

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF ILLINOIS
PEORIA DIVISION**

In re:

INTERNATIONAL SUPPLY CO.

Debtor.

)
) Chapter 11
)
) Case No. 15-81467
)
) Honorable Thomas L. Perkins
)

**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF THE
BANKRUPTCY CODE FOR THE CHAPTER 11 PLAN OF LIQUIDATION**

Dated: February 23, 2016

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THIS IS NOT A SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN OF LIQUIDATION. ACCEPTANCES MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT AND IS SUBJECT TO AMENDMENT.

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**THE VOTING DEADLINE TO ACCEPT OR REJECT
THE PLAN IS 5:00 P.M. CENTRAL TIME ON
[], 2016 UNLESS EXTENDED BY ORDER
OF THE UNITED STATES BANKRUPTCY COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS.**

DISCLAIMERS

THIS DISCLOSURE STATEMENT (“DISCLOSURE STATEMENT”), THE CHAPTER 11 PLAN OF LIQUIDATION (“PLAN”), EXHIBITS ANNEXED HERETO, ACCOMPANYING BALLOTS AND RELATED MATERIALS DELIVERED TOGETHER HERewith ARE BEING FURNISHED BY THE COMMITTEE TO RECORD HOLDERS OF IMPAIRED CLAIMS AND EQUITY INTERESTS DISCLOSED BY THE DEBTOR, PURSUANT TO SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE IN CONNECTION WITH SOLICITATION OF VOTES TO ACCEPT THE PLAN AS DESCRIBED HEREIN.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE “THE PLAN – CONDITIONS PRECEDENT TO EFFECTIVE DATE OF THE PLAN.” THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.

IF THE PLAN IS CONFIRMED BY THE BANKRUPTCY COURT AND THE EFFECTIVE DATE OCCURS, ALL HOLDERS OF CLAIMS AGAINST, AND HOLDERS OF EQUITY INTERESTS IN, THE DEBTOR (INCLUDING, WITHOUT LIMITATION, THOSE HOLDERS OF CLAIMS WHICH DO NOT SUBMIT BALLOTS TO ACCEPT OR REJECT THE PLAN OR WHICH ARE NOT ENTITLED TO VOTE ON THE PLAN) WILL BE BOUND BY THE TERMS OF THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS THAT ARE ELIGIBLE TO VOTE ON THE PLAN ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

ALL SUMMARIES OF THE PLAN AND OTHER STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, RELATED DOCUMENTS, AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN OR THE APPLICABLE PLAN DOCUMENTS AND THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN OR THE APPLICABLE PLAN DOCUMENTS ARE CONTROLLING. THE SUMMARIES OF THE PLAN AND THE PLAN DOCUMENTS IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE

SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE PLAN AND THE APPLICABLE PLAN DOCUMENTS, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN THE PLAN AND SUCH PLAN DOCUMENTS.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE INDICATED, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT WILL NOT, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF AND THE COMMITTEE UNDERTAKES NO DUTY TO UPDATE THE INFORMATION CONTAINED HEREIN.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE.

THERE HAS BEEN NO INDEPENDENT AUDIT OF THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN OR THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT EXCEPT AS EXPRESSLY INDICATED IN THIS DISCLOSURE STATEMENT OR OTHER DOCUMENT RELATED TO THE PLAN. THIS DISCLOSURE STATEMENT WAS COMPILED FROM INFORMATION OBTAINED BY THE COMMITTEE AND, TO THE BEST OF THE COMMITTEE'S KNOWLEDGE, IS ACCURATE.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS, AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS, THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AND MAY NOT BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION, OR WAIVER, BUT RATHER AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS AND SHALL BE INADMISSIBLE FOR ANY PURPOSE ABSENT THE EXPRESS WRITTEN CONSENT OF THE COMMITTEE AND THE PARTY AGAINST WHOM SUCH INFORMATION IS SOUGHT TO BE ADMITTED.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. THE DESCRIPTIONS SET FORTH HEREIN OF THE ACTIONS, CONCLUSIONS, OR RECOMMENDATIONS OF THE DEBTOR OR ANY OTHER PARTY IN INTEREST HAVE BEEN PASSED UPON BY SUCH PARTY, BUT NO SUCH PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING SUCH DESCRIPTIONS. NO REPRESENTATIONS ARE AUTHORIZED BY THE BANKRUPTCY COURT CONCERNING THE DEBTOR, ITS BUSINESS OPERATIONS, THE VALUE OF ITS ASSETS OR THE VALUES OF THE SECURITIES DESCRIBED HEREIN TO BE ISSUED OR BENEFITS OFFERED PURSUANT TO THE PLAN, EXCEPT AS EXPLICITLY SET FORTH IN THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND/OR EQUITY INTERESTS SHOULD NOT RELY UPON ANY REPRESENTATIONS OR

INDUCEMENTS MADE TO SECURE ACCEPTANCE OF THE PLAN OTHER THAN THOSE SET FORTH IN THIS DISCLOSURE STATEMENT.

THIS DISCLOSURE STATEMENT WILL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, NOR WILL IT BE CONSTRUED TO CONSTITUTE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST, OR INTERESTS IN, THE DEBTOR.

I. INTRODUCTION

This Disclosure Statement (“*Disclosure Statement*”) is intended to provide creditors and parties in interest with an overview of the Chapter 11 Plan of Liquidation (the “*Plan*”) which has been prepared by the Official Committee of Unsecured Creditors (the “*Committee*”) and filed in the Debtor’s chapter 11 case captioned above (the “*Chapter 11 Case*”).¹

The primary purpose of the Plan is to maximize the value of the Debtor’s assets for the benefit of the Estate and its creditors by distributing the Debtor’s remaining assets to creditors in accordance with the provisions of the Plan. In order to efficiently accomplish the foregoing, the Plan contemplates assigning all of the Debtor’s assets to a Creditor Trust. The Creditor Trust will be administered by an experienced financial professional, initially Sheldon Stone of Amherst Partners.

On December 22, 2015, the Debtor sold substantially all of its assets to Fibrebond, Inc. free of all liens claims and encumbrances. The Debtor had previously sought and obtained court approval of this transaction pursuant to a motion to approve the sale with the Bankruptcy Court, by which the sale was approved pursuant to the Court’s order of December 21, 2015 [Docket No. 179]. *See also* Report of Sale dated January 7, 2016 [Docket No. 200].

The Committee believes that appointing an independent financial professional to decide how to maximize the Debtor’s remaining assets and empowering that professional to take necessary actions to carry out such decisions, without further Court approval (in order to reduce costs and delay), object to and settle claims, pursue certain litigation, and to ultimately make distributions in accordance with the Plan, is in the best interests of all constituencies in the Debtor’s Chapter 11 Case. Accordingly, the Committee urges all creditors to support the plan.

The purpose of this Disclosure Statement is to provide “adequate information” to Entities that hold Claims and Equity Interests to enable them to make an informed decision before exercising their right to vote to accept or reject the Plan. By order of the Bankruptcy Court entered on [REDACTED], 2016, this Disclosure Statement was approved and held to contain adequate information.

The Plan provides for classification and treatment of various classes of secured claims, priority claims, unsecured claims, and equity security holders. The Plan also provides for the payment of administrative and priority tax claims. The treatment of these classes – including the order in which they will receive distributions – is discussed below.

The Plan also provides detailed information regarding the terms for payment of the Debtor’s Creditors and other information designed to assist Creditors and equity security holders in determining whether to accept the Plan. **Your rights may be affected. You should read these papers carefully and discuss them with your attorney, if you have one. (If you do not have an attorney, you may wish to consult one.)**

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.

A. Purpose of This Document

This Disclosure Statement describes:

- The Debtor and significant events during the bankruptcy case.
- Historical information regarding the Debtor and the events leading to its bankruptcy filing.
- How the Plan proposes to treat claims or equity interests of the type you hold (*i.e.*, how your claim or equity interest will be treated if the Plan is confirmed).
- Who can vote on or object to the Plan.
- What factors the Bankruptcy Court will consider when deciding whether to confirm the Plan.
- Why the Committee believe the Plan is in the best interests of Creditors.
- The effect of Confirmation of the Plan.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing

The Court has not yet confirmed the Plan. This section describes the procedures under which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Confirm the Plan

The hearing at which the Court will consider confirmation of the Plan will take place on [REDACTED], 2016, at [REDACTED]:[REDACTED] a.m. in the U.S. Bankruptcy Court Central District of Illinois, 100 N.E. Monroe Street, Peoria, Illinois 61602.

2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the Plan, vote using the enclosed ballot and return the ballot in the enclosed envelope to Sean P. Williams, Goldstein & McClintock LLP, 208 South LaSalle St., Suite 1750, Chicago, Illinois 60604. *See* Article IX, Section B below for a discussion of voting eligibility requirements.

Your ballot must be received by 5:00 p.m. CST on [REDACTED], 2016, or it will not be counted.

3. Deadline for Objecting to Confirmation of the Plan

Objections to confirmation of the Plan must be filed with the Court and served upon the Counsel for the Committee, the Office of the United States Trustee, and all other Creditors and/or interested parties who have filed notices of appearances and requests for special notice by [REDACTED], 2016. Objections shall be served on Committee Counsel at:

Harold D. Israel, Esq.
Goldstein & McClintock LLP
208 South LaSalle, Suite 1750
Chicago, IL 60604

And on the United States Trustee at:

Sabrina Petesch
Office of the United States Trustee
401 Main Street, Suite 1100
Peoria, IL 61602

4. Identity of Person to Contact for More Information

If you want additional information about the Plan, you should contact Counsel for the Official Committee of Unsecured Creditors:

Sean P. Williams, Esq.
Goldstein & McClintock LLP
208 South LaSalle, Suite 1750
Chicago, IL 60604
Telephone: 312-337-7700
Facsimile: 312-277-2305
e-mail: seanw@goldmclaw.com

II. BACKGROUND

A. Description and History of the Debtor's Business

International Supply Co., an Illinois corporation, was a leading manufacturer of custom UL-listed enclosures and fuel tanks for generator sets as well as generator switchboards and gen-set trailers. Through its deep industry expertise and extensive relationships, the Debtor was uniquely positioned to benefit from a booming data center market and a deregulated utility industry. The Debtor worked directly with dealer networks whose customers include Fortune 100 end users.

The Debtor was founded in 1983 in Edelstein, Illinois and grew from just a handful of employees in 1983, to 59 full-time employees in 2015. The Debtor's physical plant covered a total of 265,000 square feet and has expanded six times in the last thirty-one years. Approximately 175,000 of the Debtor's 265,000 square feet of manufacturing space was indoors, giving crew members an extensive area for year round production, assembly, painting and installation preparation. The Debtor also operated a state-of-the-art full sheet metal fabrication shop with multiple laser table, sheet metal sheers and press brakes, all customizable to customer specifications.

Due to the nature of the Debtor's products and service offerings the Debtor serviced a wide array of industries located throughout the United States. The Debtor's strategic position in Central Illinois allowed it to service both the east and west coasts of the United States.

Historically, approximately 80% of the Debtor's revenue has been sourced from approximately 10 dealers/customers. The end users have ranged in size from Fortune 100 companies to municipal utility providers.

B. Events Leading to the Debtor's Chapter 11 Filing

During fiscal year 2015, the Debtor's production requirements exceeded its labor force capacity and the Debtor experienced a series of serious delays and quality issues in the shipment and installation of large projects, some of which were begun during fiscal year 2014. The need to catch-up production resulted in material excess costs incurred in all areas of the operation, but especially in the use of excess labor, and led to the losses incurred year-to-date.

The Debtor entered chapter 11 protection due to a depletion of capital caused by (i) the inability to collect on certain loans made to insiders and (ii) inability to capitalize on a number of Fortune 100 contracts that pushed the Debtor beyond the capabilities of its infrastructure, causing labor and material cost over-runs inconsistent with the Debtor's historical performance. The Debtor filed its chapter 11 proceeding in order to maximize value through a sale of substantially all of its assets pursuant to section 363 of the Bankruptcy Code, which has been consummated.

C. Significant Events During the Bankruptcy Case

1. Initiation of Bankruptcy Case

On September 24, 2015, the Debtor voluntarily filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code.

2. Employment of Professionals

On October 7, 2015, the Debtor filed its application to employ Sumner Bourne of Rafool, Bourne & Shelby, P.C. as its General Reorganization Counsel [Docket No. 76]. On October 20, 2015, the Court entered its order approving the Debtor's employment of Sumner Bourne as Debtor's Counsel [Docket No. 76].

3. Appointment of the Official Committee of Unsecured Creditors

On October 6, 2015, the Office of the United States Trustee appointed the Committee as an official committee to represent the interests of unsecured creditors of the Debtor pursuant to section 1102 of the Bankruptcy Code [Docket No. 36].

The Office of the United States Trustee appointed the following entities to the Committee:

Member	Primary Representative
Fastenal Company	John Milek (Committee Chair)
Graybar Electric Company, Inc.	Steve Bourbeau
Fire Safety, Inc.	Jason Hill
O'Brien Steel Service Co.	Gregory A. Brown
Wyoming Machinery Co.	Matthew T. Polito
Born Paint Co.	Paul Berres, Jr.

4. Employment of Professionals by the Official Committee of Unsecured Creditors

On October 23, 2015, the Committee filed its application to employ the law firm of Goldstein & McClintock LLP (“G&M”) as counsel to the Committee [Docket No. 82]. On November 5, 2015, the Court entered its Order authorizing the Committee to employ G&M as its counsel [Docket No. 102].

On October 23, 2015, the Committee also filed its application to employ Amherst Partners LLC (“Amherst”) as financial advisor and investment banker to the Committee [Docket No. 83, as supplemented by Docket No. 126]. On December 1, 2015, the Court entered its Order authorizing the Committee to employ Amherst as its financial advisor and investment banker [Docket No. 141].

5. Motion to Sell Substantially all of the Debtor’s Assets

On October 23, 2015, the Debtor filed its *Motion to Sell Free and Clear of Liens Substantially All Assets of Debtor, and Request for Expedited Hearing* (the “Sale Motion”), whereby the Debtor sought approval to sell substantially all of its assets to FSM Fund I, L.P. (“FSM”) pursuant to the terms of that certain Asset Purchase Agreement dated December 1, 2015 by and between the Debtor and FSM [Docket No. 143].

After a competitive auction, Fibrebond, Inc. (“Fibrebond”) was the winning bidder. On December 22, 2015, Fibrebond closed on the sale of substantially all of the Debtor’s assets for the final price (after working capital adjustments) of \$7,758,936.55, from which the following payments have been made:

- Amada America - \$957,500.00 (secured creditor)
- Caterpillar Financial - \$213,749.94 (secured creditor)
- Unsecured Creditor Carveout (discussed below) - \$623,471.12
- Break-up fee to FSM Fund I, L.P. - \$229,713.48
- Payoff of DIP Facility - \$624,238.89
- Payment to Heartland Bank (pursuant to its *Motion to Allow and Pay Secured Claim of Heartland Bank and Trust Company* [Docket No. 208] - \$4,779,624.62 (secured creditor)
- Heartland Earmarked Proceeds for professional fees - \$330,638.50

6. Heartland Stipulation

On December 10, 2015, the Debtor, the Committee, and Heartland entered into that certain *Statement of Agreement Between Heartland Bank & Trust Company, Debtor International Supply Co., and Official Committee of Unsecured Creditors Regarding Sale Proceeds*

[Docket No. 164] (the “*Heartland Stipulation*”). Pursuant to the Heartland Stipulation, Heartland agreed to a “carve-out” for the benefit of unsecured creditors in an amount equal to 8% of the purchase price. In addition, Heartland agreed to waive any deficiency claim arising out of the Sale Transaction.

7. Heartland Settlement Negotiations

The Committee conducted an extensive review of Heartland’s liens and claims and determined that except for certain rolling stock (automobiles and trucks), Heartland had properly perfected liens against substantially all of the Debtor’s assets. Fiberbond purchased most of this rolling stock but did not place a specific value on it. Heartland has agreed to fund all administrative expenses through the closing date of the Sale Transaction prior to resolving the issue of the value of the rolling stock. *See Stipulation Among Heartland Bank and Trust Company, the Debtor and the Official Committee of Unsecured Creditors Regarding Payment of Allowed Professional Fees* [Docket No. 248]. The Committee, the Debtor, and the U.S. Trustee are currently negotiating with Heartland with respect to the funding of administrative claims during the period between the closing of the Sale Transaction and the Effective Date of the Plan and the value to be attributed to the rolling stock, and believe that they will reach an agreement shortly. It is contemplated that any such agreement will include a release of Heartland from the Estate of any and all claims the Estate may have against Heartland (including claims with respect to the rolling stock) in exchange for payment of a material portion of the remaining administrative expenses. Creditors will be provided notice of any such settlement.

D. Recovery of Potential Avoidance Actions

The Debtor has identified various potential avoidance actions arising under 11 U.S.C. § 547 pursuant to the list of payments made to Creditors within the 90-day period immediately preceding the commencement of this case. *See* Statement of Financial Affairs No. 3(b) [Docket No. 67]. Certain of the potential defendants may have defenses to such preference actions. The Committee is currently evaluating such actions and anticipates that it (or the Creditor Trustee) will make decisions as to which, if any, preference actions to bring on or after the Effective Date.

In addition, the Debtor made payments totaling approximately \$16.75 million to certain related entities prior to the Petition Date. *See* Schedule B at No. 16 [Docket No. 68]. Certain of these payments may be avoidable under sections 544, 547, and 548 of the Bankruptcy Code. At this time, it is unknown whether of these fraudulent transfer actions are collectable, as many of the entities that received such payments are insolvent and/or out of business. However, the Committee believes that some value for unsecured creditors may exist. The Debtor’s Estate, on behalf of itself and the Creditor Trust, hereby reserves its right to recover any payment from any party who received such payments to the extent that the payment did not benefit the Debtor. A non-exclusive list of parties that may be subject to avoidance actions or other Causes of Action are listed on the attached Exhibit B and Statement of Financial Affairs No. 3(b) [Docket No. 67].

The Committee is investigating these potential Causes of Action and reserves, on behalf of the Estate and the Creditor Trust, its right to seek repayment of any of these payments. The Committee, on behalf of the Estate and the Creditor Trust, reserves its right to bring any Causes of Action against the Debtor’s management team as of the Petition Date for breach of fiduciary

duty, unlawful or fraudulent disposition of the Debtor's property, or any other related Causes of Action.

E. Claims Objections

Pursuant to the Court's Notice to all Creditors [Docket No. 8], January 24, 2016 was set as the bar date (the "*Bar Date*") for timely filing proofs of claim in the Bankruptcy Case. As of the Bar Date, 105 creditors filed proofs of claim in the net aggregate amount of \$9,328,762.51 (after eliminating secured claims that have been paid or otherwise satisfied from the Sale Proceeds or pursuant to the Heartland Stipulation). Upon the Effective Date, the right to bring any of the foregoing Causes of Action shall be assigned to the Creditor Trust. The Committee anticipates that the actual dollar amount of allowed claims will be significantly less than this amount. Certain claimants that may not have filed a proof of claim have been scheduled as holding a non-contingent, liquidated, undisputed claim and as such, any such claim is deemed to be allowed. Except to the extent that a claim is already allowed pursuant to a final non-appealable order, the Committee and the Creditor Trustee reserve the right to object to any such claim, regardless of whether a proof of claim has been filed. Therefore, even if a claim is allowed for voting purposes, a creditor may not be entitled to a distribution if an objection to your claim is later upheld. The procedures for resolving disputed claims are stated in Article IV of the Plan.

The Committee is in the process of reviewing all claims and, where possible, working to amicably resolve such claim issues with each respective claimant.

F. Current and Historical Financial Conditions

As of September 24, 2015, the Petition Date, the Debtor's assets consisted of the following (note that all of the values below are approximate and have been obtained from the Debtor's schedules). In addition, please be aware that the below includes a range for several classes of assets – causes of action that the Estate and/or the Creditor Trustee might be able to pursue given current uncertainty over the value of such assets and whether such value can or will be realized:

- A. Cash – \$25,856.00
- B. Accounts Receivable – \$1,967,244.00
- C. Inventory – \$99,485.00
- D. Machinery and Equipment – \$5,819,885.00
- E. Vehicles – \$89,682.00
- F. Real Estate – \$3,058,723.00
- G. Possible Litigation Claims – \$500,000 to \$2,500,000²

² These amounts reflect the Committee's best estimate of the net recovery from the pursuit of such claims. The gross value of such claims is in excess of \$16 million.

H. Patents – \$50,000.00

I. Licenses – \$127,283.00

TOTAL -- \$11,738,158 - 13,738,158

Except for the “Possible Litigation Claims,” most, if not all, of these assets were sold pursuant to the Sale Transaction.

III. THE PLAN OF LIQUIDATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS

A. Purpose of the Plan of Liquidation

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize, sell, or liquidate its business for the benefit of its creditors – in other words, chapter 11 provides a debtor with some flexibility, allowing it, subject to oversight, to work to identify the best means of maximizing creditor recoveries. In furtherance of the goals of the Bankruptcy Code, upon the filing of a petition for relief under chapter 11, section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the chapter 11 case.

The consummation of a chapter 11 plan is typically the principal objective of a chapter 11 case. A chapter 11 plan sets forth the mechanism that the Debtor has determined is best suited for satisfying creditor claims. A plan will typically separate creditors into “classes” reflecting the fact that some creditors get paid ahead of others under the Bankruptcy Code, and explains how the debtor or another party will object to claims as needed and ultimately make distributions.

Confirmation of a chapter 11 plan by the bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any entity acquiring property under the plan, and any creditor of, or equity holder in, the debtor, whether or not such creditor or equity security holder: (i) is impaired under the plan; (ii) has accepted the plan; (iii) voted against the plan, or (iv) receives or retains any property under the plan.

B. Explanation of Classes of Claims and Equity Interests

1. Classes of Secured Claims

Allowed Secured Claims are claims secured by property of the Debtor’s bankruptcy estate to the extent allowed as secured claims under section 506 of the Bankruptcy Code. If the value of the collateral or setoffs securing the creditor’s claim is less than the amount of the creditor’s allowed claim, the deficiency will be classified as a general unsecured claim.

2. Classes of Priority Unsecured Claims

Certain priority claims that are referred to in sections 507(a)(4) of the Bankruptcy Code are required to be placed into a class. The Bankruptcy Code requires that each holder of such a claim

receive Cash on the Effective Date of the Plan equal to the allowed amount of such claim. However, a class of Holders of such claims may vote to accept different treatment.

3. Classes of General Unsecured Claims

General unsecured claims are not secured by property of the estate and are not entitled to priority under section 507(a) of the Bankruptcy Code.

4. Class of Equity Interest Holders

Holders of Equity Interests are parties who hold an ownership interest in the Debtor (*i.e.*, the Debtor's owners). For example, in a corporation or a limited liability company, entities or individuals holding stock or membership interests would be considered to be Holders of Equity Interests.

C. Overview - Treatment of Claims and Interests under Plan

Classified claims and interests are treated as follows under the Plan:

Class	Impairment	Treatment
Class 1 – Priority Claims -- §507(a)(4)	Not Impaired	All Allowed claims entitled to priority under §507(a)(4) of the Bankruptcy Code shall be paid in full, in cash, upon the later of the Effective Date of this Plan, or the date on which such claim is Allowed by a final non-appealable order. To the extent that the Allowed amount of any Class 1 Claim exceeds the priority limitation of Code § 507(a)(4), the holder of such a claim shall have an Allowed Class 6 Claim to the extent of the excess.

Class	Impairment	Treatment
Class 2 – Secured Claim of Heartland	Impaired	On January 27, 2016, the Court granted Heartland’s <i>Motion to Allow and to Pay Secured Claim of Heartland Bank and Trust Company</i> [Docket No. 208], allowing Heartland to receive Cash in the amount of \$4,779,624.62 (the “ <i>Heartland Payment</i> ”), subject to the Committee’s ability to bring a challenge action regarding such Allowed Claim. As set forth in Section II.C.7 herein, the Committee and Heartland are in negotiations that, if successful, will result in the Estate waiving its right to challenge Heartland’s Allowed Claim. To the extent that the Allowed Heartland Secured Claim exceeds the Heartland Payment, Heartland has waived any Unsecured Claim for the deficiency pursuant to that certain <i>Statement of Agreement Between Heartland Bank & Trust Company, Debtor International Supply Co., and Official Committee of Unsecured Creditors Regarding Sale Proceeds</i> by and between the Debtor, the Committee, and Heartland [Docket No. 164].
Class 3 – Secured Claim of Amada	Impaired	Amada received Cash in an amount equal to the value of the collateral securing its Allowed Claim from the Sale Proceeds. If the Allowed Claim of the Holder of a Class 3 Claim exceeds the value of the Cash it received, such Holder shall have an Unsecured Claim for the difference, which deficiency shall be treated as a Class 6 Claim.
Class 4 – Secured Claim of Caterpillar	Not Impaired	Caterpillar received Cash in an amount equal to its Allowed Secured Claim from the Sale Proceeds.

Class	Impairment	Treatment
Class 5 – Other Secured Claims	Impaired	As soon as reasonably practicable after the earlier of the Effective Date or Allowance, Holders of Other Secured Claims (or the then-Holder of such claim) shall receive, any treatment as may be agreed to between the Holder and the Creditor Trustee, <i>provided, however</i> , that if the Allowed Claim of a Holder of an Other Secured Claim exceeds the value of the collateral that secures it, such Holder will have a Secured Claim equal to the value of the collateral and an Unsecured Claim for the difference, which deficiency shall be treated as a Class 6 Claim.
Class 6 – Unsecured Claims	Impaired	Except to the extent that a Holder of an Allowed Claim in Class 6 agrees to a less favorable treatment, each such Holder shall be paid its Pro Rata share of the Distributable Proceeds after Holders of Allowed Claims in Classes 1 through 5 have been satisfied pursuant to the terms of the Plan.
Class 7 – Insider Unsecured Claims	Impaired	Except to the extent that a Holder of an Allowed Insider Claim in Class 7 agrees to a less favorable treatment, each such Holder shall be paid its Pro Rata share of Distributable Proceeds after Holders of Allowed Claims in Classes 1 through 6 have been satisfied pursuant to the terms of the Plan.
Class 8 – Equity Interests	Impaired	All equity interests will be cancelled on the Effective Date.

D. Treatment of Unclassified Claims

Certain types of claims are automatically entitled to specific treatment under the Bankruptcy Code. They are not considered impaired, and holders of such claims do not vote on the Plan. They may, however, object if, in their view, their treatment under the Plan does not comply with that required by the Bankruptcy Code. Accordingly, the Committee has not placed the following claims in any class:

1. Administrative Expenses

Administrative expenses are costs or expenses of administering the Debtor's chapter 11 case which are allowed under section 507(a)(2) of the Bankruptcy Code. The Bankruptcy Code requires that each administrative expense claim be paid on the Effective Date of the Plan, unless the holder of the claim agrees to a different treatment. As reflected below, each holder of an administrative expense claim allowed under section 503 of the Bankruptcy Code will be paid in

full on the Effective Date of the Plan, in cash, or upon such other terms as may be agreed upon by the holder of the claim and the Debtor.

The following chart lists the Debtor's estimated administrative expenses and their treatment under the Plan (estimated as of the projected confirmation date of April 23, 2016):

Type	Estimated Amount Owed	Proposed Treatment
Claims Asserted for the Value of Goods Received in the Ordinary Course of Business Within 20 Days Before the Petition Date	\$5,000-35,000	Paid in full on the Effective Date of the Plan, or according to terms of obligation, if later
Professional Fees, as approved by the Court	\$50-75,000	Paid in full on the Effective Date of the Plan, or according to separate written agreement, or according to court order, if such fees have not been approved by the Court on the Effective Date of the Plan
Other Administrative Expenses	\$0	Paid in full on the Effective Date of the Plan or according to separate written agreement
Office of the U.S. Trustee Fees	\$5,000	Paid in full on the Effective Date of the Plan

2. Priority Tax Claims

On, or as soon as reasonably practicable after, the latest of the Effective Date or the date such Priority Tax Claims becomes an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, settlement, release, and discharge of and in exchange for such Allowed Priority Tax Claim, (i) Cash equal to the unpaid portion of such Allowed Priority Tax Claim or (ii) such other treatment as to which the Debtor (prior to the Effective Date) or Creditor Trustee (on and after the Effective Date) and such Holder have agreed upon.

E. Treatment of U.S. Trustee Fees

All fees required to be paid by 28 U.S.C. § 1930(a)(6) ("*U.S. Trustee Fees*") will accrue and be timely paid until entry of a final decree and the case is closed, dismissed, or converted to another chapter of the Bankruptcy Code. Any U.S. Trustee Fees owed on or before the Effective Date of the Plan will be paid on the Effective Date.

F. Claims

Pursuant to section 1111(a) of the Bankruptcy Code, a proof of claim is deemed Filed under section 501 of the Bankruptcy Code for any claim that appears in the Debtor's schedules, except for claims that the Debtor specifically scheduled as disputed, contingent and unliquidated. In the case where the Debtor duly scheduled claims as either disputed, contingent and/or unliquidated, and no proof of claim was timely filed by such Claim Holder, such scheduled debt shall not be deemed a claim, and shall not participate in the Plan or receive any distributions under the Plan.

IV. ALLOWANCE AND DISALLOWANCE OF CLAIMS

A. Disputed Claims

A Disputed Claim is a Claim that has not been allowed or disallowed by a final non-appealable order, and as to which either: (i) a proof of claim has been filed or deemed filed, and the Debtor or another party in interest has filed an objection; or (ii) no proof of claim has been filed, and the Debtor has scheduled such claim as disputed, contingent, or liquidated.

Notwithstanding any provision in the Plan to the contrary, the Creditor Trust shall only make Distributions on account of Allowed Claims and Allowed Equity Interests. A Claim that is Disputed as to its amount only shall be deemed Allowed in the amount the Creditor Trustee acknowledges is legitimate and the remainder shall be considered a Disputed Claim. No distribution will be made on account of a Disputed Claim unless such Claim is allowed by a final non-appealable order. After the Effective Date, the Creditor Trustee shall object (and shall take over, and continue prosecuting, any outstanding claims objections initiated by the Debtor) to the allowance of any Disputed Claims as the Creditor Trustee determines is reasonable.

B. Settlement of Disputed Claims

The Creditor Trustee will have the power and authority to settle and compromise a Disputed Claim. No Bankruptcy Court approval shall be required in order for the Creditor Trustee to settle and/or compromise any Claim, objection to Claim, Cause of Action, or right to payment of or against the Debtor or its Estate.

C. Alternative Treatment

Notwithstanding any provision in the Plan to the contrary, any Holder of an Allowed Claim may receive, instead of the Distribution or treatment to which it is entitled under the Plan, any other Distribution or treatment to which it and the Committee (prior to the Effective Date) and the Creditor Trustee (on and after the Effective Date) may agree to in writing; provided, however, that such other Distribution or treatment shall not provide a return having a present value in excess of the present value of the Distribution or treatment that otherwise would be given such Holder pursuant to the Plan.

D. Postpetition Interest

In accordance with section 502(b)(2) of the Bankruptcy Code, the amount of all Unsecured Claims against the Debtor shall be calculated as of the Petition Date. Except as otherwise

explicitly provided in the Plan, in section 506(b) of the Bankruptcy Code, or by Final Order, no Holder of a prepetition Claim shall be entitled to or receive interest or fees relating to such Claim.

V. MEANS OF IMPLEMENTING THE PLAN

A. Creation of Creditor Trust

The Creditor Trust shall be established pursuant as of the Effective Date for the benefit of all creditors of the Estate holding Allowed Claims and shall be governed by the Creditor Trust Agreement.

Sheldon Stone of Amherst Partners, shall be designated as Creditor Trustee. The Creditor Trustee will owe a fiduciary duty, consistent with the duties of trustees under Illinois law, to beneficiaries of the Creditor Trust.

The Creditor Trustee shall administer the Creditor Trust Assets pursuant to the Plan and the Creditor Trust Agreement from and after the Effective Date and shall have the powers set forth in the Creditor Trust Agreement, which powers, subject to the rights of the Oversight Committee, shall include the right to operate, sell or dispose the Creditor Trust Assets, the right to object to or continue objecting to Claims, pursue Causes of Action and such other powers as are customary for a trustee of a creditor trust of this nature.

B. Vesting of Assets in the Creditor Trust

On the Effective Date of the Plan, the Creditor Trust Assets (defined broadly in the Plan to encompass all of the Debtor's tangible and intangible assets) shall be transferred to and vest in the Creditor Trust and be deemed contributed thereto, subject to the terms of the Plan. For the removal of all doubt, anything that may have been deemed property of the Debtor or its Estate shall as of the Effective Date shall become and be forever deemed property of the Creditor Trust. The entry of the Confirmation Order shall automatically be deemed to authorize and direct the Debtor to take such steps as may be necessary or appropriate to effectuate such transfer and contribution of its property to the Creditor Trust, subject to oversight from the Committee or the Creditor Trustee, as applicable.

C. Funding of Creditor Trust

The Creditor Trust will be initially funded by \$200,000.00 of the Unsecured Creditor Carveout. The Creditor Trustee anticipates hiring Amherst Partners as his financial advisor, Sumner Bourne to review and, if necessary, object to claims, and Goldstein & McClintock LLP to handle bankruptcy causes of action. Goldstein & McClintock anticipates entering into a partial contingent fee arrangement in which its fees would be capped at a set amount and it would earn a contingency fee in exchange for the risk that the cap is not sufficient.

D. Dissolution of Debtor

When the Creditor Trustee determines as necessary or appropriate under the circumstances (including with respect to the pursuit of causes of action in the name of the Estate), the Debtor

shall be dissolved without any further action by the stockholders, officers, or directors of the Debtor. The Creditor Trustee may, in his or her discretion, file all necessary certificates of dissolution and take any other actions necessary or appropriate to reflect the dissolution of the Debtor under Illinois state law, where the Debtor is incorporated. All applicable regulatory or governmental agencies shall accept any certificates of dissolution or other papers filed by the Creditor Trustee on behalf of the Debtor and shall take all steps necessary to allow and reflect the prompt dissolution of the Debtor as provided in the Plan, without the payment of any fee, tax, or charge and without need for the filing of reports or certificates, except as the Creditor Trustee may determine in his or her sole discretion. The Court may issue one or more Orders noting the Effective Date as evidence of the dissolution of the Debtor.

E. Oversight Committee

The Oversight Committee will be a committee consisting of those members of the Committee³ who desire to serve on the Oversight Committee (to be determined prior to Confirmation), and which will have the approval rights set forth in the Plan or the Creditor Trust Agreement. The Oversight Committee will be deemed formed on the Effective Date. The Oversight Committee shall have the right to approve the sale of any Creditor Trust Assets in a transaction (an “*Approval Transaction*”) in which the value of such assets (individually or in the aggregate), or the resolution of any Claim to the extent the face or scheduled amount of such Claim exceeds, or reasonably could have been expected to exceed, \$100,000.00.

The Creditor Trustee shall provide the Oversight Committee with reasonable written notice (not less than three days unless circumstances render such notice impracticable, in which case the Creditor Trustee will alert the members of the Oversight Committee in his correspondence of such shorter period for a response) of any Approval Transaction. The Creditor Trustee may provide notice by electronic mail to the members of the Oversight Committee and their representatives (if designated). In no event shall the Oversight Committee have less than two Business Days’ notice to approve a transaction.

The Creditor Trustee will be authorized to proceed with an Approval Transaction, unless a majority of the members of the Oversight Committee provide written notice (including by electronic mail to the Creditor Trustee) of an objection to a particular transaction prior to the expiration of the notice period. If a majority of the members of the Oversight Committee provide written notice of their disapproval during the notice period, the Creditor Trustee may either: (a) alter or amend the terms of Approval Transaction until it is approved by a majority of the members of the Oversight Committee; (b) choose not to proceed with Approval Transaction. No member of the Oversight Committee shall be entitled to compensation or expense reimbursement.

F. Corporate Action

Upon entry of the Confirmation Order, the Debtor or the Creditor Trustee is also authorized, without the need for any or further order of the Bankruptcy Court, to take any and all actions reasonably necessary to effectuate the Plan. The Creditor Trustee, upon the Effective Date, may

³ The term “Committee” refers to the Official Committee of Unsecured Creditors appointed in this Chapter 11 Case.

retain such law firms, accounting firms, experts, advisors, consultants, investigators, appraisers, auctioneers, brokers, or other professionals as he or she may deem necessary, in his sole discretion, in accordance with the terms of the Creditor Trust Agreement. The professionals retained by the Creditor Trustee are not required to be “disinterested” as that term is defined in the Bankruptcy Code and may include, without limitation, counsel and financial advisors of any party in the Chapter 11 Case and the Creditor Trustee shall be permitted to retain any such professional in light of the efficiencies implicit in continuity.

On the Effective Date, the authority, power and incumbency of the persons then acting as directors of the Debtor shall be terminated and such directors shall be deemed to have resigned. The employment by the Debtor of each officer and all employees in the employment of the Debtor as of the Effective Date shall automatically on the Effective Date cease to be officers and employees of the Debtor. To the extent the Creditor Trust hires any prior employees of the Debtor, neither the Creditor Trustee nor the Creditor Trust shall be deemed a successor to the Debtor.

Upon the Effective Date of the Plan, the Creditor Trustee succeeds to such powers as would have been applicable to the Debtor’s officers, directors and shareholders. The Court may issue one or more Orders noting the Effective Date as evidence of the termination of all of the Debtor’s employees.

G. Effective Date Transactions

The Effective Date shall occur, upon (a) the Debtor completing all transactions and executing all documents required to occur on the Effective Date hereunder and (b) the Debtor, filing a Notice of Effective Date, which shall be provided to all Creditors via U.S. Mail and filed on the Court’s CM/ECF docket.

H. Preservation of Rights of Action; Settlement of Claims and Releases

As described in greater detail in Article VI of the Plan, except as provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code and to the fullest extent possible under applicable law, the Creditor Trustee shall retain and may pursue and/or enforce (and shall have the sole right to pursue and/or enforce) any claims, demands, rights, and Causes of Action that the Debtor or Estate may hold against any Entity. The Creditor Trustee or his successor may pursue, or not pursue, such retained claims, demands, rights, or Causes of Action, as he deems appropriate in his own discretion.

I. Treatment of Executory Contracts and Unexpired Leases

1. Presumed Rejection

Any executory contracts or unexpired leases contained in the Schedule of Executory Contracts and Unexpired Leases which have not (i) expired by their own terms on or prior to the Effective Date, or (ii) been assumed, assumed and assigned, or rejected with the approval of the Bankruptcy Court, shall be deemed rejected by the Debtor as of the Effective Date. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of the rejection of

such executory contracts and unexpired leases pursuant to sections 365(a) and 1123 of the Bankruptcy Code as provided for above.

2. Rejection Damages Claims

Except as otherwise provided in a Final Order approving the rejection of an executory contract or unexpired lease, Claims arising out of the rejection of an executory contract or unexpired lease must be filed with the Bankruptcy Court on or before the Rejection Claims Bar Date. Any Claims not Filed by the Rejection Claims Bar Date will be forever barred from receiving a distribution from the Debtor and the Creditor Trust.

The Creditor Trust reserves the right to object to, settle, compromise, or otherwise resolve any Claim filed on account of a rejected executory contract or unexpired lease in the same manner as discussed hereunder for other Claims.

J. Final Decree – Closing the Bankruptcy Case

Once the estate has been fully administered (*i.e.*, the Creditor Trust Assets have been monetized, distributions have been made, and it is not economical to take further actions), as provided in Rule 3022 of the Federal Rules of Bankruptcy Procedure, the Creditor Trustee, or such other party as the Court shall designate in the Confirmation Order, shall file a motion with the Court to obtain a final decree to close the case. Alternatively, the Court may enter such final decree on its own motion.

VI. PROVISIONS GOVERNING PLAN DISTRIBUTIONS

A. Timing and Effective Date of Distributions

The Creditor Trustee shall use its reasonable best efforts to make initial distributions under the Plan within six months of the Effective Date. Distributions made to Holders of Claims that are not Allowed Claims as of the Effective Date, but which later become Allowed Claims, shall be deemed to have been made on the Effective Date.

B. Method of Distributions to Holders of Claims

Distributions made pursuant to the Plan, shall be in U.S. dollars and, at the option and in the sole discretion of the Creditor Trustee, be made by (a) checks drawn on or (b) wire transfers from a domestic bank selected by the Creditor Trustee.

C. Delivery of Distribution

Subject to the provisions of Rule 2002(g) of the Bankruptcy Rules, and except as otherwise provided herein, distributions and deliveries to Holders of Allowed Claims shall be made at the address (the “*Distribution Address*”) of each such Holder as set forth on the Schedules filed with the Bankruptcy Court, unless superseded by the address set forth on timely filed proof(s) of claim or a Notice of Change of Address filed with the Bankruptcy Court and served on the Debtor or Creditor Trustee.

D. Tax Identification Numbers and OFAC Certifications

Notwithstanding anything in the Plan to the contrary, prior to making Distributions hereunder, the Creditor Trustee shall require all Holders to furnish to him: (a) its Employer or Taxpayer Identification Number as assigned by the Internal Revenue Service on a Form W-9 and (b) a certification that the Holder is not a person or entity with whom it is illegal for a U.S. person to do business under Office of Foreign Assets Control (“OFAC”) sanctions regulations and/or the list of Specially Designated Nationals and Blocked Persons (collectively, the “*Pre-Distribution Certifications*”). Pre-Distribution Certification forms will be mailed to the Distribution Address for each Holder prior to Distributions being made, and Holders shall have forty five (45) days from the date of mailing to return the executed Pre-Distribution Certifications. Any Holder that fails to return the executed Pre-Distribution Certifications within such forty five (45) day period shall be deemed to have forfeited its right to receive Distributions and shall be forever barred and enjoined from asserting any right to Distributions made prior to the Creditor Trustee receiving its executed Pre-Distribution Certifications (such a Holder would only be entitled to a Pro-Rata Share of remaining future Distributions, if any). Any Distributions that are forfeited pursuant to this provision will be returned to the Creditor Trustee and become property of the Estate.

E. Undeliverable Distributions

1. Holding of Undeliverable Distributions

If any Distribution to any Holder of an Allowed Claim is returned to the Creditor Trustee as undeliverable, no further Distributions shall be made to such Holder unless and until the Creditor Trustee is notified by such Holder, in writing, of such Holder’s then-current address. Upon such an occurrence, the appropriate Distribution shall be made as soon as reasonably practicable after such Distribution has become deliverable. All Entities ultimately receiving previously undeliverable Cash shall not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan shall require the Debtor or the Creditor Trustee to attempt to locate any Holder of an Allowed Claim.

2. Failure to Claim Undeliverable Distributions

Any Holder of an Allowed Claim entitled to an undeliverable or unclaimed Distribution that does not provide notice of such Holder’s correct address to the Creditor Trustee within ninety (90) days after the date of the initial Distribution made by the Creditor Trustee to such Holder shall be deemed to have forfeited its claim for such undeliverable or unclaimed Distribution and shall be forever barred and enjoined from asserting any such claim for an undeliverable or unclaimed Distribution against the Creditor Trustee. If, after ninety days, Distributions remain unclaimed, unclaimed Distributions will become Forfeited Distributions and such amounts shall become the property of the Estate. In the event that the aggregate amount of the Forfeited Distributions is less than \$20,000.00 and the Creditor Trustee determines, in his reasonable business judgment, that a further Distribution is not economically justifiable (for example, a Distribution would result in *de-minimis* payments after cost) the Forfeited Distributions may be donated to Prairie State Legal Services (a charitable organization).

F. Setoffs

Consistent with applicable law, the Creditor Trustee may, but shall not be required to, set off against any Allowed Claim and the Distributions to be made pursuant to the Plan on account thereof (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtor, its Estate, or the Creditor Trustee may hold against the Holder of such Allowed Claim; provided, however, that neither the failure to effect such a set off nor the allowance of any claim hereunder shall constitute a waiver or release by the Debtor, its Estate, or the Creditor Trustee of any such claims, rights, and Causes of Action that the Debtor, its Estate, the Creditor Trust, or the Creditor Trustee may possess against such Holder.

G. Allocation of Payments

Amounts disbursed to Holders of Claims in satisfaction thereof shall be allocated first to the principal amounts of such Claims, with any excess being allocated to interest that has accrued on such Claims but remains unpaid.

H. Postpetition Interest

Except as otherwise provided herein or as required by applicable bankruptcy law, postpetition Interest shall not be disbursed on account of any Claim.

I. Settlement of Claims and Controversies

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims or controversies relating to the contractual, legal and subordination rights that a Holder of a Claim may have with respect to any Allowed Claim with respect thereto, or any distribution to be made on account of such an Allowed Claim. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims or controversies, and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtor, its Estate, and Holders of Claims and is fair, equitable and reasonable.

VII. PROVISIONS GOVERNING TREATMENT OF CLAIMS

A. Procedures for Resolving Disputed Claims

1. Prosecution of Objection to Claims

After the Effective Date, the Creditor Trustee shall object (and shall take over, and continue prosecuting, any outstanding claims objections initiated by the Debtor) to the allowance of any Disputed Claims as the Creditor Trustee determines is reasonable. All objections shall be pursued to settlement or to Final Order; provided, however, that no Bankruptcy Court approval shall be required in order for the Creditor Trustee to settle and/or compromise any Claim, objection to Claim, Cause of Action, or right to payment of or against the Debtor or its Estate.

Any objections to Claims shall be resolved or litigated by the Creditor Trustee, in his sole

discretion, subject to the approval of the Oversight Committee with respect to the resolution of a Disputed Claim with a face or scheduled amount in excess of \$100,000. The Creditor Trustee shall have sole and complete discretion to not review and/or object to proofs of Claim, including, without limitation, to not object to claims below a certain dollar amount to the extent the Creditor Trustee believes that such review and/or objection would be uneconomical.

2. Treatment of Disputed Claims

No interest shall be paid on Disputed Claims that later become Allowed Claims or with respect to any distribution to such Holder. No distribution shall be made with respect to all or any portion of any Claim, a portion of which or all of which is a Disputed Claim, pending the entire resolution thereof. As described in the Plan, Claims can also be estimated for voting purposes.

B. Enforcement of Bar Date Order

In accordance with section 502(b)(9) of the Bankruptcy Code, any Entity that failed to File a proof of Claim by the applicable Bar Date and was not otherwise permitted to File a proof of Claim after the applicable Bar Date by a Final Order of the Bankruptcy Court is and shall be barred, estopped and enjoined from asserting any Claim against the Debtor (i) in an amount that exceeds the amount, if any, that is identified in the Schedules on behalf of such Entity as undisputed, noncontingent, and liquidated; or (ii) of a different nature or a different classification than any Claim identified in the Schedules on behalf of such Entity. All Claims Filed after the applicable Bar Date and for which no Final Order has been entered by the Bankruptcy Court determining that such Claims were timely Filed shall be disallowed and expunged. Any Distribution on account of such Claims shall be limited to the amount, if any, listed in the applicable Schedules as undisputed, noncontingent, and liquidated.

VIII. CONFIRMATION REQUIREMENTS AND PROCEDURES

A. Overview of Requirements

To be confirmable, the Plan must meet the requirements listed in sections 1129(a) or (b) of the Bankruptcy Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of claims must accept the plan, without counting votes of insiders; the Plan must distribute to each Holder of a Claim or Equity Interest at least as much as the Holder would receive in a chapter 7 liquidation case, unless the creditor or equity interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in section 1129 of the Bankruptcy Code, and they are not the only requirements for confirmation.

B. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met.

Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A Holder of a Claim or Equity Interest has a right to vote for or against the Plan only if that Holder has a Claim or Equity Interest that is: (1) contemplated to receive property under the Plan (so is not

deemed to reject); (2) Allowed or Allowed for voting purposes; and (3) Impaired.

C. What Is an Allowed Claim or an Allowed Equity Interest?

Only a Holder of a Claim or Equity Interest that constitutes an Allowed Claim or an Allowed Equity Interest has the right to vote on the Plan. Generally, a Claim or Equity Interest is Allowed if either (1) the Debtor has scheduled the Claim on the Debtor's schedules, unless the claim has been scheduled as disputed, contingent, or unliquidated, or (2) the Creditor has filed a proof of Claim or Equity Interest, unless an objection has been filed to such proof of Claim or Equity Interest (or to a scheduled Claim or Equity Interest). When a Claim or Equity Interest is not allowed, the Creditor or Equity interest holder holding the Claim or Equity Interest cannot vote unless the Court overrules the objection or Allows the Claim or Equity Interest for voting purposes under Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The Bar Date – *i.e.*, the deadline for filing a proof of claim in the Chapter 11 Case – was January 24, 2016. The deadline for filing objections to claims is one hundred twenty days after the Effective Date, and the deadline for filing responsive objections thereto is twenty-one days after the Objection has been filed. The Creditor Trustee may seek an extension of the deadline for filing objections.

D. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the Holder of an Allowed Claim or Equity Interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in section 1124 of the Bankruptcy Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

E. Who Is Not Entitled to Vote?

The following types of Creditors and equity interest holders are not entitled to vote:

1. Holders of Claims and Equity Interests that have been disallowed by Court order.
2. Holders of other Claims or Equity Interests that are not "Allowed Claims" or "Allowed Equity Interests" (as discussed above), unless they have been "Allowed" for voting purposes.
3. Holders of Claims in unimpaired classes.
4. Holders of Equity Interests, since they do not receive or retain any value under the Plan.
5. Holders of Priority Tax Claims.
6. Holders of Administrative Expense Claims.

Even if you are not entitled to vote on the plan, you still have a right to object to Confirmation of the Plan.

F. Who Can Vote in More Than One Class?

A Holder of a Claim that has been allowed in part in one Class and in part in another Class or a Holder of a Claim who otherwise hold Claims in multiple Classes, is entitled to accept or reject

the Plan in each capacity, and should cast one ballot for each Class in which it has a Claim.

G. Votes Necessary to Confirm the Plan

Since impaired classes exist under the Plan, the Court cannot confirm the Plan unless (1) at least one impaired Class of creditors has accepted the Plan without counting the votes of any insiders within that Class and (2) all impaired Classes have voted to accept the Plan, unless the Plan is eligible to be confirmed by “cram down” on non-accepting classes, as discussed below in section G.2.

1. Votes Necessary for a Class to Accept the Plan

A Class of Claims accepts the Plan if both of the following occur: (1) the Holders of more than one-half of the Allowed Claims in the Class, who vote, cast their votes to accept the Plan, and (2) the Holders of at least two-thirds in dollar amount of the Allowed Claims in the Class, who vote, cast their votes to accept the Plan.

No Class of Equity Interests is voting in connection with the Plan.

2. Treatment of Nonaccepting Classes

Even if one or more impaired Classes reject the Plan, the Court may nonetheless confirm the Plan if the nonaccepting Classes are treated in the manner prescribed by section 1129(b) of the Bankruptcy Code. A Plan that binds nonaccepting Classes is commonly referred to as a “cram down” plan. The Bankruptcy Code allows the Plan to bind nonaccepting Classes of Claims or Equity Interests if it meets all the requirements for consensual confirmation except the voting requirements of section 1129(a)(8) of the Bankruptcy Code, does not “discriminate unfairly,” and is “fair and equitable” toward each impaired Class that has not voted to accept the Plan.

You should consult your own attorney if a “cramdown” confirmation will affect your Claims or Equity Interests, as the variations on this general rule are numerous and complex.

H. Feasibility of the Plan

In connection with confirmation of the Plan, the Bankruptcy Court will have to determine that the Plan is feasible pursuant to section 1129(a)(11) of the Bankruptcy Code, which requires that the confirmation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, unless such liquidation or reorganization is contemplated in the Plan. Here, the Plan contemplates the Creditor Trustee winding up the operations of the business and liquidating the Debtor’s assets in another manner

The Debtor has liquidated substantially all of its assets. Proceeds generated from the sale or sales will be distributed in accordance with the priority scheme detailed above, net expenses for the Creditor Trustee and any required professionals. All of the Debtor’s assets will vest in the Creditor Trust, which will pursue any and all feasible litigation for the recovery of unsecured creditors.

I. Best Interests Test

Notwithstanding acceptance of the Plan by each impaired Class, to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each holder of a Claim or Equity Interest in any such impaired Class who has not voted to accept the Plan. If an impaired Class does not accept the Plan, the ‘best interests’ test requires that the Bankruptcy Court find that the Plan provides to each member of such impaired Class a recovery on account of the member’s Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code on such date.

Classes 2, 3, and 5-8 are Impaired under the Plan. To estimate what members of the Impaired Classes would receive if the Debtor’s assets were liquidated under chapter 7 of the Bankruptcy Code, the Bankruptcy Court must first estimate how much cash would be available if the Chapter 11 Case were converted to a chapter 7 case under the Bankruptcy Code and the Debtor’s assets were liquidated by a chapter 7 trustee (the “*Liquidation Value*”). The Liquidation Value of the Debtor would consist of the net proceeds received from the disposition of the Debtor’s assets plus any cash held by the Debtor.

The information contained in Exhibit A hereto provides a summary of the Liquidation Value of the Debtor’s interests in property, assuming a chapter 7 liquidation in which any trustee appointed by the Bankruptcy Court would liquidate the Debtor’s properties and interests. The Liquidation Value was prepared solely for use in this Disclosure Statement and does not represent values that are appropriate for any other purpose. Nothing in this analysis will be intended to or constitute a concession by or admission of the Debtor for any purpose.

As reflected in the liquidation analysis, the Committee believes that there will be a greater recovery for creditors under the Plan as opposed to any other scenario. The parties already involved in the administration of the estate have the knowledge necessary to complete the Debtor’s liquidation in the most efficient, least costly manner. By converting the case to chapter 7, a trustee will be entitled to compensation based on the Debtor’s distributions to parties and would also incur legal fees.

The Committee believes that a chapter 7 liquidation of the Debtor’s Estate would result in diminution in the value to be realized by holders of Claims, as compared to the proposed distributions under the Plan. Under the Plan creditor recoveries will not be diluted by the payment of statutory fees to a chapter 7 trustee (the only costs will be the Creditor Trust Expenses). Moreover, there is a strong probability that a chapter 7 trustee in this case would not possess any particular knowledge about the Debtor, its operations, or potential Causes of Action. The value of the Debtor’s assets would likely be greatly diminished thereby. Additionally, a trustee would probably seek the assistance of professionals who may not have any significant background or familiarity with this case or the industry. The trustee and any professionals retained by the trustee likely would expend significant time familiarizing themselves with this case. This would result in duplication of effort, increased expenses and delay in payments to creditors.

IX. EFFECT OF CONFIRMATION OF PLAN

A. Discharge

The Debtor will not receive a discharge under the Plan in accordance with section 1141 of the Bankruptcy Code.

B. Binding Effect

The provisions of the Plan, the Confirmation Order, and any associated findings of fact or conclusions of law shall bind the Debtor, any entity acquiring property under the Plan, and any Creditor of the Debtor, whether or not the Claim of such creditor is Impaired under the Plan and whether or not such creditor has accepted the Plan.

C. Vesting of Property

Upon the occurrence of the Effective Date subsequent to Confirmation of the Plan all of the Creditor Trust Assets – defined broadly in the Plan to include all of the Debtor’s tangible and intangible property – vests in the Creditor Trust.

D. Releases

1. Releases by the Estate

As of the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Estate, shall forever release, waive, and discharge all claims, obligations, suits, judgments, demands, debts, rights, Causes of Action, and liabilities, whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to (i) the parties released pursuant to the Releases; (ii) the Disclosure Statement, the Plan, and the documents necessary to effectuate the Plan; (iii) the solicitation of acceptances and rejections of the Plan; (iv) the solicitation of the Releases; (v) the Chapter 11 Case; (vi) the property to be distributed under the Plan; or (viii) any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the Chapter 11 Case, against (a) the Debtor’s Professionals; (b) the Committee’s Professionals; (c) each member of the Committee in its capacity as such; (d) the Creditor Trustee; and (e) Heartland.⁴

2. General Releases by Holders of Claims or Interests

As of the Effective Date, all Holders of Allowed Claims and the current and former members, managers, Holders of Equity Interests, and employees of the Debtor (in their

⁴ See section II.C.7 hereof. If an agreement is reached between Heartland and the Estate, and approved by the Court at or prior to the Confirmation Hearing, Heartland will be included in the general release provision. If not, it will be excluded from the general release provision.

capacity as such) shall forever release, waive and discharge all Claims, obligations, suits, judgments, demands, debts, rights, causes of action and liabilities (other than the right to enforce the Debtor's obligations under the Plan and the contracts, instruments, releases, agreements and documents delivered under the Plan, and in the event of gross negligence or fraud), whether direct or derivative, liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, then existing or thereafter arising, in law, equity or otherwise, that are based in whole or in part on any act or omission, transaction, event or other occurrence taking place on or prior to the Effective Date in any way relating to (i) the Debtor; (ii) the parties released pursuant to the Releases; (iii) the Disclosure Statement, the Plan, and the documents necessary to effectuate the Plan; (iv) the solicitation of acceptances and rejections of the Plan; (v) the solicitation of the Releases; (vi) the Chapter 11 Case; (vii) the property to be distributed under the Plan; or (viii) any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or the Chapter 11 Case, against each of (a) the Debtor's Professionals; (b) the Committee's Professionals; (c) each member of the Committee in its capacity as such; (d) the Estate; and (e) the Creditor Trustee.

3. Release of Liens

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document assumed, entered into or delivered in connection with the Plan, after Effective Date and concurrently with the applicable Distributions made pursuant to Article III of the Plan, all mortgages, deeds of trust, liens, or other security interests against any property shall be fully released and discharged, and all of the right, title and interest of any holder of such mortgages, deeds of trust, liens or other security interests, including any rights to any collateral thereunder, shall revert to the Creditor Trust. For clarification, all Liens shall be released upon sale of the assets in which individual Claimants were secured and distributions have been made to each individual creditor which had a security interest in said assets in accordance with Article II of the Plan.

4. Injunction Related to Releases

In order to effectuate the Plan, allow for an orderly distribution of assets, and to effectuate the Releases described above, the Plan contains injunction provisions that, as described in greater detail in the Plan, enjoin the commencement or prosecution by any Entity, whether directly, derivatively or otherwise, of any action against: (a) the Estate; (b) the Creditor Trust or its property; and (c) any transferee of the foregoing parties.

5. Cancellation and Surrender of Instruments, Securities and Other Documentation

Except as otherwise provided in the Plan or in any contract, instrument or other agreement or document entered into or delivered in connection with the Plan, on the Effective Date and concurrently with the applicable Distributions made pursuant to Article V of the Plan, the holders of or parties to such cancelled instruments, securities, and other documentation shall have no rights arising from or relating to such instruments, securities and other documentation or the cancellation thereof, except the rights provided pursuant to the Plan.

E. Exculpation

Subject to section 1125(e) of the Bankruptcy Code, neither the Estate, the Committee, the Oversight Committee, the Creditor Trust, nor any of their respective present or former advisors, attorneys, or agents acting in such capacity, shall have or incur any liability to, or be subject to any right of action by, the Debtor or any Holder of a Claim or an Equity Interest, or any other party in interest, or any of their respective agents, shareholders, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of, (a) any act, except for acts involving gross negligence or fraud, taken or omitted to be taken on or after the Petition Date, (b) the Disclosure Statement, the Plan, and the documents necessary to effectuate the Plan, (c) the solicitation of acceptances and rejections of the Plan, (d) the Releases or the solicitation thereof, (e) the Chapter 11 Case, (f) the administration of the Plan, (g) the distribution of property under the Plan, and (h) any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan or the Chapter 11 Case, and in all respects shall be entitled to rely reasonably upon the advice of counsel with respect to their duties and responsibilities under the Plan.

F. Preservation of Causes of Action / Reservation of Rights

Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights or Causes of Action that the Estate or the Creditor may have or which the Estate or Creditor Trust may choose to assert under any provision of the Bankruptcy Code or any applicable nonbankruptcy law, relating to (i) any and all Claims against any Person or Entity, to the extent such Person or Entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtor, the Estate, their officers, directors, or representatives, or (ii) the turnover of any property of the Debtor's Estate.

Nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or relinquishment of any Cause of Action, right of setoff, or other legal or equitable defense which the Debtor had immediately prior to the Petition Date, against or with respect to any Claim left unimpaired by the Plan. The Creditor Trust shall have, retain, reserve, and be entitled to assert all such Claims, Causes of Action, rights of setoff, and other legal or equitable defenses which they had immediately prior to the Petition Date fully as if the Chapter 11 Case had not been commenced, and all of the Creditor Trust's legal and equitable rights respecting any Claim left unimpaired by the Plan may be asserted after the Confirmation Date to the same extent as if the Chapter 11 Case had not been commenced.

The Committee believes that, without limitation, the parties listed on the attached Exhibit B may be sued on account of their receipt of a fraudulent transfer from the Debtor or a related entity.

X. MODIFICATION OF THE PLAN

The Committee reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, in its sole discretion, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. Upon entry of the Confirmation Order, the Committee may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the

Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A Holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such Holder and the votes of each Class for or against the Plan shall be counted and used in connection with the plan of liquidation. The Committee reserves the right to amend any exhibits or schedules to the Plan, whereupon each such exhibit or schedule shall be deemed substituted for the original of such exhibit. The Committee shall provide notice of any amendments to any exhibit or schedule to the parties affected thereby.

After the Confirmation Date, the Creditor Trustee may, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies within or among the Plan, the Disclosure Statement, and the Confirmation Order, and to accomplish such matters as may be reasonably necessary to carry out the purposes and intent hereof. A Holder of a Claim or Equity Interest that has accepted the Plan shall be deemed to have accepted the Plan, as altered, or modified, if the proposed alteration, amendment, modification or remedy does not materially and adversely affect the treatment of the Claim or Equity Interest of such Holder hereunder.

XI. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The Committee has not sought or obtained rulings from the Internal Revenue Service or any state or local taxing authority with respect to the tax consequences, if any, of the Plan and the transactions contemplated under either of the foregoing. **CREDITORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE CONSEQUENCES TO THEM UNDER FEDERAL AND APPLICABLE STATE AND LOCAL TAX LAWS OF THE CONSUMMATION OF THE PLAN.**

XII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Committee believe that the Plan affords Creditors the potential for the greatest realization on the Debtor's assets and, therefore, is in the best interests of such Holders. If, however, the requisite acceptances to confirm the Plan are not received, or the Plan is not subsequently confirmed and consummated, the theoretical alternatives include: (i) formulation of an alternative plan or plans of reorganization or (ii) liquidation of the Debtor under Chapter 7 of the Bankruptcy Code.

A. Alternative Plan(s)

If the Requisite Acceptances to confirm the Plan are not received or if the Plan is not confirmed (or, if the Debtor's exclusive periods in which to file and solicit acceptances of a reorganization plan have expired), any other party in interest could attempt to formulate and propose a different plan or plans of reorganization.

The Committee believes that the Plan, as described herein, enables creditors to realize the greatest possible value under the circumstances, and that, as compared to available alternatives, the Plan has the greatest chance to be confirmed and consummated and will result in the highest

recovery for creditors.

B. Liquidation under Chapter 7

Proceeding under chapter 7 of the Bankruptcy Code would impose significant additional monetary and time costs on the Debtor's Estate, and would limit the options for achieving an optimal outcome. Under chapter 7, one or more trustees would be elected or appointed to administer the Estate, to resolve pending controversies, including Disputed Claims against the Debtor and Claims of the Estate against other parties, and to make distributions to Holders of Claims. A chapter 7 trustee would be entitled to compensation in accordance with the scale set forth in section 326 of the Bankruptcy Code, and the trustee would also incur significant administrative and legal expenses.

There is a strong probability that a chapter 7 trustee in this case would not possess any particular knowledge about the Debtor, its operations, or potential Causes of Action. The value of the Debtor's assets would likely be greatly diminished thereby. Additionally, a trustee would probably seek the assistance of professionals who may not have any significant background or familiarity with this case or the industry. The trustee and any professionals retained by the trustee likely would expend significant time familiarizing themselves with this case. This would result in duplication of effort, increased expenses and delay in payments to creditors.

In an analysis of liquidation under chapter 7, it must be recognized that additional costs in both time and money are inevitable. In addition to these time and monetary costs, there are other factors in a chapter 7 liquidation that the Committee believes would result in a substantially smaller recovery for creditors than under the Plan. In the opinion of the Committee, the recoveries projected to be available in liquidation will not afford Creditors as great a realization as does the Plan.

THE COMMITTEE BELIEVES THAT THE PLAN AFFORDS GREATER RECOVERY TO CREDITORS THAN SUCH HOLDERS WOULD RECEIVE IF THE DEBTOR WERE LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

XIII. CERTAIN FACTORS TO BE CONSIDERED

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF ELIGIBLE CLAIMS AND ELIGIBLE EQUITY INTERESTS SHOULD READ AND CAREFULLY CONSIDER THE FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. THESE FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE COMMITTEE OR THAT IT CURRENTLY DEEMS IMMATERIAL MAY ALSO HARM ITS BUSINESS.

XIV. RISK FACTORS

Prior to voting on the Plan, each holder of a Claim entitled to vote should consider carefully the risk factors described below, as well as all of the information contained in this Disclosure

Statement, including the Exhibits hereto. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan in its implementation. See Section VIII for a discussion of certain tax considerations in connection with the Plan.

A. Risks in connection with the Plan

1. Risk of Non-Confirmation of the Plan

Even if all impaired Classes accept or are deemed to accept the Plan, the plan may still not be confirmed by the Bankruptcy Court. Section 1129 of the Bankruptcy Code, which sets forth the requirements for Confirmation, requires, among other things: (a) that Confirmation not be followed by a need for further reorganization or liquidation (i.e., that the plan is “feasible”); (b) that the value of distributions to dissenting holders not be less than the value of distributions to such holders if the Debtor were liquidated under chapter 7 of the Bankruptcy Code; and (c) that the Plan and the Debtor otherwise comply with the applicable provisions of the Bankruptcy Code. Although the Debtor and the Committee believe that the Plan will meet all of the applicable requirements, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

2. Nonconsensual Confirmation

Pursuant to the “cramdown” provisions of section 1129 of the Bankruptcy Code, the Bankruptcy Court can confirm the Plan at the Committee’s request if, excluding the acceptance of any “insider,” at least one impaired Class has accepted the Plan and the Bankruptcy Court determines that the Plan “does not discriminate unfairly” and is “fair and equitable” with respect to each impaired Class that has not accepted the Plan.

The Committee, reserves the right to modify the terms of the Plan, as necessary, to seek Confirmation without the acceptance of all impaired Classes. Such modification could result in less favorable treatment for non-accepting Classes of Claims than the treatment currently provided for in the Plan. Further, in the event an impaired Class of Claims fails to approve the Plan, the Debtor may determine, upon concurrence with the Committee, not to seek Confirmation of the Plan.

3. Conditions Precedent to the Effectiveness of the Plan

Even if confirmed, the Plan may still not become effective if the conditions to effectiveness of the Plan are not satisfied, or duly waived in accordance with the Plan. *See* Section VII of the Plan for a description of the conditions to the effectiveness of the Plan.

4. The Committee May Object to the Amount, or the Secured or Priority Status, of a Claim

The Committee reserves the right to object to the amount, or the Secured or Priority status, of any Claim until such time as the Plan is confirmed. Any such Holder of a Claim will receive its specified share of the estimated distributions described in the Disclosure Statement only to the extent its Claim becomes an Allowed Claim.

5. Causes of Action

In accordance with section 1123(b) of the Bankruptcy Code, even after Confirmation of the Plan, the Creditor Trust will retain and may enforce causes of action against creditors. Accordingly, a holder of a Claim may be subject to one or more such claims brought by the Creditor Trust, even if such holder has voted in favor of the Plan.

XV. GENERAL PROVISIONS

A. Definitions and Rules of Construction

The definitions and rules of construction stated in sections 101 and 102 of the Bankruptcy Code apply when terms defined or construed in the Bankruptcy Code are used in the Plan.

B. Captions and Headings

The article and section headings used in the Plan are for convenience and reference only, and they do not constitute a part of the Plan or in any manner affect the terms, provisions, or interpretations of the Plan.

C. Severability

Should any term or provision in the Plan be determined to be unenforceable, such determination shall in no way limit or affect the enforceability and operative effect of any other term or provision of the Plan; provided, however, that this provision shall not be applied or interpreted so as to defeat the primary purpose of the Plan, which is to restructure the Debtor's obligations to its Creditors according to the treatment afforded to their Claims under the Plan.

D. Governing Law

Except to the extent that the Bankruptcy Code or other provisions of federal law are applicable, the rights and obligations arising under the Plan in any documents, agreements, and instruments executed in connection with the Plan (except to the extent such documents, agreements and instruments designate otherwise) shall be governed by, and construed and enforced in accordance with, the laws of the State of Illinois.

E. Successors and Assigns

The rights and obligations of any entity named or referred to in the Plan shall be binding upon, and shall inure to the benefit of, the successors and assigns of such entity.

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Dated: February 23, 2016

Respectfully submitted,

**THE OFFICIAL COMMITTEE OF
UNSECURED CREDITORS OF
INTERNATIONAL SUPPLY CO.**

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