[\$250,000]
Priority Tax Claims	[\$2,000]
Fee/Expense Escrow for total to 02/28/2015	\$2,158,693 ²
Professional Fees and Expenses estimated March, 2015 through Effective Date	\$400,000
General Unsecured Initial Distribution	\$500,000
Convenience Spill Class Distribution	\$500,000
Minimum Spill Class Distribution	\$2,199,318
Total Minimum Plan Payments/Escrows	[\$6,660,011]
Net Projected Initial Funding Deficit	\$140,693
Estimated Professional Fee Contribution Amount	\$140,693

¹ The Debtor intends to request that the Court approve the Disclosure Statement on at a consolidated hearing on approval of the Disclosure Statement and confirmation of the Plan of Liquidation.

² Subject to reduction for Professional Fee Contribution Amount.

III. Plan Treatment of Creditors and Equity Interests

1. DEP: To the extent not previously established, a DEP Dedicated Fund of \$150,000 established to complete environmental remediation work at Etowah River Terminal. This assumes that water collection obligations have been released by DEP and the Etowah River Terminal is sold, each prior to the Effective Date. DEP has not agreed at this time to (i) limit the Debtor's remediation obligations in a manner proposed by the Debtor, (ii) the amount of the DEP Dedicated Fund or (iii) the terms and conditions of a potential sale of the Etowah River Terminal, each which remain subject to final negotiations with DEP negotiation under the VRP.

2. Administrative: It is believed that the only allowable administrative claims in the case are section 503(b)(9) claims and fees and expenses of Professionals

a. Section 503(b)(9): Allowable 503(b)(9) claims paid in full on later of Effective Date or date of allowance by Court if claim is Disputed.

b. Professionals: Subject to final order of the Bankruptcy Court or other court of competent jurisdiction, and subject further to discounts with respect to the Professional Fee Contribution Amount, Professionals paid 100% of all allowed fees and expenses. If Court orders reduction in fees of any professional, applicable professional may either accept discount or seek further judicial review, with fees held in escrow pending such review.

3. Class 1 Secured IRS: Paid 100% of outstanding principal and interest on Effective Date with waiver of penalties.

4. Class 2 Priority Tax Claims: Paid 100% of principal and interest on later of Effective Date or date of allowance by Court if claim is challenged.

5. Class 3 General Unsecured Claims: \$500,000 distribution made to GC Plan Administrator on Effective Date, plus 50/50 split of litigation proceeds (after costs of litigation) up to an additional \$7,000,000 of recovery.

6. Class 4 Convenience Spill Claims: Aggregate of \$500,000 paid pro rata to unrepresented spill claims of \$3,000 or less, and those other spill claims electing to receive distribution under Class 4.

7. Class 5 Spill Claims: On Effective Date, Spill Claim Plan Administrator will be paid no less than \$2,199,318 for use as determined by Spill Claim Plan Administrator and Oversight Committee. Spill Claim Plan Administrator to receive any residual funds in Professional Fee Escrow Account and DEP Dedicated Fund. Spill Claim Plan Administrator to control Causes of Action that are not waived or released under Plan. Proceeds of Causes of Action first used to pay fees and costs related to litigation, then split 50/50 with General Unsecured Creditors until General Unsecured Creditors receive \$7,000,000 from Cause of Action proceeds, and then 100% of proceeds of Causes of Action paid to Spill Claims for distribution as and when determined by Spill Claim Plan Administrator.

8. Equity: Existing Equity to receive no distribution. Equity in Freedom to be held by Spill Claim Plan Administrator as of Effective Date.

IV. Other Important Plan Provisions

1. The Plan represents a global settlement among the Debtor; the Committee; the current equity owner of the Debtor (Chemstream Holdings, Inc.) and affiliated parties; the former officers and directors of the Debtor (Dennis P. Farrell, William G. Tis and Charles E. Herzing), Gary Southern, and certain represented class action plaintiffs. Without these settlements, there would be (a) no release of AIG settlement proceeds (totaling approximately \$3,199,318), (b) no sale escrow proceeds (totaling approximately \$2,800,000), and (c) no proceeds from Gary Southern (totaling \$300,000), unless and until uncertain, time consuming, and expensive litigation were first to occur.

2. In exchange for the consideration described above, the Debtor, its bankruptcy estate and the successor Plan Administrators will release under the Plan all litigation rights and claims against Chemstream and its affiliated parties; Dennis P. Farrell, William G. Tis and Charles E. Herzing and their affiliated companies that they own or owned; and Gary Southern and affiliated companies that he owns or owned. Finally, Chemstream and its affiliated parties, Tis, Herzing and Farrell and their affiliated parties, and Southern and his affiliated parties will agree to waive and not assert any claims against the Debtor or the insurance recoveries from AIG Specialty Insurance.

3. The CRO, Debtor, the Debtor's current sole director and Committee professionals are protected from claims under the Plan unless conduct of these parties in the course of the Debtor's bankruptcy case were found by a court of law to be grossly negligent or amounting to willful misconduct.

4. The Debtor and WVDEP continue to discuss and negotiate the scope and extent of final remediation measures for the Etowah River Terminal. Agreed steps may include, without limitation, the construction of a new retention trench below existing retention trenches and the testing of water contained within the new trench once constructed. Additional water testing is expected to occur within the contained area of the MCHM Footprint. Results of this additional water testing are expected to impact a determination by WVDEP regarding the extent to which additional soil removal, if any, will occur, and the extent to which certain areas on the upper portion of the site will be filled, if at all, with clay. Once the extent of additional soil removal and clay fill requirements, if any, are determined and undertaken (to the extent so required), the CRO expects, subject to approval by WVDEP, to then fill certain additional trenches with clean fill and remove all pumps from the site. The CRO believes that completion of the aforementioned measures will allow the CRO to sell the Etowah River Terminal to an unrelated third party that will promptly after closing on the proposed transaction pave a substantial portion of the site and agree, subject to specified limitations, to continue to cause water testing to occur. Negotiations with the potential purchaser and WVDEP regarding this potential transaction are ongoing. More specific definition is expected to be brought to these matters incrementally in the period prior to a hearing on confirmation of the Plan.