

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re: ) Chapter 11  
)  
Lyon Workspace Products, L.L.C., *et al.*<sup>1</sup> ) Case No. 13-2100  
) (Jointly Administered)  
Debtors. )  
) Honorable Janet S. Baer  
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**DISCLOSURE STATEMENT WITH RESPECT TO  
JOINT PLAN OF LIQUIDATION OF LYON WORKSPACE PRODUCTS, L.L.C., *ET AL.***

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Workspace Products, L.L.C., et al.*

Dated: March 19, 2014

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<sup>1</sup> The Debtors in these jointly administered chapter 11 cases are Sycamore Systems, L.L.C., Durand Products, L.L.C., L&D Group, Inc., Miller Global Solutions, L.L.C., and Lyon Workspace Products, L.L.C.



## I. INTRODUCTION

The Official Committee of Unsecured Creditors of Lyon Workspace Products, L.L.C., *et al.* (the “Committee”) and Lyon Workspace Products, L.L.C., *et al.* (the “Debtors” and, together with the Committee, the “Plan Proponents”) submit this disclosure statement (the “Disclosure Statement”) to holders of Claims against and Interests in the Debtors in connection with the solicitation of acceptances of the Joint Plan of Liquidation Dated March 19, 2014 (the “Plan”).<sup>2</sup>

This Disclosure Statement describes the key aspects of the Plan, the Debtors’ chapter 11 cases (the “Cases”), the Debtors’ plan for their liquidation and wind-down and the formation and operation of a Liquidating Trust that will: (i) liquidate the Debtors’ remaining assets; (ii) pursue claims and Causes of Action on behalf of the Debtors’ General Unsecured Creditors; (iii) analyze and reconcile Claims filed against the Debtors’ Estates; and (iv) make distributions to Holders of Allowed Claims. For a complete understanding of the Plan, you should read this Disclosure Statement, the Plan and the exhibits and schedules thereto.

The Plan Proponents believe that confirmation of the Plan is in the best interests of all parties, including the Debtors’ Creditors and Estates and urge Creditors to vote to accept the Plan. Detailed voting instructions are set forth in section III.A. of this Disclosure Statement. To be counted, a ballot containing your vote to accept or to reject the Plan must be received by Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, CA 90245 by **no later than 5:00 p.m. (Pacific Standard Time) on May 2, 2014.**

**NO REPRESENTATIONS CONCERNING THE DEBTORS ARE AUTHORIZED BY THE PLAN PROPONENTS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS**

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<sup>2</sup> Unless otherwise defined herein, all capitalized terms contained herein have the respective meanings assigned to them in the Plan.

**OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE STATEMENT SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. ANY NON-COMMITTEE OR NON-DEBTOR REPRESENTATIONS AND INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE COMMITTEE OR THE DEBTORS, WHO WILL DELIVER SUCH INFORMATION TO THE COURT FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.**

**THE INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECTED TO A CERTIFIED AUDIT. HOWEVER, THE DATA IN THE PLAN PROPONENTS' POSSESSION IS BASED ON THE RECORDS OF THE DEBTORS, WHICH HAVE BEEN MAINTAINED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES. ALTHOUGH GREAT EFFORT HAS BEEN TAKEN TO MAKE SURE IT FAIRLY REPRESENTS THE CURRENT POSITION OF THE PLAN PROPONENTS, THE PLAN PROPONENTS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN IS WITHOUT ANY INACCURACY.**

**FOR THE CONVENIENCE OF HOLDERS OF CLAIMS AND INTERESTS, THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE PLAN AND THE DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT ARE NOT COMPLETE, AND ARE SUBJECT TO THE FULL TEXT OF THE APPLICABLE AGREEMENTS.**

**Section 1125 of the Bankruptcy Code requires that there be a post-petition disclosure in the form of a disclosure statement that provides “adequate information” to creditors before anyone may solicit acceptances of a chapter 11 plan. THIS DISCLOSURE STATEMENT IS PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE SO AS TO PROVIDE “ADEQUATE INFORMATION” TO THE CREDITORS IN THIS PROCEEDING. CREDITORS ARE URGED TO CONSULT WITH THEIR OWN INDIVIDUAL COUNSEL AND TO REVIEW ALL OF THE RECORDS IN THIS CASE IN ORDER TO FULLY UNDERSTAND THE DISCLOSURES MADE, THE PLAN AND ANY OTHER PERTINENT INFORMATION IN THIS PROCEEDING. THE PLAN IS COMPLEX, ESPECIALLY SINCE IT REPRESENTS A PROPOSED LEGALLY BINDING AGREEMENT, AND ANY INTELLIGENT JUDGMENT CONCERNING ANY PROPOSED PLAN CANNOT BE MADE WITHOUT FULLY UNDERSTANDING THE INFORMATION CONTAINED THEREIN AND IN THIS DISCLOSURE STATEMENT. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO TAKE THE PLACE OF THE PLAN. EACH CREDITOR IS URGED TO STUDY THE PLAN IN FULL AND TO CONSULT THEIR COUNSEL WITH RESPECT TO THE PLAN, ITS TAX IMPLICATION(S) AND ITS EFFECT ON HIS, HER OR ITS RIGHTS.**

Any Creditor having questions regarding the Plan or the Disclosure Statement may contact counsel for either of the Plan Proponents:

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The cost of distributing the Plan and Disclosure Statement as well as the costs, if any, of soliciting acceptances, will be paid from property of the Estates, as defined in the Plan and as allowed by the Bankruptcy Court. The Professional Fees of the Debtors' professionals and the Committee's professionals are not contingent upon the acceptance of the Plan, and are payable as a cost of administration, upon Bankruptcy Court approval.

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## II. SUMMARY OF THE PLAN

<b><u>General Overview of the Plan</u></b>	
<b>Plan</b>	Joint Plan of Liquidation Dated March 19, 2014
<b>Plan Proponents</b>	The Committee and the Debtors. The Committee consists of the following holders of General Unsecured Claims: (i) Premier Resource Group, LLC (Committee Chair); (ii) Master Lock Company LLC; (iii) Barsteel Corporation; (iv) Miller Metals Service Corp.; and (v) Cardinal Packaging Products, LLC.
<b>General Purpose</b>	The Plan contemplates the transfer of all of the Debtors' remaining assets to the Liquidating Trust for the benefit of holders of Allowed Claims. The holders of Allowed Class 1 Other Secured Claims, Allowed Professional Fee Claims, Allowed Administrative Claims, Allowed Priority Claims, Allowed Class 2 LWP Reimbursement Claims and Allowed Class 3 General Unsecured Claims shall share in the proceeds from the Liquidating Trust, but only to the extent provided in the Plan. The provisions of the Liquidating Trust and the Plan shall be implemented under the direction of the Liquidating Trustee. The Plan Proponents have proposed Norman Newman as Liquidating Trustee.
<b><u>Summary of Claims</u></b>	
<b>Administrative Claims</b> <i>(Unclassified)</i>	<p>Administrative Claims consist of two subcategories: (i) Allowed Professional Fee Claims; and (ii) Allowed Administrative Claims.</p> <p>Allowed Professional Fee Claims consist of the Allowed Administrative Expenses of Professional Persons, including attorneys, accountants, financial advisors and claims and noticing agents retained by the Debtors or the Committee, or to be compensated pursuant to sections 327, 328, 330, 331, 363, 503 or 1103 of the Bankruptcy Code.</p> <p>Allowed Other Administrative Expense Claims consist of expenses which are or become allowed under section 503(b) of the Bankruptcy Code, other than Allowed Professional Fee Claims, which are entitled to priority under section 507(a)(2) of the Bankruptcy Code, and shall include: (i) any actual and necessary costs and expenses incurred by the Debtors after the Petition Date with respect to preserving the Estates and operating the Debtors' businesses; (ii) 503(b)(9) Claims; (iii) Administrative</p>

	<p>Claims; and (iv) all fees and charges properly assessed against the Estates pursuant to 28 U.S.C. § 1930.</p> <p>The holders of Allowed Other Administrative Expense Claims will be paid in full by the Liquidating Trust in accordance with the Plan and Liquidating Trust Agreement.</p> <p>The Plan Proponents estimate that unpaid Allowed Professional Fee Claims will not exceed \$208,978 as of the Effective Date.</p> <p>The Plan Proponents estimate that unpaid Allowed Other Administrative Expense Claims will not exceed \$237,432, net of the Assumed Liabilities as of the Effective Date.</p>
<b>Priority Claims (<i>Unclassified</i>)</b>	<p>Priority Claims consist of Unsecured Claims of the kind specified in section 507 of the Bankruptcy Code, whether in the nature of priority tax claims, priority wage or benefit claims or other Priority Claims, not including Administrative Claims.</p> <p>The holders of Allowed Priority Claims will be paid in full by the Liquidating Trust, net of any Assumed Liability, and will receive their share of Liquidating Trust Assets in accordance with the Plan and Liquidating Trust Agreement.</p> <p>The Plan Proponents estimate that Allowed Priority Claims will not exceed \$16,986, net of the Assumed Liabilities, as of the Effective Date. The Internal Revenue Service has filed priority claims totaling \$1,213,694.44. The Plan Proponents believe these Claims were filed in error and will seek to disallow these claims.</p>
<b>Class 1 Claims</b>	<p>To the extent there are any, the Other Secured Creditors' Class 1 Claims shall be satisfied by the return of its collateral to the Holder of the Secured Claim, or at the Liquidating Trustee's discretion, payment of the value of the collateral in Cash. No interest shall accrue on Class 1 Claims.</p> <p>To the extent that the value of Other Secured Creditors' collateral is less than the amount of their claims, the unsecured portion of the Other Secured Creditors' Claims shall be deemed a Class 3 claim.</p> <p>The Plan Proponents estimate that there will be no Class 1 Other Secured Claims net of the Assumed Liabilities.</p>
<b>Class 2 Claim</b>	<p>Class 2 Claims shall consist of LWP Reimbursement Claim, which shall be paid in full, to the extent funds are available, prior to payment of any Allowed General</p>

	<p>Unsecured Claims, solely from the first available Net Proceeds of Litigation Claims. No interest shall accrue on Class 2 Claims.</p> <p>The Plan Proponents estimate Class 2 Claims will equal \$100,000 and will be paid solely from the net recoveries actually awarded to and received by the Liquidating Trustee from the prosecution of Litigation Claims (net of all fees, costs, payments and expenses incurred by the Liquidating Trustee in pursuing Litigation Claims).</p>
<b>Class 3 General Unsecured Claims</b>	<p>General Unsecured Claims (<u>Class 3</u>) shall mean any Unsecured Claim, arising prior to the Petition Date, that is not an Administrative Claim, Priority Claim, Class 1 Claim (Other Secured Creditors Claim), Class 2 Claim (LWP Reimbursement Claim) or Class 4 Interest (Interests of Equity Security Holders (described below)). No interest shall accrue on Class 3 Claims.</p> <p>General Unsecured Claims are Impaired under the Plan. The holders of Allowed General Unsecured Claims will receive their Pro Rata share of Liquidating Trust Assets in accordance with the Plan and Liquidating Trust Agreement.</p> <p>At this time, the Plan Proponents are unable to determine the amounts that will be distributed to holders of General Unsecured Claims or whether there will be any such distribution. Unsecured Claims in the amount of approximately \$130,938,855 (plus unliquidated claims) were filed by Creditors by the Bar Date or scheduled by the Debtors, but the Plan Proponents estimate that Allowed General Unsecured Claims will not exceed \$22,732,184 based on resolution of Causes of Action and Claims reconciliation by the Liquidating Trustee.</p>
<b>Class 4 Equity Securities</b>	<p>Equity Securities (<u>Class 4</u>) consist of Interests held by Equity Security Holders, which include: (i) shares in a corporation, whether or not transferable or denominated as “stock” or similar security; (ii) interests of a limited party in a limited partnership; or (iii) warrants or rights, other than rights to convert, purchase, sell or subscribe to a share, security or interest of a kind specified in (i) or (ii). Equity Security Holders shall receive no distribution under the Plan, and all Equity Securities will be cancelled on the Effective Date. Equity Security Holders, therefore, are an Impaired class of Interests.</p>



<b><u>Implementation of Plan</u></b>	
<b>Funding</b>	The Plan will be funded by the orderly liquidation of all remaining property of the Estates (including recoveries from Causes of Action, if any) as well as amounts received under the APA and Sale Order and the Workers Compensation Refund. Distributions will be made from the Liquidating Trust after the Effective Date or as soon as reasonably practicable thereafter pursuant to the terms of the Plan and the Liquidating Trust Agreement.
<b>Effective Date</b>	<p>The Effective Date will be a date after the occurrence of: (i) the Confirmation Order confirming the Plan shall have been entered by the Bankruptcy Court and shall not have been stayed, and if it is the subject of any appeal, reconsideration or other review, no stay of the Confirmation Order shall be in effect; (ii) the Lyon Liquidating Trust Agreement, in form and substance satisfactory to the Committee, shall be executed and delivered, and all conditions precedent to the effectiveness thereof shall have been satisfied; (iii) all other documents or agreements necessary to consummate the Plan shall have been delivered or effectuated; and (iv) the Liquidating Trustee shall have been appointed by the Committee upon notice to the Bankruptcy Court.</p> <p>The Effective Date will be a date not more than 180 days after the Confirmation Date; provided, however, that if a stay of the Confirmation Order is in effect on such day, then the Effective Date shall be the first day thereafter on which, if the Confirmation Order has not been vacated, no stay of the Confirmation Order is in effect and all other conditions precedent, as stated above, have occurred.</p>

### **III. VOTING AND CONFIRMATION PROCEDURES**

Under the Bankruptcy Code, classes of claims that are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims and interests that are not entitled to receive any distribution on account of their claims or interests are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

Under the terms of the Plan, the holders of Claims in Class 3 (General Unsecured Claims) are Impaired and are entitled to vote to accept or reject the Plan.

Votes on the Plan are not being solicited from holders of Allowed Administrative Claims, Allowed Priority Claims, Other Secured Claims (Class 1), and the LWP Reimbursement Claim (Class 2), which are unimpaired and deemed to have accepted the Plan. Votes on the Plan are also not being solicited from holders of Equity Securities (Class 4). Holders of Equity Securities will receive no distribution under the Plan and, therefore, are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan.

**A. Voting Procedures**

If you are entitled to vote to accept or reject the Plan, a ballot is enclosed for the purpose of voting on the Plan. Please carefully follow the instructions set forth in the ballot and vote and return your ballot(s) to:

IF BY FIRST CLASS MAIL, HAND DELIVERY OR OVERNIGHT COURIER:

Lyon Workspace Ballot Processing  
c/o Kurtzman Carson Consultants, LLC  
2335 Alaska Ave  
El Segundo, CA 90245

**TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN 5:00 P.M. (PREVAILING PACIFIC TIME) ON May 2, 2014 (THE “VOTING DEADLINE”).**

**ANY BALLOT WHICH IS EXECUTED BUT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN, OR WHICH BOTH THE ACCEPTANCE AND REJECTION BOX IS CHECKED, WILL BE DEEMED TO BE AN ACCEPTANCE OF THE PLAN. ANY BALLOT THAT IS EITHER UNRETURNED BY THE VOTING DEADLINE OR IS RETURNED BUT NOT EXECUTED WILL BE CONSIDERED NULL AND VOID AND WILL NOT BE COUNTED.**

If you are a holder of a Claim entitled to vote on the Plan and did not receive a ballot, received a damaged ballot or lost your ballot, or if you have any questions concerning the Disclosure Statement, the Plan or the procedures for voting on the Plan, please call counsel for the Committee, Sugar Felsenthal Grais & Hammer LLP, Attention: Aaron L. Hammer, Esq., 312-704-9400 or Christopher J. Horvay, Esq., 312-704-9400, or counsel for the Debtors, Perkins Coie LLP, Attention: Daniel A. Zazove, Esq., 312-324-8400 or Kathleen A. Stetsko, Esq., 312-324-8400.

**B. Joint Hearing on Sufficiency of Disclosure Statement and Plan Confirmation**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing to determine whether the Disclosure Statement meets the adequacy requirements of section 1125 of the Bankruptcy Code and whether the Plan meets the requirements for confirmation established by section 1129 of the Bankruptcy Code. Any party-in-interest may object to the adequacy of the Disclosure Statement or confirmation of the Plan. The Bankruptcy Court has scheduled a joint hearing with respect to the sufficiency of this Disclosure Statement and confirmation of the Plan for May 14, 2014, at 10:00 a.m. prevailing Central Time (the “*Joint Hearing*”). Notice of the Joint Hearing has been, or will be, provided to all holders of Claims and Interests and other parties-in-interest (the “*Confirmation Notice*”).

Objections, if any, to the adequacy of the Disclosure Statement or confirmation of the Plan must: (i) be in writing; (ii) state the name and address of the objecting party and the nature of the Claim or Interest of such party; (iii) state with particularity the basis and nature of any objection; and (iv) in accordance with Bankruptcy Rule 3020(b)(1), be filed, together with proof of service, with the Bankruptcy Court and served on the following parties so that the Objection is received no later than 5:00 p.m. (prevailing Central Time) on May 2, 2014 (the “*Objection Deadline*”), or such other date established by the Plan Proponents: (a) counsel to the Debtor,

Perkins Coie LLP, 131 S. Dearborn Street, Suite 1700, Chicago, Illinois 60603 (Attn: Daniel A. Zazove, Esq.); (b) counsel to the Committee, Sugar Felsenthal Grais & Hammer LLP, 30 N. LaSalle Street, Suite 3000, Chicago, Illinois 60602 (Attn: Aaron L. Hammer, Esq.); and (c) Office of the United States Trustee, 219 S. Dearborn Street, Room 873, Chicago, Illinois 60604 (Attn: Roman L. Sukley, Esq.). **UNLESS AN OBJECTION TO THE SUFFICIENCY OF THE DISCLOSURE STATEMENT AND/OR PLAN CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

#### **IV. OVERVIEW OF THE PLAN**

The following is an overview of certain material provisions of the Plan, which is attached hereto as **Exhibit A**. The following summaries of the material provisions of the Plan do not purport to be complete and are qualified in their entirety by reference to the relevant provisions of the Plan, including all exhibits.

##### **A. General Information Concerning Treatment of Claims and Interests**

The Plan provides for satisfaction in full of the Allowed Administrative Claims, Allowed Priority Claims, Allowed Other Secured Claims (Class 1) and the LWP Reimbursement Claim (Class 2) which are unimpaired and deemed to have accepted the Plan. Votes on the Plan are not being solicited from holders of Equity Securities (Class 4). Equity Security Holders will receive nothing under the Plan and, therefore, are deemed to have rejected the Plan and are not entitled to vote to accept or reject the Plan. Those Creditors holding Allowed General Unsecured Claims (Class 3) shall be entitled to vote to accept or reject the Plan.

The Plan Proponents believe that the Plan provides distributions to all Classes of Claims and Interests that reflect an appropriate resolution of the Claims and Interests, taking into

account the differing nature and priority of such Claims and Interests under the Bankruptcy Code and applicable law.

**B. Summary of Distributions**

The following table describes the treatment of Claims and Interests under the Plan.

<b>Class</b>	<b>Treatment</b>	<b>Impairment</b>	<b>Estimated Allowed Amounts Due</b>	<b>Estimated Percentage Recovery</b>
Allowed Administrative Claims (Unclassified)	100% payment, pursuant to the Liquidating Trust Agreement	Unimpaired Not entitled to vote	Consisting of Professional Fee Claims in the amount of \$208,978 (after consideration of the Assumed Liabilities under the APA, payable to Professionals for past or future services and/or expenses) and Other Administrative Expense Claims in the amount of \$237,432	100%
Priority Claims (Unclassified)	100% payment, net Assumed Liabilities, pursuant to the Liquidating Trust Agreement	Unimpaired Not entitled to vote	Estimated \$16,986, exclusive of erroneous claims filed by Internal Revenue Service	100%
Class 1 Other Secured Claims	100% payment on the Effective Date, satisfied by the return of collateral to the Holder of the Secured Claim, or at the Liquidating Trustee's discretion, payment of the value of the collateral in Cash	Unimpaired Not entitled to vote	\$0	100%
Class 2 LWP Reimbursement Claim	To be paid in full, to the extent funds are available, per the APA and Sale Order	Unimpaired Not entitled to vote	\$100,000	100%

<b>Class</b>	<b>Treatment</b>	<b>Impairment</b>	<b>Estimated Allowed Amounts Due</b>	<b>Estimated Percentage Recovery</b>
Class 3 General Unsecured Claims	Pro Rata pursuant to the Liquidating Trust Agreement	Impaired Entitled to vote	\$22,732,184	4.5 - 7.5%
Class 4 Equity Security Interests	Holders of these Interests will not receive a distribution under the Plan	Impaired Not entitled to vote and deemed to reject the Plan	N/A	0%

## **V. GENERAL INFORMATION**

### **A. Description and History of the Debtors' Businesses**

Founded in 1901 and headquartered in Montgomery, Illinois, the Debtors were a leading manufacturer of steel lockers for school, athletic, business, club and industrial applications. They manufactured and marketed a range of high quality fabricated steel storage and workspace products—including lockers, shelving and storage racks, modular drawer cabinets, ergonomic workplace furniture, and other storage cabinets.

The Debtors' products were marketed nationwide through a network of industrial distributors, dealers and catalogs. Their customers included Fortune 1000 companies, U.S. government agencies, schools and medical institutions. The Debtors also marketed their products directly to school districts and general contractors for school construction and renovation.

The Debtors' corporate headquarters were located in Montgomery, Illinois. The Debtors also maintained manufacturing facilities in Watseka and Paris, Illinois and Michigan City, Indiana. In 2012, the Debtors shuttered their manufacturing facility in Sycamore, Illinois and consolidated their locker manufacturing operations in their remaining locations.

As of the Petition Date, the Debtors had warehouses near Aurora, Illinois; Dallas, Texas; Los Angeles, California; and Philadelphia, Pennsylvania which allowed the Debtors to maintain an inventory of stock items available for immediate shipment to dealers, distributors and end users. The Debtors had approximately 400 full-time employees. The Debtors' net revenues for fiscal years 2010, 2011 and 2012 were \$85M, \$83M, and \$76M, respectively.

Lyon Workspace Products, L.L.C. is a Delaware limited liability company wholly owned by co-debtor L&D Group, Inc., a Delaware corporation.

Miller Global Solutions, L.L.C., an Illinois limited liability company, and Lyon Workspace Products, Inc., a California corporation, are also wholly owned subsidiaries of L&D Group, Inc. Miller handled all of the Debtors' overseas purchasing and Durand Products, L.L.C. had an online store selling storage products. These are the only two Debtors with individual creditors.

Pride Metals L.L.C., Sycamore Systems, L.L.C., Paris Metal Products, L.L.C. and Durand are all Delaware limited liability companies and wholly owned subsidiaries of Lyon Workspace Products LLC.

On January 22, 2014, the Debtors moved to dismiss the pending bankruptcy cases for Pride Metals L.L.C., Paris Metal Products, L.L.C. and Lyon Workspace Products, Inc. On February 4, 2014, the Court entered dismissal orders in each of these Cases. All claims filed in these cases were deemed to have been filed against Lyon Workspace Products, L.L.C.

## **B. The Pre-Petition Capital Structure and Secured Indebtedness**

### **1. Capital One Credit Agreement**

Prior to the Petition Date, the Debtors were indebted to Capital One Leverage Finance Corp. ("*Capital One*") and Cole Taylor Bank ("*Cole Taylor*," and collectively with

Capital One, the “*Lenders*”) in the approximate amount of \$18,203,139.60, under a Credit Agreement, dated as of November 30, 2007 (the “*Capital One Credit Agreement*”), as amended and modified. The Debtors’ obligations under the Capital One Credit Agreement were secured by first priority, senior liens on substantially all of the Debtors’ assets, including the Debtors’ (a) accounts receivable; (b) inventory; (c) equipment; and (d) general intangibles. The Debtors’ obligations under the Capital One Credit Agreement were also secured by mortgages on the Debtors’ real property.

On or around April 1, 2013, the Lenders’ secured claims were transferred to Echelon Capital, LLC, which subsequently assigned its interests to LWP.

## **2. PBGC Claim**

Prior to the Petition Date, the Debtors maintained a single employer pension plan for union employees in their Aurora, Illinois plant. While the Plan had been frozen for new employees, the Debtors made ongoing contribution obligations to the Retirement Plan.

In July 2007, the Debtors received a waiver of the minimum funding standard for the Plan for the plan year ending December 31, 2005. As part of that waiver, the Debtors agreed to make installment payments to the Retirement Plan for a five year period through 2010. These installment payments were timely made.

In 2007, the Debtors and the PBGC also entered into that certain Settlement and Security Agreement resolving the amounts due to the Plan under certain PBGC Waiver Documents and granting voluntary subordinate liens to the PBGC on all of the Debtors’ assets, including real property.

The Debtors fully satisfied the obligations secured by the Settlement and Security Agreement. Pursuant to a stipulation between the Debtors, the Committee and the PBGC, the



Plan Proponents have agreed to an allowance of a general unsecured claim for the PBGC in the amount of \$11,499,111.00, which stipulation was approved by the Court. [Dkt. 438]. The PBGC does not hold any other Claim.

### **3. Other Secured Parties**

The Debtors were a party to several additional loan agreements related to the purchase of equipment. Certain of these obligations were secured by purchase money liens on the property acquired by usage of the loan proceeds. These loan agreements and the underlying purchase money liens were assumed by LWP under section 2.3(g) of the APA.

Additionally, certain taxing authorities have asserted Liens on the Debtors' property, however, these Claims and Liens shall remain subject to any objections any party would otherwise be entitled to raise as to the priority, validity or extent of such liens. If allowed, these Claims will be paid as Priority Claims.

### **C. Events Leading to the Debtors' Filing for Chapter 11 Relief**

The Debtors' industry faced increased commodity costs at a time when the Debtors were saddled with high labor costs as a result of their pension plan and employee health care plan. As a result, the Debtors' cost of manufacturing was higher than their competitors.

Moreover, some manufacturing has been moving out of the United States to lower cost production areas around the globe. For instance, Chinese products are imported at below the Debtors' cost to manufacture. The Debtors successfully navigated this competitive environment for the last five-to-ten years by reducing manufacturing costs and maintaining strict cash management procedures. The Debtors closed the plant in Aurora, Illinois and moved production to their facilities in Watseka and Paris, Illinois and Michigan City, Indiana. The Debtors outsourced products to China in an effort to improve their competitive position.

Continuing their cost-cutting efforts, the Debtors elected to close their plant in Sycamore, Illinois and consolidate their manufacturing in the other facilities in the summer of 2012. This decision was expected to create operational efficiencies and ultimately return the Debtors to profitability. However, the costs of consolidation were higher than forecast and operational difficulties combined with the high labor costs led to an unstable situation. While the Debtors have made positive steps to decrease costs and improve revenues, the Debtors were in default on their Coverage Ratio covenants under the Capital One Loan Agreement and could not meet their operational needs without further availability on their Revolving Line of Credit.

As a result, the Debtors determined that their best course of action was to market the Debtors' business on a going concern basis. The Debtors believed that this would maximize value of their assets for their Estates and Creditors, as well as preserve as many jobs of their employees as possible.

## **VI. THE CHAPTER 11 CASES<sup>3</sup>**

As a consequence of the Debtors' commencement of the Cases, all actions and proceedings against the Debtors and all acts to obtain property from the Debtors were stayed under section 362 of the Bankruptcy Code. Throughout the Cases, the Debtors continued to operate their business and manage their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

### **A. Relevant Chapter 11 Filings**

**1. Retention of Professionals.** The Debtors filed applications requesting approval by the Bankruptcy Court of the Debtors' retention of various professional firms,

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<sup>3</sup> Section VI of the Disclosure Statement is only a summary of the Debtors' Cases. For a full list of motions and pleadings filed, the Plan Proponents refer parties-in-interest to the docket of the Debtors' jointly-administered Cases, which can be accessed through the Bankruptcy Court's PACER system (account required) at [ecf.ilnb.uscourts.gov](http://ecf.ilnb.uscourts.gov).

including: (i) Perkins Coie LLP, as lead bankruptcy counsel; (ii) Kurtzman Carson Consultants LLC, as notice, claims, and balloting agent;; and (iii) Focus Management Group USA, Inc., to provide restructuring management services.<sup>4</sup> Prior to the bankruptcy filing, one of Focus's employees, Robert Wanat, was named Chief Restructuring Officer ("CRO") of the Debtors. Subsequent to the sale of its assets, the Debtors retained Lockton Companies, LLC to negotiate a return of its Workers Compensation Refund. The Bankruptcy Court entered orders approving the retention of these professionals.

**2. Schedules and Statements.** The Debtors' Schedules of Assets and Liabilities and Statement of Financial Affairs were submitted and filed with the Bankruptcy Court on February 28, 2013 (the "*Schedules and Statements*"). The meeting of creditors under section 341(a) of the Bankruptcy Code was held on March 12, 2013 in Chicago, Illinois, at which representatives of the Debtors were questioned by creditors, creditors' representatives and a representative from the Office of the United States Trustee. Creditors are expressly referred to the Debtors' Schedules and Statements, on file in these proceedings, for the purpose of becoming fully informed as to the assets, liabilities and financial affairs of the Debtors as of the Petition Date. The Debtors reserve the right to amend their Schedules and Statements as appropriate and necessary.

**3. Motion To Obtain Post-Petition Financing and To Use Cash Collateral.** On January 21, 2013, the Debtors filed their *Motion for Interim and Final Orders (A) Authorizing Debtors to (1) Obtain Postpetition Financing with Priority Over Certain Administrative Expenses and Secured by Liens on Property of the Estate Pursuant to Section*

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<sup>4</sup> The Debtors also retained, as ordinary course professionals: (i) Crowe Horwath LLP, as accountants and tax advisors; (ii) Transamerica Retirement Solutions Corporation, to provide actuarial services in relation to the retirement plan for hourly employees of the Debtors' Aurora, Illinois facility; (iii) Hanson & Donahue, LLC, as workers compensation counsel.

*364(c) of the Bankruptcy Code; and (2) Use Cash Collateral and Other Collateral and Granting Adequate Protection Pursuant to Sections 361 and 363 of the Bankruptcy Code; and (B) Scheduling a Final Hearing* (the “*Financing Motion*”). [Dkt. 16.] On February 27, 2013, a Final Order granting the Financing Motion (the “*Financing Order*”) was entered by the Court. [Dkt. 106.]

**4. Motion to Pay Prepetition Claims of Tradesmen with Lien Rights.** On February 13, 2013, the Debtors filed their *Motion for Order Under 11 U.S.C. § 363 for Authority to Pay Prepetition Claims of Tradesmen with Lien Rights* (the “*Prepetition Claims Motion*”) [Dkt. 82], thereby requesting the right to compensate and satisfy prepetition secured claims held by certain of the Debtors’ subcontractors. On February 20, 2013, the Court entered an order approving the Prepetition Claims Motion. [Dkt. 88.]

**5. Motions To Sell the Debtors’ Assets.** Throughout the Cases, the Debtors filed several motions to authorize the sale of assets. Through a spirited auction and subsequent sales transaction, as classified below, the Debtors sold a substantial portion of the Estates’ assets.

On January 21, 2013, the Debtors filed a *Motion for Orders (A)(I) Approving Bidding Procedures in Connection with the Sale of All or Substantially All Assets of the Debtors, (II) Scheduling an Auction and Hearing to Consider the Sale of Assets, and (III) Approving the Form and Manner of Notice of the Sale; and (B)(I) Authorizing and Approving the Sale of Assets Free and Clear of Liens, Claims, Encumbrances, and Interests, and (II) Authorizing and Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (C) Granting Related Relief* (the “*Sale Motion*”). [Dkt. 15.] The Sale Motion contemplated the sale of substantially all of the Debtors’ assets through auction. An order approving the Sale Motion was entered on February 27, 2013 (the “*Sale Procedure Order*”). [Dkt. 104.]

On March 18, 2013, in accordance with the Sale Procedures Order, the Debtors served a Notice of Potential Assumption and Assignment of Leases and Executory Contracts on counterparties to certain executory contracts and unexpired leases of non-residential real property [Dkt. 162], notifying such parties of the Sale Procedures Order, the potential assumption and assignment of their contracts and leases with the Debtors in connection with the Sale, and the amounts, if any, the Debtors would have to pay to cure any then existing defaults.

Additionally, in accordance with the Sale Procedures Order, the Debtors served a Notice of Auction upon all parties in interest in these Cases, and also published a notice of auction in the Chicago Tribune on March 10, 2013. The Debtors received three bids on the Bid Deadline, each for substantially all of the Debtors assets. All three bids were subsequently qualified, but one bidder, Kings Land Acquisition Company, LLC, an affiliate of Hackman Capital Equipment Acquisition Company, LLC, withdrew its bid prior to the auction.

On April 16, 2013, the Debtors conducted the Auction. All of the Purchased Assets were subject to competitive bidding from both qualified bidders. The highest and best bid was made by LWP, and included:<sup>5</sup>

- A credit bid of the full amount of LWP's secured indebtedness with an estimated value of approximately \$17.93 million;
- Funding of up to \$200,000 in post-closing date administrative and professional expenses and post-confirmation fees of the Liquidating Trustee; and
- The assumption of over \$3.0 million in liabilities.

At the hearing to approve the sale on April 17, 2013, the Court overruled an objection brought by a competing bidder, the GRP Group, and found that the consideration provided by LWP: (i) was fair and reasonable; (ii) was the highest or otherwise best offer for the Purchased

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<sup>5</sup> The following is a summary of the Purchase Price. A complete overview of the Purchase Price can be found in Schedule 3.1 to the APA. [Dkt. 203-1.]

Assets identified in the APA; and (iii) constituted reasonably equivalent value and fair consideration under the Bankruptcy Code and the Uniform Fraudulent Conveyance Act (7A part II, U.L.A. 2 (1999)) or the Uniform Fraudulent Transfer Act (7A part II, U.L.A. 66 (1999)) or any similar laws of any state or other jurisdiction whose law is applicable to the contemplated transactions; and (v) provided a greater recovery for the Debtors' creditors and other interested parties than would be provided by any other practically available alternative. In reaching this determination, the Court took into account both the consideration to be realized directly by the Debtors, including the assumption of claims against the Debtors' Estates, and the indirect benefits of the sale for the Debtors' vendors and suppliers, employees, relevant governmental and taxing authorities and the public served, directly and indirectly, by the Debtors' business.

**B. Committee Participation in the Case**

Pursuant to section 1102(a) of the Bankruptcy Code, on February 6, 2013, the U.S. Trustee appointed the Committee, which is comprised of the following Creditors: ((i) Premier Resource Group, LLC (Committee Chair); (ii) Master Lock Company LLC; (iii) Barsteel Corporation; (iv) Miller Metals Service Corp.; and (v) Cardinal Packaging Products, LLC). The Committee retained Sugar Felsenthal Grais & Hammer LLP ("*SugarFGH*") as its legal counsel and Protiviti, Inc. ("*Protiviti*") and Sea Port Group Securities, LLC as its financial advisors.

Since the appointment of the Committee, the Committee has taken an active role in the Debtors' Cases. Consistent with its duties under section 1103 of the Bankruptcy Code, the Committee: (i) consulted with the Debtors on the administration of the Cases; (ii) investigated the acts, conduct, assets, liabilities and financial condition of the Debtors, the operation of their businesses and matters relevant to the Cases; (iii) undertook considerable efforts to ensure a vibrant and successful auction that will allow the Debtors to continue operating and conducting business with their vendors and that provides for the retention of the vast majority of the

Debtors' employees; and (iv) took a key role in the negotiation, drafting and formulation of the Plan and this Disclosure Statement.

## **VII. FINANCIAL INFORMATION**

### **A. Assets**

The Plan Proponents believe that the following assets, each of which will be transferred to the Liquidating Trust no later than seven (7) days after the Effective Date, will be available to fund distributions to Creditors in accordance with the Plan and the Liquidating Trust Agreement:

**1. Cash Held by the Debtor.** The Debtor are currently holding Cash in the approximate amount of \$395,000, as a result of the return of the Workers Compensation Refund.

**2. Causes of Action.** The Plan Proponents believe that the Liquidating Trustee may be able to pursue Avoidance Actions against non-insider recipients of preferential transfers made in the ninety (90) days prior to the commencement of these Cases under section 547(b) of the Bankruptcy Code. Pursuant to the Debtors' Schedules and Statements, the Debtor made approximately \$12,686,324 in transfers in the ninety (90) days prior to the Petition Date, certain of which may be preferential transfers. While the Plan Proponents have not fully analyzed potential preference claims that may be brought by the Liquidating Trustee, the proceeds of any recoveries with respect to such preference claims would be distributed pursuant to the Plan.

**3. \$100,000 from LWP.** Pursuant to the APA, LWP agreed to fund \$100,000 in expenses incurred by the Liquidating Trustee, provided that if such costs and fees do not require the entire \$100,000, the remainder may be used to pay any outstanding but unpaid fees and expenses of the Plan Proponents' respective professionals in the Cases, provided further, that the Plan Proponents shall reimburse LWP from the first net recoveries actually awarded to and received by the Liquidating Trustee from the prosecution of Litigation Claims

(net of all fees, costs, payments and expenses incurred by the Liquidating Trustee in pursuing Litigation Claims), with such reimbursements not to exceed, in the aggregate, \$100,000.

**B. Liabilities**

The Plan Proponents believe that, as of the Effective Date of the Plan, the Debtors will have the following liabilities:

**1. Administrative Claims**

**a. Debtors' Professionals.** As of the anticipated Effective Date, the Debtors' Professionals estimate that they will be owed approximately \$68,480 with respect to accrued but unpaid Professional Fee Claims.

**b. Committee's Professionals.** As of the anticipated Effective Date, the Committee's Professionals estimate that they will be owed approximately \$140,498 with respect to accrued but unpaid Professional Fee Claims.

**c. Allowed Administrative Claims.** The Debtors believe that unpaid Allowed Other Administrative Expense Claims in an amount no more than \$237,432, net of the Assumed Liabilities, will become due and payable by the Liquidating Trust. The Plan Proponents are currently analyzing the Allowed Other Administrative Expense Claims that have been properly filed against the Estates pursuant to the Bar Date Order, which include approximately \$679,977 in Section 503(b)(9) Claims, the bulk of which the Plan Proponents do not believe will ultimately be Allowed and are therefore estimated to be approximately \$237,432. The Section 503(b)(9) Claims were not Assumed Liabilities under the APA. The Plan Proponents are in the process of undertaking a complete reconciliation of such Claims, with the assistance of Protiviti.

**2. Other Secured Creditors' Claims (Class 1).** As of the anticipated Effective Date, the Plan Proponents estimate that, to the extent that the Other Secured Creditors'



Claims are not otherwise assumed as an Assumed Liability under the APA, the Other Secured Creditors shall be satisfied by the return of its collateral to the Holder of the Secured Claim, or at the Liquidating Trustee's discretion, payment of the value of the collateral in Cash. The Plan Proponents estimate that there will be no Other Secured Creditors' Claims.

**3. Priority Claims (Unclassified under Plan).** Priority Claims exist in the approximate amount of \$16,986, net of the Assumed Liabilities. This figure is based on Claims filed to date or scheduled by the Debtors and is subject to further reconciliation or other adjustment by the Committee or the Liquidating Trustee. The Internal Revenue Service has filed priority claims totaling \$1,213,694.44. The Plan Proponents believe these Claims were filed in error and will seek to disallow these claims. To the extent that any such claims exist, they will be paid in full in accordance with the Liquidating Trust Agreement.

**4. LWP Reimbursement Claims (Class 2).** The Plan and the APA provide for the payment of the LWP Reimbursement Claim solely from the first net recoveries actually awarded to and received by the Liquidating Trustee from prosecution of Litigation Claims (net of all fees, costs, payments and expenses incurred by the Liquidating Trustee in pursuing the Litigation Claims). The Liquidating Trustee shall retain sole discretion as to whether or not to pursue Litigation Claims.

**5. General Unsecured Claims (Class 3).** Estimated General Unsecured Claims total \$130,938,855, based upon the Schedules and Statements and the proofs of claim filed by the Bar Date. However, the Plan Proponents believe that approximately only \$22,732,184 of General Unsecured Claims will ultimately be Allowed after the Claim reconciliation process, computation of the Assumed Liabilities and resolution of Causes of

Action. PBGC claims totaling \$11,499,111.00 and rejection damages claims are included within Class 3.

**6. Equity Security Holders (Class 4).** This class of Interests consists of the Debtors' Equity Security Holders and shall receive no distribution under the Plan.

## **VIII. PLAN OF LIQUIDATION**

### **A. Objectives of the Plan**

The primary objectives of the Plan are to: (i) transfer the Debtors' remaining assets to a Liquidating Trust charged with liquidating them, reconciling Claims, prosecuting Causes of Action all other Causes of Action for the benefit of Creditors and making distributions to Creditors; and (ii) maximize value to all Creditor groups on a fair and equitable basis under the priorities established by the Bankruptcy Code, applicable law and the Plan.

The Plan Proponents believe that the Plan provides holders of Allowed Claims with a greater recovery than the recovery they would receive without approval of the Plan, or upon conversion of these Cases to a chapter 7 liquidation.

The statements contained in this Disclosure Statement include summaries of the provisions contained in the Plan and in documents referred to therein. The statements contained in this Disclosure Statement do not purport to be precise or complete statements of all the terms and provisions of the Plan or documents referred to therein, and reference is made to the Plan and to such documents (in particular, to the APA and Sale Order) for the full and complete statement of such terms and provisions.

The Plan itself and the documents referred to therein control the actual treatment of Claims against and Interests in the Debtors, and will be binding upon all holders of Claims against and Interests in the Debtors upon the Effective Date. In the event of any conflict between this Disclosure Statement, on the one hand, and the Plan or any other operative document, on the

other hand, the terms of the Plan and such other operative documents, including, without limitation, the Liquidating Trust Agreement and the APA, are controlling.

## **B. Overview of Chapter 11**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, the debtor is authorized to reorganize its business for the benefit of itself, its creditors and its interest holders. Another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated interest holders with respect to the distribution of a debtor's assets.

In addition, chapter 11 may be used to effectuate an orderly liquidation of a debtor's business and assets. In contrast to a chapter 7 liquidation, in which a trustee is appointed to conduct the liquidation and wind down of the estate, in a chapter 11 liquidation, a designee of the debtor or a designee (such as the Liquidating Trustee) remains in possession of the estate.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code contemplates that a debtor, through its pre-bankruptcy management, will continue to operate its business in the ordinary course and remain in possession of its property during the case while it seeks to negotiate and implement a plan. Any activities that are outside the ordinary course of the debtor's business must be approved by the bankruptcy court before they are undertaken.

The consummation of a plan is the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan by the bankruptcy court makes the plan binding upon the debtor, any person or entity acquiring property under the plan and any creditor or equity security holder in the debtor, whether or not such creditor or equity security holder: (i) is impaired under or has accepted the plan; or (ii) receives or retains any property under the plan. Subject to certain limited exceptions and

other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debts that arose prior to the date of confirmation of the plan and substitutes the obligations specified under the confirmed plan for such debts, and terminates all rights and interests of equity security holders.

**C. Means of Implementation of the Plan**

**1. Vesting of Assets.** Within seven (7) days after the Effective Date, or as otherwise provided in the Confirmation Order, all Assets of the Estates, including Litigation Claims, shall be assigned to the Liquidating Trust. The assets include, without limitation, all Cash in the possession of the Debtors and all rights of the Debtors under the Plan, the Confirmation Order and all other orders entered by the Bankruptcy Court in these Cases on or prior to the Effective Date. The assets shall also include assets excluded from the sale under the APA as well as the Confirmation and Post-Confirmation Funds. For the avoidance of doubt, all property held for distribution pursuant to the Plan shall be held by the Liquidating Trust solely in trust for the beneficiaries of the Liquidating Trust and shall not be deemed property of the Debtors. Nothing in the Plan, however, shall preclude payment of: (i) statutory fees under 28 U.S.C. § 1930 to the extent unpaid on the Effective Date; and (ii) the Trustee's Expenses in accordance with the Plan and the Liquidating Trust Agreement from any assets held by the Liquidating Trust. The Debtors are hereby authorized and directed to take such steps as may be necessary or appropriate to confirm such transfer and contribution of their property to the Liquidating Trust, subject to oversight from the Liquidating Trustee.

**2. Trust Asset Administration.** The Liquidating Trustee shall administer the Liquidating Trust Assets pursuant to the Plan and the Liquidating Trust Agreement from and after the Effective Date. The Liquidating Trustee shall be responsible for liquidating the Liquidating Trust Assets, making distributions of the Net Proceeds to the beneficiaries of the

Liquidating Trust and all other activities typically related to trust administration. The Liquidating Trustee shall also be responsible for pursuing, in his discretion, Avoidance Actions and all other Causes of Action. The Liquidating Trustee shall also file all necessary tax filings, statements and reports for the Debtors.

**3. Wind-down.** As soon as he determines practicable, but not later than the completion of their functions under the Liquidating Trust Agreement, the Liquidating Trustee will provide for the orderly wind-down or dissolution of the Debtors. The Liquidating Trustee shall thereafter continue to have standing to assert claims or pursue matters on behalf of the Debtors to the extent necessary to preserve, protect and liquidate the Liquidating Trust Assets or otherwise necessary to administer the Liquidating Trust.

**4. Conditions to Effective Date.** The following are conditions precedent to the occurrence of the Effective Date: (i) the Confirmation Order confirming the Plan, as such Plan may have been modified, shall have been entered by the Bankruptcy Court and be in full force and effect and shall not have been vacated, amended, modified or stayed, and if it is the subject of any appeal, reconsideration or other review, no stay of the Confirmation Order shall be in effect; (ii) the Lyon Liquidating Trust Agreement, in form and substance satisfactory to the Committee, shall be executed and delivered, and all conditions precedent to the effectiveness thereof shall have been satisfied; (iii) all other documents or agreements necessary to consummate the Plan shall have been delivered or effectuated; and (iv) the Liquidating Trustee shall have been appointed by the Committee upon notice to the Bankruptcy Court. Upon the satisfaction of the conditions to the Effective Date, the Liquidating Trustee shall file and serve a notice of Effective Date.

**5. Administrative Claims Bar Date.** All Persons requesting payment of

Allowed Administrative Claims arising after January 19, 2013 shall file a proof of claim no later than thirty (30) days after the Effective Date. The Administrative Claims Bar Date shall not apply to Professional Persons requesting payment of Professional Fee Claims, who shall be entitled to file an application for allowance of such claims until not later than thirty (30) days after the Effective Date. Objections to such Claims or applications for payment (whether by Professional Persons requesting payment of Professional Fee Claims or Persons requesting payment of Allowed Other Administrative Expense Claims), if any, must be written, filed with the Bankruptcy Court and served on the applicable parties within forty-five (45) days after such application is filed.

**6. Termination of Committee.** The Committee shall terminate automatically upon the Effective Date. Upon termination of the Committee, the Committee shall be dissolved and its members shall be deemed released of their duties and responsibilities in connection with the Cases or the Plan and its implementation, and the retention or employment of the Committee's counsel shall terminate, except for ministerial duties or any duties imposed pursuant to the Plan (including, without limitation, filing applications for allowance and payment of Professional Fee Claims).

**7. Case Administration.** From and after the Effective Date and continuing through the date that a final decree closing the Cases is entered pursuant to section 350 of the Bankruptcy Code and Bankruptcy Rule 3022, the Liquidating Trustee shall possess the rights of a party in interest pursuant to section 1109(b) of the Bankruptcy Code for all matters arising in, arising under or related to the Cases. In addition to the foregoing, for all matters arising in, arising under or related to the Cases, the Liquidating Trustee shall: (i) have the right to appear and be heard on matters brought before the Bankruptcy Court or other courts of competent

jurisdiction; (ii) have the right to obtain records of, or related to, the Debtors (including, without limitation, bank statements and cancelled checks); (iii) be entitled to notice and opportunity for hearing; (iv) be entitled to participate in all matters brought before the Bankruptcy Court, including, but not limited to, adversary proceedings; (v) have exclusive standing (including derivative standing to pursue Causes of Action on behalf of the Debtors) to commence Causes of Action; (vi) be entitled to request the Bankruptcy Court enter a final decree closing the Cases; and (vii) be entitled to receive notice of all applications, motions and other papers and pleadings set before the Bankruptcy Court in these Cases.

**8. Filing of Additional Documents.** On or before the Confirmation Date of the Plan, the Plan Proponents shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, including, without limitation, the final Liquidating Trust Agreement.

**9. Maintenance of Causes of Action.** The Liquidating Trust shall retain and may exclusively enforce any and all such claims, rights, or causes of action, including Retained Causes of Action, and commence, pursue, and settle the causes of action in accordance with this Plan. The Liquidating Trust shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such claims, rights, and causes of action, including Retained Causes of Action, without the consent or approval of any third party and without any further order of the Court.

**10. Preservation of All Causes of Action not Expressly Settled or Released.** Unless a claim or cause of action is expressly waived, relinquished, released, compromised, or settled in this Plan or any Final Order, the Debtors expressly reserve such claim or cause of action (including any unknown causes of action) for later adjudication by the

Trust. Therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall apply to such claims, or causes of action based on the Disclosure Statement, this Plan or the Confirmation Order, except where such claims or Retained Causes of Action have been released in this Plan or other Final Order.

**11. Liquidating Trustee's Professionals.** Upon his or her appointment, the Liquidating Trustee may retain such law firms, accounting firms, experts, advisors, consultants, investigators or other Professionals as he or she may deem necessary, in accordance with the APA, this Plan and the Liquidating Trust Agreement, to aid in the performance of his or her responsibilities pursuant to the terms of the Plan, including, without limitation, the liquidation and distribution of assets of the Liquidating Trust. The Professionals retained by the Liquidating 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 this Case, and the Liquidating Trustee shall be permitted to retain any such Professional in light of the efficiencies implicit in continuity. The Liquidating Trustee's retention of any such Professionals is deemed not to pose any conflict of interest, and no conflict shall exist by virtue of the filing of applications by Professional Persons for allowance of Administrative Claims in accordance with the APA, the Liquidating Trust Agreement or this Plan. The Liquidating Trustee's Professionals fees shall be paid from the Confirmation and Post-Confirmation Funds, the proceeds of Litigation Claims and any the Workers Compensation Refund.

**12. Injunction.** Except as otherwise provided in the Plan or the Confirmation Order, on and after the Confirmation Date, all Persons and entities who have held, hold or may hold Liens, Claims or Interests in or against the Debtors are, with respect to any such Liens,



Claims or Interests, permanently enjoined from enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means whether directly or indirectly, any judgment, award, decree, claim or order arising out of their Liens, Claims or Interests in or against the Debtors against: (i) the assets of the Debtors; (ii) any officers, directors, current or former shareholders of the Debtors; (iii) the Liquidating Trust; (iv) or any of their successors or assigns.

**13. Minimum Distributions.** The Liquidating Trustee shall not be required to make a distribution to a creditor unless the amount of the distribution is twenty-five dollars (\$25.00) or greater.

**14. Term of Bankruptcy Injunction or Stays.** All injunctions or stays provided for in the Case under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Effective Date, shall remain in full force and effect through the termination of the Liquidating Trust and the imposition of the injunction set forth in section 7.15 of the Plan.

**15. Exculpation and Limitation of Liability.** Neither the Committee, LWP, the Liquidating Trustee, the Debtors nor any of their respective present and former members, officers, directors, shareholders, subsidiaries, affiliates, employees, advisors, attorneys or agents acting in such capacity or any of their successors or assigns, shall have or incur any liability to, or be subject to any right of action by, any person or entity, for any act or omission in connection with, relating to, or arising out of, the Cases, the pursuit of confirmation of the Plan or the Plan's implementation, except for their fraud, willful misconduct or gross negligence, 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.

**16. Semi-Annual Reports.** The Liquidating Trustee shall prepare and file with the Bankruptcy Court a report within thirty (30) days after June 30 and December 31 of every calendar year during the term of this Liquidating Trust Agreement following the Effective Date, with the first report to be made within thirty (30) days of December 31, 2014. The Semi-Annual Report shall set forth: (a) all distributions to Beneficiaries during the period covered by such Semi-Annual Report; (b) a summary of the Liquidating Trust deposits and disbursements during the period covered by such Semi-Annual Report; and (c) a summary of the Liquidating Trust Assets.

**17. Closing of the Cases.** The Cases shall not be closed, or if closed shall remain subject to re-opening pursuant to section 350 of the Bankruptcy Code, until the Liquidating Trust Assets have been fully administered.

## **IX. STATUS AND EXISTENCE OF EXECUTORY CONTRACTS AND OTHER LITIGATION**

### **A. Executory Contracts**

**1. Customer Contracts.** Certain of the Debtors' contracts with third parties were executory in nature. As noted previously, certain executory contracts were rejected as non-essential pursuant to Court order during the Case. Because the Debtors are liquidating, it will reject any remaining, unassumed executory contracts and unassumed unexpired leases as of the Confirmation Date.

**2. Pension Plan and Union Agreements.** The Debtors were an employer sponsor of various pension plans (the "*Pension Plans*"). The Pension Plans are covered by Title IV of the Employment Retirement Income Security Act of 1974, as amended ("*ERISA*") (29 U.S.C. § 1310 *et seq.*). These plans were taken over by the PBGC.

On October 29, 2013, the Debtors filed a *Motion for Order: (1) Approval, Pursuant to FRBP 9019(a) of the Settlement with Its Union; (2) Rejecting and Terminating Collective Bargaining and Other Agreements; and (3) Shortening and Reducing Notice* (the "*Union*

*Settlement Motion*”), whereby the Debtors sought Court approval of a settlement agreement with Local Union No. 1636 of the United Steel Workers of America, A.F.L. – C.I.O. (the “*Union*”) providing for the resolution of certain claims, the timely payment of the Debtors’ former employees and the settlement and termination of the collective bargaining agreement, pension agreement and insurance agreement between the Debtors and the Union. [Dkt. 383.] The Court entered an Agreed Order approving the Union Settlement Motion on November 12, 2013. [Dkt. 395.]

**3. Result of Rejection of Contracts.** All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases pursuant to Section 6.1 of the Plan shall, unless another order of the Bankruptcy Court provides for a different date, be filed with the Claims Agent by no later than thirty (30) days after the Confirmation Date.

**B. Litigation**

**1. Potential Preference Litigation.** During the ninety (90) days prior to the Petition Date, the Debtors paid approximately \$12,686,324 to their Creditors (the “*Preferential Transfers*”). The Liquidating Trustee shall be authorized to analyze and, if appropriate, file adversary proceedings under, *inter alia*, sections 547 and 550 of the Bankruptcy Code to avoid and recover the Preferential Transfers.

**2. Potential Other Litigation.**

The Liquidating Trustee will have authority to investigate, and if necessary and appropriate, bring additional claims against the potential defendants based on theories of: (i) breaches of fiduciary duties (both prior to and after the Petition Date); (ii) aiding and abetting breaches of fiduciary duties; (iii) piercing the corporate veil; (iv) conversion; (v) fraud; (vi) negligence; (vii) negligent misrepresentation; (viii) waste of corporate assets; and

(ix) equitable subordination of Claims. The proceeds of any such litigation claims against the potential defendants would also be distributed pursuant to the Plan.

The above list of potential claims against the potential defendants is not exhaustive, and if a specific Cause of Action or defendant is not identified herein, it is because such Cause of Action or defendant is not known to the Debtors or the Committee at this time. On behalf of the Debtors and the Estates, the Debtors preserve for the Liquidating Trustee the rights to any Cause of Action that may be identified after the Effective Date. The recoveries, if any, from any litigation brought by the Liquidating Trustee will depend on many factors, which cannot be predicted at this time. The Liquidating Trustee may elect not to pursue certain or any Causes of Action (including Avoidance Actions) the pursuit of which the Liquidating Trustee deems not to be in the best interest of the Estates or the Liquidating Trust.

Except as specifically provided herein or in the Confirmation Order, nothing contained in the Plan or the Confirmation Order shall be deemed to be a waiver or the relinquishment of any rights, claims or Causes of Action (including any Avoidance Actions) that the Liquidating Trustee may choose to assert on behalf of the Estates or the Liquidating Trust in accordance with any provision of the Bankruptcy Code or any non-bankruptcy law.

All Causes of Action, other than those expressly settled or released in the Plan, shall survive confirmation and the commencement of prosecution of Causes of Action shall not be barred or limited by any estoppel, whether judicial, equitable or otherwise. The Liquidating Trustee's right to commence and prosecute Causes of Action (including Avoidance Actions) shall not be abridged or materially altered in any manner by reason of confirmation of the Plan. No defendant party to any Cause of Action (including an Avoidance Action) shall be entitled to assert any defense based, on whole or in part, upon confirmation of the Plan, and confirmation of

the Plan shall not have any *res judicata* or collateral estoppel effect upon the commencement and prosecution of Causes of Action (including Avoidance Actions).

**Possible Unknown Claims.** The Liquidating Trustee may have additional Causes of Action against third parties that are unknown at this time. The Liquidating Trustee shall be empowered to investigate the Debtors' relationship with such other third parties for the purpose of evaluating potential additional litigation claims. The proceeds of any litigation against third parties, or any other beneficial result from the settlement of such litigation, would also be subject to distribution to creditors as specified by the Plan and the Liquidating Trust Agreement.

### **C. Objections to Claims**

A Bar Date has been established in these Cases. The Plan Proponents believe that objections to certain Claims will be warranted, and counsel for the Liquidating Trustee will be authorized to file and pursue such objections, with the assistance of the Liquidating Trustee's professionals.

## **X. CONFIRMATION AND CONSUMMATION PROCEDURE**

The Bankruptcy Court may confirm the Plan only if it determines that the Plan complies with the requirements of chapter 11, including, among other things, that: (i) the Plan has properly classified Claims and Interests; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Plan Proponents have complied with applicable provisions of the Bankruptcy Code; (iv) the Plan Proponents have proposed the Plan in good faith and not by any means forbidden by law; (v) the Plan has been accepted by the requisite votes of all Classes of Creditors (except to the extent that "cramdown" is available under section 1129(b) of the Bankruptcy Code); (vi) the Plan is in the "best interests" of all holders of Claims or Interests in an Impaired Class; (vii) the Plan is "feasible" in that confirmation of the Plan is not likely to be followed by the liquidation or need for further restructuring of the Debtors, unless the Plan

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

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan:

**A. Solicitation of Votes**

Under the Bankruptcy Code, only classes of claims and interests that are impaired under the plan are entitled to vote to accept or reject a plan. A class is impaired if the legal, equitable or contractual rights to which the holders of claims or interests are entitled are modified, other than by curing defaults and reinstating the debt. Pursuant to sections 1126(f) and (g) of the Bankruptcy Code, classes of claims and interests that are not impaired are conclusively presumed to have accepted the plan and are not entitled to vote on a plan, and classes of claims and interests whose holders will receive or retain no property under the plan are deemed to have rejected the plan and are not entitled to vote on the plan. Creditors who hold disputed or disallowed claims are not entitled to vote to accept or reject the plan.

Under the Plan, the holders of Class 3 Claims are entitled to vote to accept or reject the Plan. All other Classes of Claims or Interests are deemed under the Bankruptcy Code to have accepted or rejected the Plan. This Disclosure Statement and an appropriate ballot are being distributed to all holders of Claims who are entitled to vote on the Plan.

Under the Bankruptcy Code, a class of claims accepts a plan if holders of at least two-thirds in dollar amount and more than one-half in number of the claims properly voted in that class, voted to accept the Plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

Any ballot that is properly completed, executed and timely returned to the Claims Agent but does not indicate an acceptance or rejection of the Plan, or indicates both an acceptance and a rejection of the Plan, will be deemed to be a vote to accept the Plan. Whenever a Creditor casts more than one ballot voting the same Claim before the Voting Deadline, the last ballot received before the Voting Deadline is deemed to reflect the voter's intent and shall therefore supersede any prior ballots. Creditors must vote all of their Claims either to accept or reject the Plan and may not split their vote, and thus a ballot that partially accepts and partially rejects the Plan will not be counted.

**B. The Joint Hearing**

The Joint Hearing is scheduled for May 14, 2014, at 10:00 a.m., prevailing Central Time before the Hon. Janet S. Baer of the United States Bankruptcy Court at the United States Courthouse, 219 S. Dearborn St., Chicago, Illinois 60604. At the Joint Hearing, the Bankruptcy Court will consider whether the Disclosure Statement contains "adequate information" and the Plan satisfies the various requirements of section 1129 of the Bankruptcy Code. Prior to the Joint Hearing, the Plan Proponents will submit a report to the Bankruptcy Court reflecting the votes received with respect to the acceptance or rejection of the Plan by the parties entitled to vote thereon.

Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Plan. Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and served on all required parties on or before the Objection Deadline, which is the confirmation objection deadline that has been set by the Bankruptcy Court. Unless an objection to confirmation is timely served and filed, it may not be considered by the Bankruptcy Court.

### **C. Confirmation**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan: (i) has been accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the plan “does not discriminate unfairly” and is “fair and equitable” as to such class; (ii) is feasible; and (iii) is in the “best interests” of creditors and stockholders that are impaired under the plan and that vote, or are deemed, to reject the plan.

#### **1. Unfair Discrimination and Fair and Equitable Tests**

To obtain confirmation of a plan over the objection of a class of claims or interests that rejects such plan, it must be demonstrated that the plan “does not discriminate unfairly” and is “fair and equitable” with respect to each such non-accepting class. In order for a plan to be found to be “fair and equitable” and thus subject to confirmation by “cramdown” under section 1129(b) of the Bankruptcy Code, the Plan Proponents must demonstrate:

**a. For a Class of Unsecured Creditors:** That either: (i) each impaired unsecured creditor receives or retains, under the plan, property of a value equal to the amount of its allowed claim; or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

**b. For a Class of Interests:** That either: (i) each holder of an interest will receive or retain, under the plan, property of a value equal to the greatest of the fixed liquidation preference to which such holder is entitled, the fixed redemption price to which such holder is entitled or the value of the interest; or (ii) the holder of an interest that is junior to the non-accepting class will not receive or retain any property under the plan.



As described above, holders of Class 4 Equity Interests are presumed, under section 1126(g) of the Bankruptcy Code, to have rejected the Plan. The Plan Proponents request confirmation of the Plan under section 1129(b) of the Bankruptcy Code notwithstanding the deemed rejection of the Plan by the Equity Interests. The Plan Proponents believe that the Plan may be confirmed pursuant to the above-described “cramdown” provisions, over the dissent of Class 4 in view of the terms of the Plan. The Plan Proponents believe that the treatment under the Plan of the Equity Interests in Class 4 satisfies the “fair and equitable” test because there is no Class junior to such non-accepting Class that will receive or retain any property under the Plan and since Class 3, whose Claims have priority over the Interests classified in Class 4 to the extent Allowed, are not being paid in full under the terms of the Plan and further will share Pro Rata in the Net Proceeds of the Liquidating Trust Assets pursuant to the Plan. In addition, the Plan Proponents do not believe that the Plan unfairly discriminates against Class 4.

## **2. Best Interests Test and Liquidation Analysis**

With respect to each impaired class of claims and interests, confirmation of a plan requires that each holder of a claim or interest either: (i) accept the plan; or (ii) receive or retain under the plan property of a value, as of the effective date, that is not less than the value such holder would receive or retain if the debtor was liquidated under chapter 7 of the Bankruptcy Code. The Plan Proponents believe that holders of Impaired Claims and Interests in each Impaired Class under the Plan would receive significantly less under a chapter 7 liquidation than under the Plan. This difference is represented in the liquidation analysis (the “*Liquidation Analysis*”) attached hereto as **Exhibit B**.

To calculate the probable distribution to holders of each impaired class of claims and interests if a debtor was liquidated under chapter 7, a bankruptcy court must first determine the

aggregate dollar amount that would be generated from such Debtors' assets in a chapter 7 case under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtors' assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced by, first, the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of the bankruptcy case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as that of counsel and other professionals retained by the trustee, asset disposition expenses and all unpaid expenses incurred until the liquidation is completed.

The Plan Proponents believe that the Plan meets the "best interests of creditors" test of section 1129(a)(7) of the Bankruptcy Code. The Plan Proponents believe that the members of each Impaired Class will receive significantly greater value under the Plan than they would in a chapter 7 liquidation proceeding. The Plan Proponents' Liquidation Analysis, attached hereto as **Exhibit B**, demonstrates that in the event of liquidation as described therein, holders of Unsecured Claims are not likely to receive any distribution on their Claims, and holders of the Debtors' Equity Interests would receive no distribution. The Plan will provide a significantly greater recovery than under chapter 7 due to: (i) the value the Plan Proponents believe that Liquidating Trustee will bring to the Estates in reconciling overstated and invalid Claims and in assuring recoveries from Causes of Action; and (ii) by avoiding the additional expenses associated with conversion to a chapter 7 case.

With respect to (i), although it is possible that a chapter 7 trustee will vigorously pursue objections to Claims and Causes of Action, the Plan Proponents submit that such a result is

highly speculative because the pursuit of such litigation is not a precondition to the appointment of a chapter 7 trustee, and the chapter 7 trustee may ultimately choose not to challenge the Claims or to bring Causes of Action.

With respect to (ii), the Plan Proponents submit that a significant distinction between the Plan and converting the Cases to chapter 7 is the substantial chapter 7 administrative costs that will result from such conversion. Pursuant to section 326 of the Bankruptcy Code, the statutory chapter 7 trustee fee (the “*Chapter 7 Trustee Fee*”) shall not exceed 25% of the first \$5,000 disbursed, 10% on any amount disbursed in excess of \$5,000 but not in excess of \$50,000, 5% on any amount disbursed in excess of \$50,000 but not in excess of \$1,000,000, and reasonable compensation not to exceed 3% on any amounts in excess of \$1,000,000. Any such Chapter 7 Trustee Fee will directly reduce any recovery for Creditors.

A chapter 7 trustee will likely also retain Professionals for purposes similar to those retained by the Liquidating Trustee. The chapter 7 trustee and his or her Professionals, however, may be unfamiliar with the Debtors’ operations and these Cases. Accordingly, the chapter 7 trustee and his or her Professionals may be required to devote considerable time reviewing the Debtors’ books and records and the events of these Cases occurring prior to the conversion to chapter 7. Given this reality, the Plan Proponents estimate that the fees of a chapter 7 trustee’s Professionals will exceed the fees of the Liquidating Trustee’s Professionals.

The rates of those Professionals retained by the chapter 7 trustee, on the one hand, and the Liquidating Trustee, on the other hand, may vary. For instance, one group of Professionals may have higher rates than a group of other Professionals. Assuming that both groups of

Professionals are equally efficient in their approach and effectiveness in the results obtained, this factor may increase the cost of administration.<sup>6</sup>

The Plan Proponents submit that the Plan will provide a recovery that is greater than the amount each Creditor would receive under a chapter 7 liquidation. The Liquidating Trust – which will be created if the Plan is confirmed – will appoint the Liquidating Trustee, and it is contemplated that the Liquidating Trustee will earn reasonable fees. The Liquidating Trustee will retain Professionals, but given the added expense of the chapter 7 trustee’s Professionals to become generally familiar with the Debtors’ Estate, the Plan Proponents submit that the fees of any Professionals of the Liquidating Trustee should be less than the professional fees of a chapter 7 trustee. Accordingly, the Plan meets the “best interests” test.

### **3. Conclusion**

For the foregoing reasons, the Plan Proponents submit that the Plan, as proposed, meets each of the requirements for confirmation pursuant to section 1129 of the Bankruptcy Code.

## **XI. TAX CONSEQUENCES**

U.S. TREASURY CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH U.S. TREASURY CIRCULAR 230, EACH HOLDER OF A CLAIM OR AN INTEREST IS HEREBY NOTIFIED THAT: (I) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER OF A CLAIM OR AN INTEREST FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER OF A CLAIM OR AN INTEREST UNDER TITLE 26 OF THE UNITED STATES CODE (THE “*TAX CODE*”); (II) SUCH DISCUSSION IS FOR THE PURPOSE OF

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<sup>6</sup> Given that the Professional groups have not been – and, in fact, can not be – identified at this time, it remains impossible to fully evaluate this issue for purposes of voting on the Plan.

SOLICITATION OF VOTES ACCEPTING THE PLAN; AND (III) A HOLDER OF A CLAIM OR AN INTEREST SHOULD SEEK ADVICE BASED UPON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

**A. General**

The following discussion summarizes certain anticipated U.S. federal income tax consequences of the transactions proposed in the Plan for the Debtors and for the holders of Claims and Interests. The summary is provided for information purposes only and is based on the Tax Code, the Treasury regulations promulgated thereunder, judicial authority and current administrative rulings and practice, all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effects that could adversely affect the federal income tax consequences described below.

The summary does not address all aspects of federal income taxation that may be relevant to a particular holder of a Claim in light of its particular facts and circumstances or to certain types of holders of Claims subject to special treatment under the Tax Code (for example, non-U.S. taxpayers, financial institutions, broker-dealers, life insurance companies and tax-exempt organizations). The summary also does not discuss any aspects of state, local or foreign tax consequences.

In addition, a substantial amount of time may elapse between the Confirmation Date of the Plan and the receipt of a final distribution under the Plan and the Liquidating Trust Agreement. Events subsequent to the date of this Disclosure Statement, such as additional tax legislation, court decisions or administrative changes, could affect the federal income tax consequences of the Plan and the transactions contemplated thereunder. No ruling will be sought from the IRS with respect to any of the tax aspects of the Plan and no opinion of counsel has heretofore been obtained by the Debtors with respect thereto. Accordingly, each holder of a

Claim or Interest is strongly urged to consult with its own tax advisor regarding the federal, state, local and foreign tax consequences of the Plan to such holder.

**B. Federal Income Tax Consequences to the Debtors**

**1. Overview of Current Tax Year Position and NOLs.** In general, although the Debtors are still analyzing their results from operations, they expect to have substantial current year losses and net operating loss carryforwards (“*NOLs*”). As a result of these *NOLs* and the exclusion from taxation of any cancellation of indebtedness (“*COD*”) income in connection with a bankruptcy case, the Debtors do not expect to incur any substantial tax liability as a result of implementation of the Plan.

Moreover, the *NOLs* will reduce or offset income from the sale of the Debtors’ assets. The Debtors are unable to predict whether *NOLs* will remain following application against *COD* income and amounts realized from the sale of substantially all of their assets, and whether any such *NOLs* may be monetized. The Liquidating Trustee shall determine whether the Estates can monetize the value of the remaining *NOLs* for distribution to Creditors in accordance with the provisions of the Plan and the Liquidating Trust Agreement.

**2. Cancellation of Indebtedness.** Under the Plan, the Debtors’ outstanding indebtedness will be satisfied in exchange for Cash. The satisfaction of a debt obligation for an amount of Cash and other property having a fair market value less than the debt obligation generally gives rise to *COD* income to a debtor.

However, with the exception noted below, the Debtors will not recognize *COD* income because the debt discharge occurs in a bankruptcy case. The Debtors will instead, to the extent available, reduce their tax attributes to the extent of their *COD* income in the following order: (i) *NOLs*; (ii) general business credit carryforwards; (iii) minimum tax credit carryforwards; (iv) capital loss carryforwards; and (v) the tax basis of the Debtors’ depreciable and

nondepreciable assets (but not below the amount of its liabilities immediately after the discharge).

The Debtors may elect to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of their depreciable assets. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined (i.e., such attributes may be available to offset taxable income that accrues between the date of discharge and the end of the Debtors' tax year). The Debtors do not recognize any COD income that exceeds the amount of available tax attributes, and such excess COD income has no other U.S. federal income tax effect.

**3. Alternative Minimum Tax.** The Debtors are evaluating any alternative minimum tax liabilities for fiscal year 2014 as a result of the transactions that occur upon confirmation of the Plan and have not yet reached any conclusions thereon.

**C. Federal Income Tax Consequences to Holders of Allowed Claims**

The federal income tax consequences of the implementation of the Plan to holders of Allowed Claims will depend on, among other things, the consideration to be received by the holder, whether the holder reports income on the accrual or cash method, whether the holder receives distributions under the Plan in more than one taxable year, whether the holder's Claim is an Allowed Claim or a Disputed Claim on the Effective Date and whether the holder has taken a bad debt deduction or a worthless security deduction with respect to its Claim.

**1. Recognition of Gain or Loss.** In general, a holder of an Allowed Claim should recognize gain or loss equal to the amount realized under the Plan in respect of its Claim less the holder's tax basis in the Claim. Any gain or loss recognized in the exchange may be long-term or short-term capital gain or loss or ordinary income or loss, depending upon the nature of the Allowed Claim and the holder, the length of time the holder held the Claim and

whether the Claim was acquired at a market discount. If the holder realizes a capital loss, the holder's deduction of the loss may be subject to limitation. The holder's tax basis for any property received under the Plan generally will equal the amount realized. The holder's amount realized generally will equal the sum of the Cash and the fair market value of any other property received by the holder under the Plan on the Effective Date or a subsequent distribution date, less the amount (if any) treated as interest, as discussed below.

**2. Post-Effective Date Cash Distributions.** Because certain holders of Allowed Claims, including Disputed Claims that ultimately become Allowed Claims, may receive Cash distributions after the Effective Date, the imputed interest provisions of the Tax Code may apply and cause a portion of the subsequent distributions to be treated as interest. Additionally, because holders may receive distributions with respect to an Allowed Claim in a taxable year or years following the year of the initial distribution, any loss and a portion of any gain realized by the holder may be deferred. All holders of Allowed Claims are urged to consult their tax advisors regarding the possible application of (or ability to elect out of) the "installment method" of reporting with respect to their Claims.

**3. Receipt of Interest.** Holders of Allowed Claims will recognize ordinary income to the extent that they receive Cash or property, including beneficial interests in the Liquidating Trust that is allocable to accrued but unpaid interest that the holder has not yet included in its income. If an Allowed Claim includes interest, and if the holder receives less than the amount of the Allowed Claim pursuant to the Plan, the holder must allocate the Plan consideration between principal and interest. Holders of Allowed Claims are strongly urged to consult their own tax advisors in this regard. If the Plan consideration allocable to interest with



respect to an Allowed Claim is less than the amount that the holder has previously included as interest income, the previously included but unpaid interest may be deducted, generally at a loss.

**4. Bad Debt or Worthless Securities Deduction.** A holder who receives in respect of an Allowed Claim an amount less than the holder's tax basis in the Claim may be entitled in the year of receipt (or in an earlier or later year) to a bad debt deduction in some amount under section 166(a) of the Tax Code or a worthless securities deduction under section 165(g) of the Tax Code. The rules governing the character, timing and amount of bad debt and worthless securities deductions place considerable emphasis on the facts and circumstances of the holder, the obligor and the instrument with respect to which a deduction is claimed. Holders of Allowed Claims, therefore, are urged to consult their tax advisors with respect to their ability to take such a deduction.

**D. Treatment of the Liquidating Trust and Its Beneficial Owners**

The Liquidating Trust is intended to be treated for U.S. federal income tax purposes: (i) in part as a liquidating trust within the meaning of section 301.7701-4(d) of the U.S. Treasury Regulations; and (ii) in part as one or more disputed claims or other reserves taxed either as discrete trusts pursuant to section 641, *et seq.*, of the Tax Code or as disputed ownership funds pursuant to section 1.468B-9(b)(1) of the U.S. Treasury Regulations, as determined by the Liquidating Trustee in the manner specified in the Liquidating Trust Agreement. The remainder of this section XI.D. assumes that this treatment is correct. If the IRS succeeds in requiring a different characterization of the Liquidating Trust, the Liquidating Trust could be subject to tax on all of its net income and gains, with the result that the amounts received by holders of Allowed Claims could be reduced.

**1. Liquidating Trust.** Except as discussed in section X(D)(2) below (Disputed Claims and Other Reserves), the Liquidating Trust will not be treated as a separate

entity for U.S. federal income tax purposes. Instead, the holders of “beneficial interests” in the Liquidating Trust will be treated as owning their respective Pro Rata shares of the applicable Liquidating Trust Assets, subject to any liabilities of the Liquidating Trust itself. Holders of “beneficial interests” in the Liquidating Trust will include all holders of Allowed Claims that are entitled to receive a distribution from the Liquidating Trust pursuant to the Plan.

For U.S. federal income tax purposes, the transfer of the Liquidating Trust Assets (to the extent not distributed to holders of Allowed Claims as of the Effective Date) to the Liquidating Trust will be treated as a transfer of the Liquidating Trust Assets from the Debtor to the holders of Allowed Claims, subject to any liabilities of the Debtors or the Liquidating Trust payable from the proceeds of such assets, followed by such holders’ transfer of such assets (subject to such liabilities) to the Liquidating Trust in exchange for their respective beneficial interests in the Liquidating Trust. Thus, each holder of an Allowed Claim on the Effective Date should be treated as transferring its Claim to the Debtors in exchange for the holder’s Pro Rata share of the applicable Liquidating Trust Assets (subject to any liabilities of the Liquidating Trust) followed by the holder’s transfer of such assets (subject to applicable liabilities) to the Liquidating Trust. The “applicable Liquidating Trust Assets” are the Liquidating Trust Assets (or the proceeds thereof) from which a holder of an Allowed Claim is entitled to a distribution under the Plan. The holder should recognize gain or loss equal to the difference between the fair market value of the applicable Liquidating Trust Assets (subject to any liabilities) and the holder’s adjusted basis in its Allowed Claim. The tax basis of the applicable Liquidating Trust Assets deemed received in the exchange will equal the amount realized by the holder and the holding period for such assets will begin on the day following the exchange. For the avoidance of doubt, the holders of Allowed Claims are not intended to be treated for federal income tax purposes as receiving

Liquidating Trust Assets that are contributed to any Disputed Claims reserve until such time as such Disputed Claims reserve makes distributions, in which case (and at which time) the holders of Allowed Claims are intended to be treated as receiving the distributions actually received from the Disputed Claims reserve, if any.

Each holder of an Allowed Claim will be required to include in its annual income, and pay tax to the extent due on, its allocable share of each item of income, gain, loss, deduction or credit recognized by the Liquidating Trust (including interest or dividend income earned on bank accounts and other investments) and the Liquidating Trustee will allocate such items to the holders using any reasonable allocation method. If the Liquidating Trust sells or otherwise disposes of a Liquidating Trust Asset in a transaction in which gain or loss is recognized, each holder of an Allowed Claim that is entitled to a distribution from such Liquidating Trust Asset (or the proceeds thereof) will be required to include in income gain or loss equal to the difference between: (i) the holder's Pro Rata share of the Cash or property received in exchange for the applicable Liquidating Trust Asset sold or otherwise disposed of; and (ii) the holder's adjusted basis in the holder's Pro Rata share of the applicable Liquidating Trust Asset. The character and amount of any gain or loss will be determined by reference to the character of the asset sold or otherwise disposed of. Each holder of an Allowed Claim will be required to report any income or gain recognized on the sale or other disposition of any applicable Liquidating Trust Asset whether or not the Liquidating Trust distributes the sale proceeds currently and may, as a result, incur a tax liability before the holder receives a distribution from the Liquidating Trust.

Notwithstanding the foregoing, distributions made as of the Effective Date to holders of Allowed Claims are intended to be treated for U.S. federal income tax purposes as directly from the Debtor to the holders of such Allowed Claims, and such holders shall include in their taxable

incomes any interest earned on such distributions from the Effective Date to the date on which the actual distribution is made.

**2. Disputed Claims and Other Reserves.** Any reserves for Disputed Claims or the other similar reserves that may be established by the Liquidating Trustee will be treated as one or more reserves taxed either as discrete trusts pursuant to section 641, *et seq.*, of the Tax Code or as disputed ownership funds pursuant to section 1.468B-9(b)(1) of the U.S. Treasury Regulations, as determined by the Liquidating Trustee in the manner specified in the Liquidating Trust Agreement. If treated as discrete trusts, income and gain recognized with respect to the Liquidating Trust Assets in any Disputed Claims reserve will be subject to an entity-level tax to the extent the income or gain is not distributed to holders of Allowed Claims within the same taxable year. If treated as disputed ownership funds, income and gain recognized with respect to any Liquidating Trust Assets in any Disputed Claims reserve will be subject to an entity-level tax regardless of whether income or gain is distributed to holders of Allowed Claims within the same taxable year.

**E. Income Reporting and Withholding**

Under the Tax Code's backup withholding rules, the holder of an Allowed Claim may be subject to backup withholding with respect to distributions or payments made pursuant to the Plan unless the holder comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact, or provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax.

Holders of Allowed Claims may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

**F. Federal Income Tax Consequences to Holders of Interests**

Under the Plan, holders of Interests will not receive anything on account of such Interest. A holder of such Interest will recognize loss in an amount equal to such holder's adjusted tax basis in the Interest. The character of any recognized loss will depend upon several factors, including, but not limited to, the status of the holder, the nature of the Interest in the holder's hands, the purpose and circumstances of its acquisition, the holder's holding period and the extent to which the holder had previously claimed a deduction for the worthlessness of all or a portion of the Interest.

There are many factors that will determine the tax consequences to each holder of an Interest. Furthermore, the tax consequences of the Plan are complex and, in some case, uncertain. Therefore, it is important that each holder of an Interest obtain its own professional tax advice regarding the tax consequences to such holder of an Interest as a result of the Plan.

**G. Importance of Obtaining Professional Tax Assistance**

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASE UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL, AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

## **XII. RISK FACTORS**

Holders of Claims and Interests against the Debtors should read and consider carefully the information set forth below, as well as other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. This information, however, should not be regarded as necessarily setting forth the only potential risks involved in connection with the Plan and its implementation.

### **A. Failure To Satisfy Vote Requirement**

In the event that sufficient votes accepting the Plan are not received and, as a result, the Plan Proponents are unable to confirm the Plan as proposed, the Plan Proponents will assess the alternatives available to them, including: (i) amending the Plan; or (ii) converting these Cases to chapter 7 liquidation proceedings. There is substantial risk that either of these alternatives will result in less favorable treatment of Claims and Interests than is provided in the Plan.

### **B. Non-Consensual Confirmation**

In the event any Impaired Class of Claims does not accept the Plan, the Bankruptcy Court may nevertheless confirm such Plan at the Plan Proponents' request if at least one Impaired Class of Claims has accepted the Plan (with such acceptances being determined without including the vote of any "insider" in such Class), and, as to each Impaired Class that has not accepted the Plan, the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such dissenting Impaired Class(es). Because the Plan deems Class 4 Equity Interests to have rejected the Plan, these requirements must be satisfied with respect to such Class. The Plan Proponents believe that the Plan satisfies these requirements, although there can be no assurances that the Bankruptcy Court will make the findings necessary to reach this result.

**C. Amount of Allowed Claims**

The total amount of all Claims filed in the Cases may materially exceed the estimated amounts of Allowed Claims assumed in the development of the Plan, in the valuation estimates provided above. The actual amount of all Allowed Claims in any Class may differ significantly from the estimates provided in this Disclosure Statement. Accordingly, the amount and timing of the distributions that will ultimately be received by any particular holder of an Allowed Claim in any Class may be materially and adversely affected if the estimates are exceeded as to any Class.

**XIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

The Plan Proponents believe that the Plan affords holders of Claims the potential for the greatest recovery and, therefore, is in the best interests of such holders. The Plan as presented is the result of considerable negotiations between the Debtors and the Committee.

If, however, the requisite acceptances are not received, or the Plan is not confirmed and/or consummated, the theoretical alternatives include: (i) formulation of an alternative plan of liquidation; (ii) liquidation of the Debtors and their Estates under chapter 7 of the Bankruptcy Code; or (iii) dismissal of the Cases.

**A. Alternative Plan(s) of Liquidation**

If the Plan is not confirmed, the Plan Proponents may attempt to formulate and propose a different plan or plans of liquidation. To formulate and secure approval of an alternative plan, the Debtors would require an extension of additional debtor-in-possession financing or obtain replacement financing, and the Plan Proponents can offer no assurance that they would be successful in this regard.

The Plan Proponents believe that the Plan, as described herein, which is the result of extensive negotiations among the Debtors and the Committee, enables Creditors to realize the greatest possible value under the circumstances and, compared to any other or later alternative plan of liquidation, has the greatest likelihood of being confirmed and consummated.

**B. Chapter 7 Liquidation of the Debtor**

If no plan is confirmed, the Debtors may be forced to liquidate under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution to creditors in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective holders of Claims against or Interests in the Debtors.

The Plan Proponents believe that in a liquidation under chapter 7, before Creditors received any distribution, additional administrative expenses related to the appointment of a trustee and the trustee's attorneys, accountants and other professionals would cause a substantial diminution in the value of the Debtors' Estates. The assets available for distribution to Creditors would be reduced by such additional expenses and by claims, some of which would be entitled to priority. The Liquidation Analysis, discussed in section X.C.2 (the "best interests test"), and attached as **Exhibit B** hereto, suggests that unsecured Creditors would receive *de minimis* distributions on their Claims in a liquidation.



#### **XIV. CONCLUSION**

The Plan Proponents submit that, under the Plan, holders of General Unsecured Claims have an opportunity to receive a meaningful recovery on their Claims, while at the same time avoiding the additional fees and expenses that would be incurred upon conversion to chapter 7. Therefore, the Plan Proponents believe that the distributions provided for in the Plan are fair and equitable, and the Plan Proponents strongly recommend acceptance of the Plan.

If you are eligible to vote on the Plan, please do so now by completing and returning the enclosed ballot.

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Dated this 19th day of March, 2014.

LYON WORKSPACE PRODUCTS, L.L.C.,  
*ET AL.*

OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF LYON  
WORKSPACE PRODUCTS, L.L.C., *ET AL.*

By: /s/ Daniel A. Zazove  
Its Counsel

By: /s/ Aaron L. Hammer  
Its Counsel

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**LIST OF EXHIBITS**

Exhibit A..... Joint Plan of Liquidation Dated March 19, 2014

Exhibit B.....Liquidation Analysis

**Exhibit A**

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF ILLINOIS  
EASTERN DIVISION**

In re:	)	Chapter 11
	)	
Lyon Workspace Products, L.L.C., <i>et al.</i> <sup>1</sup>	)	Case No. 13-2100
	)	
Debtors.	)	
	)	Honorable Janet S. Baer
	)	

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**DEBTORS' AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF LYON WORKSPACE  
PRODUCTS L.L.C., ET AL.'S JOINT PLAN OF LIQUIDATION DATED MARCH 19, 2014**

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<sup>1</sup> The Debtors in these jointly administered chapter 11 cases are Durand Products, L.L.C., L&D Group, Inc., Sycamore Systems, L.L.C., Miller Global Solutions, L.L.C., and Lyon Workspace Products, L.L.C.

## Introduction

Lyon Workspace Products, L.L.C., *et al.*, together with the Official Committee of Unsecured Creditors appointed in the above-captioned bankruptcy cases, jointly propose the following Joint Plan of Liquidation. The Debtors and the Committee (together, the “*Parties*” or the “*Plan Proponents*”) are joint proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code. Reference is made to the Disclosure Statement, distributed contemporaneously herewith, and all exhibits to the Disclosure Statement. In the event of any inconsistency between the Disclosure Statement and the Plan, the relevant provision of the Plan, as it relates to such inconsistency, will govern. Subject to the restrictions and requirements set forth in section 1127 the Bankruptcy Code, Fed. R. Bankr. P. 3019, and the Plan, the Parties reserve the right to alter, amend, modify or withdraw this Plan at any time before its substantial consummation.

## ARTICLE I Definitions

Unless the context otherwise requires or a term is defined within the Plan itself, the following terms shall have the respective meanings set forth below, except as expressly provided otherwise.

- 1.1 ***Administrative Claim*** shall mean any cost or expense of administration of the Cases allowed by the Bankruptcy Court pursuant to section 503(b) of the Bankruptcy Code, including, without limitation, Professional Fee Claims.
- 1.2 ***Administrative Claims Bar Date*** shall mean the applicable date on which an Administrative Claim, other than a 503(b)(9) Claim, must be filed, as established by section 7.10 of the Plan.
- 1.3 ***Allowed Claim*** or ***Allowed . . . Claim*** shall mean a Claim, proof of which is filed by the Bar Date pursuant to the procedures established pursuant to the Bar Date Order or this Plan, or that has been, or is hereafter, scheduled by the Debtors as liquidated in amount and not disputed or contingent, and to which no objection to allowance thereof has been raised by the Liquidating Trustee or filed within any applicable period fixed by the Bankruptcy Court, or as to which a Final Order allowing such Claim has been entered. No Claim which was also an Assumed Liability shall be an Allowed Claim.
- 1.4 ***APA*** shall mean the Asset Purchase Agreement between LWP and the Debtors dated April 16, 2013. [Dkt. 203, Ex. A.]
- 1.5 ***Assets of the Estates*** shall mean any and all right, title, and interest of the Debtors in and to property of whatever type or nature.
- 1.6 ***Assumed Liabilities*** shall mean liabilities assumed by LWP under the APA.

- 1.7** *Avoidance Actions* shall mean any and all pending or possible actions, proceedings, accounts, controversies, agreements, promises, claims, and rights, of the Debtors and their Estates to avoid or recover a transfer of property of any of the Debtors' Estates or an interest of any of the Debtors in property, including, without limitation, actions arising under sections 542, 544, 545, 547, 548, 549, 550 and 553 of the Bankruptcy Code and any other applicable federal, state, or common law, including fraudulent transfers, whether or not litigation has been commenced with respect to such Causes of Action as of the Effective Date.
- 1.8** *Bankruptcy Code* shall mean Title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.*
- 1.9** *Bankruptcy Court* shall mean the United States Bankruptcy Court for the Northern District of Illinois, Eastern Division, located in Chicago, Illinois, or any court having jurisdiction over these Cases or a proceeding arising in, arising under, or related to these Cases.
- 1.10** *Bankruptcy Rules* shall mean the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, as now in effect.
- 1.11** *Bar Date* means June 28, 2013.
- 1.12** *Bar Date Order* means that *Order Establishing June 28, 2013 as the Bar Date for Filing Proofs of Claim, Including Claims Arising Under Section 503(b)(9) of the Bankruptcy Code* [Dkt. 215.]
- 1.13** *Cases* shall mean the cases commenced under chapter 11 of the Bankruptcy Code by the Debtor on the Petition Date, styled *In re Lyon Workspace Products, LLC, et al.*, Case No. 13-2100 (jointly administered), currently pending before the Bankruptcy Court.
- 1.14** *Cash* shall mean legal tender of the United States of America and equivalents thereof.
- 1.15** *Causes of Action* shall mean any and all actions, causes of action, proceedings, controversies, liabilities, obligations, rights, suits, claims for money or refunds due, indebtedness (for borrowed money or in the nature of a guarantee), damages, judgments, Claims, objections to Claims, benefits of subordination of Claims, demands, debts, liens, contracts, agreements, promises, representations, torts, damages, costs, losses, attorneys' fees, moneys due on account, obligations, judgments or liabilities of any kind whatsoever, whether known or unknown, anticipated or unanticipated, suspected or unsuspected, reduced to judgment, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable directly or derivatively, existing or hereafter arising in law or equity, arising out of agreement or imposed by statute, common law or otherwise, including but not limited to Avoidance Actions and expressly including any interest of the Debtors in any

tax refund, or any deposit, deposit account, certificate of deposit, bank, brokerage or similar account, trust account, reserve account, escrow account or the like.

- 1.16** *Chapter 11 Administrative Claims* shall mean claims arising under section 507(a)(2) of the Bankruptcy Code.
- 1.17** *Claim* shall mean any right to payment, whether or not the right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured, as defined by section 101(5) of the Bankruptcy Code.
- 1.18** *Claims Agent* shall mean Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, California 90245.
- 1.19** *Class* shall mean a class of holders of Claims as described in the Plan.
- 1.20** *Committee* shall mean the Official Committee of Unsecured Creditors appointed in the Cases on February 6, 2013, pursuant to section 1102 of the Bankruptcy Code [Dkt. 56.]
- 1.21** *Confirmation Date* shall mean the date of entry of the Confirmation Order.
- 1.22** *Confirmation Hearings* shall mean, collectively, the hearing or hearings held by the Bankruptcy Court on confirmation of the Plan, as such hearing or hearings may be continued from time to time.
- 1.23** *Confirmation and Post-Confirmation Funds* shall mean the \$100,000 provided by LWP under the APA to fund the Professional fees incurred in preparation and confirmation of this Plan and an additional \$100,000 to fund expenses incurred by the Liquidating Trustee, provided that if such costs and fees do not require the expenditure of the latter \$100,000, the remainder shall be used to pay any outstanding but unpaid fees and expenses of the Debtors' and the Committee's respective Professionals in drafting and confirmation of the Plan.
- 1.24** *Confirmation Order* shall mean the order confirming this Plan.
- 1.25** *Creditors* shall mean all creditors of the Debtors holding Claims for debts, liabilities, demands or other Claims of any character whatsoever.
- 1.26** *Debtors* shall mean Lyon Workspace Products, L.L.C, Durand Products, L.L.C., Sycamore Systems, L.L.C., L&D Group, Inc., and Miller Global Solutions, L.L.C.
- 1.27** *Disclosure Statement* shall mean the Disclosure Statement with respect to the Joint Plan of Liquidation of Lyon Workspace Products, L.L.C., *et al.* dated March 19, 2014.



- 1.28** *Disputed Claim* shall mean any Claim (other than an Allowed Claim) which is either a Claim that has been scheduled by the Debtors or a Claim which is the subject of a proof of claim which has been filed with the Bankruptcy Court, as to which the Debtors, the Committee or the Liquidating Trustee has indicated a dispute, or as to which scheduled or filed Claim a timely objection to the allowance thereof has been filed by a party entitled to make such an objection, but as to which the Bankruptcy Court has not yet entered a Final Order.
- 1.29** *Effective Date* shall mean a date not greater than 180 days after the Confirmation Date, upon which the conditions set forth in Section 7.9 of this Plan are satisfied; provided, however, that if a stay of the Confirmation Order is in effect on such day, then the Effective Date shall be the first day thereafter on which, if the Confirmation Order has not been vacated, no stay of the Confirmation Order is in effect.
- 1.30** *Equity Interest* shall mean the legal, equitable, contractual and other rights of the holders of any Equity Security in the Debtors, including the rights of any entity to purchase or demand the issuance of any Equity Securities, including: (i) conversion, exchange, voting, participation and dividend rights; (ii) liquidation preferences; (iii) stock options, warrants and put rights; and (iv) share-appreciation rights.
- 1.31** *Equity Security* shall have the meaning provided by section 101(16) of the Bankruptcy Code.
- 1.32** *Equity Security Holder* shall have the meaning provided by section 101(17) of the Bankruptcy Code.
- 1.33** *Estates* shall mean the estates of the Debtors created in these Cases under section 541 of the Bankruptcy Code.
- 1.34** *Final Order* shall mean an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction, as entered on the docket in any Cases or the docket of any other court of competent jurisdiction, that has not been reversed, stayed, modified or amended, and as to which the time to appeal or seek certiorari or move for a new trial, reargument or rehearing has expired, and no appeal or petition for certiorari or other proceedings for a new trial, reargument or rehearing has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been timely filed has been withdrawn or resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or the new trial, reargument or rehearing has been denied or resulted in no modification of such order, provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

- 1.35** *General Unsecured Claim* shall mean any Unsecured Claim, arising before the Petition Date that is not a Secured Claim, Professional Fee Claim, Administrative Expense Claim, Unsecured Priority Claim or Class 4 Interest (Equity Security Interests).
- 1.36** *General Unsecured Creditor* shall mean the Holder of a General Unsecured Claim.
- 1.37** *Holder* shall mean the Person that is the owner of record of a Claim or Interest, as applicable, including such Person's successors and/or assigns.
- 1.38** *Impaired* shall mean any Class, or any Claim or Interest in a Class, that is impaired within the meaning of section 1124 of the Bankruptcy Code, and shall include, without limitation, Class 3 General Unsecured Claims and Class 4 Equity Security Interests.
- 1.39** *Joint Hearing* shall mean the date on which the Bankruptcy Court holds a hearing to consider approval of the Disclosure Statement and confirmation of this Plan.
- 1.40** *Lien* shall have the meaning provided by section 101(37) of the Bankruptcy Code.
- 1.41** *Liquidating Trust* shall mean a common law trust to be established pursuant to the Plan, the Liquidating Trust Agreement, and the Confirmation Order. The Liquidating Trust shall liquidate and distribute the Liquidating Trust Assets in accordance with the Liquidating Trust Agreement.
- 1.42** *Liquidating Trust Agreement* shall mean the Lyon Workspace Products, LLC, *et al.* Liquidating Trust Agreement to be executed as soon as reasonably practicable after the Confirmation Date among the Debtors, the Committee and the Liquidating Trustee, which shall govern the obligations of the Liquidating Trustee with respect to oversight of the distribution of the Net Proceeds of the Liquidating Trust Assets, as further set forth in the Liquidating Trust Agreement and the Plan.
- 1.43** *Liquidating Trust Assets* shall mean those assets to be transferred to and vested in the Liquidating Trust pursuant to this Plan and the Confirmation Order, plus all proceeds, earnings and replacements arising from or relating to these assets and all assets acquired by the Liquidating Trust at any time.

The Liquidating Trust Assets shall include (but not be limited to): (i) all Cash held by the Debtors), including any Cash received by the Debtors through the Sale Order (less any Cash paid or to be paid on account of unpaid Allowed Professional Fee Claims and other allowed administrative expenses); (ii) the Debtors' Avoidance Actions and Miscellaneous Causes of Action; (iii) the Debtors' Workers Compensation Refund; and (iv) the Post-Confirmation Funds.

- 1.44** *Liquidating Trustee* shall mean such Person or entity, including any replacement thereof or successor thereto, as may be designated by the Committee at least three (3) days in

advance of the Joint Hearing, and approved by the Bankruptcy Court, as necessary or appropriate, to serve as trustee for the Liquidating Trust and to oversee the liquidation and distribution of the Liquidating Trust Assets held therein for the benefit of the holders of Allowed Claims, pursuant to the Plan, the Confirmation Order and the Liquidating Trust Agreement.

- 1.45** *Liquidating Trustee's Expenses* shall mean the reasonable fees, costs and expenses incurred by the Liquidating Trustee and any Professionals retained by him or her in connection with the performance of his or her duties and responsibilities under the Plan and Liquidating Trust Agreement, as well as any other reasonable and necessary costs of administration of the Liquidating Trust, including U.S. Trustee fees incurred during the post-Effective Date period, which may be paid from the Liquidating Trust Assets.
- 1.46** *Litigation Claims* shall mean all claims held by the Debtors or their Estates against any individual or entity arising out of or in connection with the Cases, including but not limited to Avoidance Actions and Miscellaneous Causes of Action.
- 1.47** *LWP* shall mean LWP Partners, LLC.
- 1.48** *LWP Reimbursement Claim* shall mean the Claim held by LWP for the first \$100,000 from the net recoveries of Litigation Claims (net of all fees, costs, payments and expenses incurred by the Liquidating Trustee in pursuing the Litigation Claims).
- 1.49** *Net Proceeds* shall mean the Cash proceeds received by the Liquidating Trustee from time to time from the sale or disposition, through litigation, settlement or otherwise, of the Liquidating Trust Assets, net of the reasonable or necessary costs of such sale or other disposition, including reasonable fees and expenses of the Liquidating Trustee's legal counsel and other Professionals incurred in connection therewith.
- 1.50** *Other Secured Claim* shall mean a Secured Claim of a Secured Creditor other than LWP.
- 1.51** *Person* shall mean an individual, corporation, partnership, joint venture, association, joint stock company, limited liability company, limited liability partnership, trust, estate, unincorporated organization or other entity.
- 1.52** *Petition Date* shall mean the date of the filing of the Cases, January 19, 2013.
- 1.53** *Plan* shall mean this Joint Plan of Liquidation as set forth herein or as it may be modified or amended.
- 1.54** *Plan Proponents* shall mean the Debtors and the Committee.
- 1.55** *Priority Claim* shall mean a Claim entitled to priority under section 507(c) of the Bankruptcy Code.

- 1.56** *Professional* shall mean any professional employed in these Cases pursuant to sections 327, 328 or 1103 of the Bankruptcy Code, including attorneys, accountants and financial advisors retained by the Debtors, the Committee or the Liquidating Trustee, or any Professional or other Person seeking compensation or reimbursement of expenses in connection with these Cases pursuant to section 503(b)(4) of the Bankruptcy Code.
- 1.57** *Professional Fee Claim* shall mean a Claim of a Professional for compensation or reimbursement of costs and expenses relating to services incurred during the period from the Petition Date to the Effective Date.
- 1.58** *Pro Rata* when used in the context of distributions to creditors, shall mean proportionately so that the ratio of the amount of the distribution made on account of a particular Allowed Claim to the distribution made on account of all Allowed Claims of the Class in which the particular Allowed Claim is included is the same as the ratio of the amount of a particular Allowed Claim to the total amount of the Allowed Claims of the Class in which a particular Allowed Claim is included.
- 1.59** *Rejection Damages Claim* shall mean a Class 3 General Unsecured Claim held by a party to a rejected executory contract or lease agreement under 11 U.S.C. § 365.
- 1.60** *Retained Causes of Action* shall mean the actual and potential causes of action, that shall vest in the Liquidating Trust under the Plan, on and after the Effective Date, on behalf of the Debtors, to commence and pursue, as appropriate, in any court or other tribunal including in an adversary proceeding in one or more of these Cases, whether such causes of action accrued before or after the Petition Date and whether such causes of action are known or unknown as of the date of vesting.
- 1.61** *Sale Order* shall mean the *Order (I) Authorizing and Approving the Sale of the Debtors' Assets Free and Clear of Liens, Claims, Encumbrances, and Interests, (II) Authorizing and Approving Asset Purchase Agreement, and (III) Setting Date for the Authorization and Approval of the Assumption and Assignment of Certain Executory Contracts*. [Dkt. 203].
- 1.62** *Scheduled Claim* shall mean any claim set forth on the Schedules.
- 1.63** *Schedules* shall mean the Schedules of Assets and Liabilities filed by the Debtors, as such Schedules may be amended from time to time in accordance with Bankruptcy Rule 1009.
- 1.64** *Secured Claim* shall mean a Claim of a Creditor secured by a Lien on property of the Estate, or a Claim subject to set off under section 553 of the Bankruptcy Code, to the extent of the value of such Creditor's interest in property of the Estates, or to the extent of the amount subject to set off, as the case may be.

- 1.65** *Secured Creditor* shall mean the holder of a Secured Claim.
- 1.66** *Tax Code* shall mean Title 26 of the United States Code, 26 U.S.C. §§ 1 *et seq.*
- 1.67** *Unsecured Claim* shall mean a Claim of a Creditor not secured by a Lien on property of the Estates and not entitled to be classified as a Priority Claim pursuant to section 507 of the Bankruptcy Code.
- 1.68** *U.S. Trustee* shall mean the United States Trustee.
- 1.69** *Workers Compensation Refund* shall mean the return to the Debtors of approximately \$395,000, the refund of a portion of the cash collateral securing the letter of credit issued by Capital One, N.A. in favor of Sentry Insurance a Mutual Company, in the face amount of \$1.6 million, in connection with the Debtors' workers' compensation coverage for claims arising before the closing of the APA.
- 1.70** *Voting Class* shall mean Class 3, which is Impaired and entitled to vote on the Plan.

**Rules of Interpretation and Computation of Time.** For purposes of this Plan, unless otherwise provided herein: (i) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (ii) any reference to any entity as a holder of a Claim or Interest includes the entity's successors and assigns; (iii) all references in this Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to this Plan; (iv) the words "herein," "hereunder" and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (v) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (vi) the rules of construction set forth in section 102 of the Bankruptcy Code will apply; and (vii) in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

## **ARTICLE II**

### **Provisions for Treatment of Unclassified Claims and Interests**

Section 1123(a)(1) of the Bankruptcy Code provides that Administrative Claims and certain Priority Claims are not to be classified under the Plan.

#### **2.1 Allowed Administrative Claims**

Allowed Administrative Claims shall include the following:

- (A) *Allowed Professional Fee Claims* shall include Allowed Professional Fee Claims of the Debtors' Professionals and the Committee Professionals.
- (B) *Allowed Other Administrative Expense Claims* shall include the Allowed Administrative Claims other than Professional Fee Claims.

## **2.2 Priority Claims**

Priority Claims shall include the Allowed Priority Claims whether arising under sections 507(a)(4), 507(a)(5) or 507(a)(8) of the Bankruptcy Code, or otherwise, but shall not include Administrative Claims. The Plan Proponents submit that no such unpaid claims will exist as of the Confirmation Date.

### **ARTICLE III Designation of Classified Claims and Interests**

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Claims and Interests are classified as follows:

#### **3.1 Class 1 Claims**

Class 1 Claims shall consist of any Allowed Other Secured Claims, unless the collateral which secured the Claims has been returned to the Secured Creditor. The Plan Proponents do not believe that there are any Allowed Other Secured Claims.

#### **3.2 Class 2 Claims**

Class 2 Claims shall consist of LWP Reimbursement Claim, which shall be paid in full, to the extent funds are available, prior to payment of any Allowed General Unsecured Claims, solely from the first available Net Proceeds of Litigation Claims.

#### **3.3 Class 3 Claims**

Class 3 Claims shall consist of Allowed General Unsecured Claims, including Rejection Damages Claims and any allowed deficiency Claims asserted by Holders of Class 1 Claims.

#### **3.4 Class 4 Interests**

Class 4 Interests shall consist of the Interests of Equity Security Holders.

### **ARTICLE IV Impairment of Classes**

#### **4.1 Impaired Classes of Claims Entitled To Vote.**

Except as otherwise provided in order(s) of the Bankruptcy Court pertaining to solicitation of votes on this Plan, Class 3 is Impaired and Holders of Claims in this Class shall be entitled to vote to accept or reject this Plan.

#### **4.2 Classes Deemed To Accept the Plan.**

Class 1 and Class 2 Claims are unimpaired by this Plan and holders of such Claims are conclusively presumed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code. The votes of Creditors holding these Claims will therefore not be solicited.

**4.3 Classes Deemed To Reject the Plan.**

Holders of Interests in Class 4 will not receive or retain any distribution under the Plan on account of their Interests. Pursuant to section 1126(g) of the Bankruptcy Code, Class 4 is Impaired and is conclusively presumed to have rejected this Plan, and the votes of Equity Security Holders holding Class 4 Interests therefore will not be solicited.

**4.4 Cram Down.**

The Debtors and the Committee will request confirmation of the Plan, as it may be modified from time to time, under section 1129(b) of the Bankruptcy Code with respect to any Class that rejects the Plan.

**ARTICLE V  
Treatment of Claims and Interests**

**5.1 Allowed Administrative Claims (Unclassified).**

- (A) Allowed Professional Fee Claims shall be paid in accordance with the APA, the Liquidating Trust Agreement, orders of the Court and this Plan.
- (B) Distributions of the Net Proceeds from the Liquidating Trust shall be made by the Liquidating Trustee in accordance with the Liquidating Trust Agreement to the holders of Allowed Other Administrative Claims from time to time on dates determined by the Liquidating Trustee, within a reasonable time after the creation of appropriate reserves as determined by the Liquidating Trustee in an amount that would be sufficient to: (i) make a distribution on account of Disputed Claims that are Professional Fee Claims or Administrative Claims; and (ii) pay the Trustee's Expenses in full.

**5.2 Priority Claims (Unclassified).**

- (A) Allowed Priority Claims shall be paid in full in accordance with the Liquidating Trust Agreement and this Plan.
- (B) Payment of Priority Claims shall be net of the Assumed Liabilities.

**5.3 Class 1 Claims.**

- (A) The Other Secured Creditors Class 1 Secured Claims shall be satisfied by the return of its collateral to the Holder of the Secured Claim, or at the Liquidating Trustee's discretion, payment of the value of the collateral in Cash.
- (B) To the extent that the value of Other Secured Creditors' collateral is less than the amount of their claims, the unsecured portion of the Other Secured Creditors' Claims shall be deemed an unsecured Class 3 claim.

**5.4 Class 2 Claims (LWP Reimbursement Claim).**

- (A) Class 2 Claims shall consist of the LWP Reimbursement Claim. The Class 2 Claim shall be paid in full solely from the Net Proceeds of Litigation Claims, to the extent funds are available, prior to payment of any General Unsecured Claims.

**5.5 Class 3 Claims (General Unsecured Claims).**

- (A) Allowed Class 3 Claims shall be paid Pro Rata in accordance with the Liquidating Trust Agreement and this Plan. The Liquidating Trustee shall liquidate the Liquidating Trust Assets, as applicable, and distribute the Net Proceeds in accordance with this Plan and the Liquidating Trust Agreement.
- (B) No distributions shall be made to holders of Allowed Class 3 Claims, until such time the Allowed Administrative Claims, Allowed Priority Claims and Allowed Class 2 Claims are paid in full.

**5.6 Class 4 Interests.**

Holders of Class 4 Interests shall not receive a distribution under the Plan. Upon the Effective Date of the Plan, all Equity Securities in the Debtor will be cancelled and rendered void.

**ARTICLE VI  
Treatment of Executory Contracts**

**6.1 Contracts Deemed Rejected.**

Each executory contract or unexpired lease of the Debtors that has not expired by its own terms, been previously rejected by Order of Court or been assumed prior to the Confirmation Date shall be deemed rejected pursuant to section 365 of the Bankruptcy Code on the Confirmation Date.

**6.2 Bar Date for Rejection Damages.**

All proofs of claim with respect to Claims arising from the rejection of executory contracts or unexpired leases pursuant to Section 6.1 of this Plan shall, unless another order of the Bankruptcy Court provides for a different date, be filed with the Claims Agent by no later than thirty (30) days after the Confirmation Date.

**ARTICLE VII  
Means of Implementation of the Plan**

**7.1 Substantive Consolidation**

Entry of the Confirmation Order shall constitute approval, pursuant to Sections 105(a) and 1123(a)(5) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Estates of the Debtors, solely for the purposes of



confirming and consummating the Plan, including but not limited to voting, confirmation, Distribution, and calculating post-confirmation quarterly fees payable to the United States Trustee pursuant to 28 U.S.C. Section 1930. Accordingly, (a) the assets and liabilities of the Debtors will be deemed to be the assets and liabilities of a single, consolidated entity, (b) each and every Claim filed or to be filed in the Bankruptcy Cases against any Debtor shall be considered filed against the consolidated Debtors and shall be considered one Claim against and obligation of the consolidated Debtors on and after the Effective Date, (c) all joint obligations of two or more Debtors, and all multiple Claims against such entities on account of such joint obligations, are considered a single claim against the Debtors and (d) all guaranties by any of the Debtors of the obligations of any Debtor arising prior to the Effective Date shall be deemed eliminated under the Plan so that any Claim against any Debtor and any guaranty thereof executed by any other Debtor and any joint and several liability of any of the Debtors shall be deemed to be one obligation of the deemed consolidated Debtors.

**7.2 Vesting of Liquidating Trust Assets.**

Within seven (7) days after the Effective Date, or as otherwise provided in the Confirmation Order, all Assets of the Estates, including Litigation Claims, shall be assigned to the Liquidating Trust.

**7.3 Trust Asset Administration.**

The Liquidating Trustee shall administer the Liquidating Trust Assets pursuant to the Plan and the Liquidating Trust Agreement from and after the Effective Date.

The Liquidating Trustee shall be responsible for liquidating the Liquidating Trust Assets, making distributions of the Net Proceeds to the beneficiaries of the Liquidating Trust and all other activities typically related to trust administration.

The Liquidating Trustee shall also be responsible for pursuing the Avoidance Actions and all other Causes of Action and all other activities typically related to trust administration.

The Liquidating Trustee shall also file all necessary tax filings, statements and reports for the Debtors.

**7.4 Maintenance of Causes of Action.**

The Liquidating Trust shall retain and may exclusively enforce any and all such claims, rights, or Causes of Action, including Retained Causes of Action, and commence, pursue, and settle the Causes of Action in accordance with this Plan. The Liquidating Trust shall have the exclusive right, authority and discretion to institute, prosecute, abandon, settle, or compromise any and all such Claims, rights, and Causes of Action, including Retained Causes of Action, without the consent or approval of any third party and without any further order of the Court.

**7.5 Preservation of Causes of Action**

Unless a claim or Cause of Action is expressly waived, relinquished, released, compromised, or settled in this Plan or any Final Order, the Debtors expressly reserve such Claim or Cause of action (including any unknown causes of action) for later adjudication by the Trust. Therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches shall apply to such claims, or Causes of Action based on the Disclosure Statement, this Plan or the Confirmation Order, except where such claims or Retained Causes of Action have been released in this Plan or other Final Order.

**7.6 Liquidating Trustee's Professionals.**

Upon his or her appointment, the Liquidating Trustee may retain such law firms, accounting firms, experts, advisors, consultants, investigators or other Professionals as he or she may deem necessary, in accordance with the APA, this Plan and the Liquidating Trust Agreement, to aid in the performance of his or her responsibilities pursuant to the terms of the Plan, including, without limitation, the liquidation and distribution of assets of the Liquidating Trust. The Professionals retained by the Liquidating 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 these Cases, and the Liquidating Trustee shall be permitted to retain any such Professional in light of the efficiencies implicit in continuity. The Liquidating Trustee's retention of any such Professionals is deemed not to pose any conflict of interest, and no conflict shall exist by virtue of the filing of applications by Professionals for allowance of Administrative Claims in accordance with the APA, the Liquidating Trustee Agreement or this Plan.

The Liquidating Trustee's Professionals fees shall be paid from the Confirmation and Post-Confirmation Funds, the proceeds of Litigation Claims and the Workers Compensation Refund.

**7.7 Wind-down.**

As soon as he determines practicable, but not later than the completion of its functions under the Liquidating Trust Agreement, the Liquidating Trustee will provide for the orderly wind-down or dissolution of the Debtors. The Liquidating Trustee shall thereafter continue to have standing to assert claims or pursue matters on behalf of the Debtors to the extent necessary to preserve, protect and liquidate the Liquidating Trust Assets or otherwise necessary to administer the Liquidating Trust.

**7.8 Conditions to Effective Date.**

The following are conditions precedent to the occurrence of the Effective Date: (i) the Confirmation Order confirming the Plan shall have been entered by the Bankruptcy Court

and shall not have been stayed, and if it is the subject of any appeal, reconsideration or other review, no stay of the Confirmation Order shall be in effect; (ii) the Liquidating Trust Agreement, in form and substance satisfactory to the Committee, shall be executed and delivered, and all conditions precedent to the effectiveness thereof shall have been satisfied; (iii) all other documents or agreements necessary to consummate the Plan shall have been delivered or effectuated; and (iv) the Liquidating Trustee shall have been appointed by the Committee upon notice to the Bankruptcy Court.

Upon the satisfaction of the conditions to the Effective Date, the Liquidating Trustee shall file and serve a notice of Effective Date.

**7.9 Administrative Claims Bar Date.**

All Persons requesting payment of Administrative Claims shall file a proof of claim with the Claims Agent no later than the Administrative Claims Bar Date, which shall be thirty (30) days after the Confirmation Date. The Administrative Claims Bar Date shall not apply to Professionals requesting payment of Professional Fee Claims, who shall be entitled to file an application for allowance of such claims until not later than thirty (30) days after the Effective Date. Objections to such applications for payment (whether by Professionals requesting payment of Professional Fee Claims or Persons requesting payment of Administrative Claims), if any, must be written, filed with the Bankruptcy Court and served on the applicable parties within twenty-one (21) days after such application or Claim is filed.

**7.10 Termination of Committee.**

The Committee shall terminate automatically upon the Effective Date. Upon termination of the Committee, the Committee shall be dissolved and its members shall be deemed released of their duties and responsibilities in connection with the Cases or the Plan and its implementation, and the retention or employment of the Committee's counsel shall terminate, except for ministerial duties or any duties imposed pursuant to the Plan (including, without limitation, filing applications for allowance and payment of Professional Fee Claims).

**7.11 Case Administration.**

From and after the Effective Date and continuing through the date that a final decree closing the Cases is entered pursuant to section 350 of the Bankruptcy Code and Bankruptcy Rule 3022, the Liquidating Trustee shall possess the rights of a party in interest pursuant to section 1109(b) of the Bankruptcy Code for all matters arising in, arising under or related to the Cases. In addition to the foregoing, for all matters arising in, arising under or related to the Cases, the Liquidating Trustee shall: (i) have the right to appear and be heard on matters brought before the Bankruptcy Court or other courts of competent jurisdiction; (ii) have the right to obtain records of, or related to, the Debtors (including, without limitation, bank statements and cancelled checks); (iii) be entitled to

notice and opportunity for hearing; (iv) be entitled to participate in all matters brought before the Bankruptcy Court, including, but not limited to, adversary proceedings; (v) have exclusive standing (including derivative standing to pursue Causes of Action on behalf of the Debtors) to commence Avoidance Actions and Miscellaneous Causes of Action; (vi) be entitled to request the Bankruptcy Court to enter a final decree closing the Cases; (vii) be entitled to receive notice of all applications, motions and other papers and pleadings set before the Bankruptcy Court in this Cases.

**7.12 Filing of Additional Documents.**

On or before the Confirmation Date of the Plan, the Plan Proponents shall file with the Bankruptcy Court such agreements and other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan, including, without limitation, the final Liquidating Trust Agreement.

**7.13 Notices.**

Any notice required or permitted to be provided under the Plan shall be in writing and served by either: (i) certified mail, return receipt requested, postage prepaid; (ii) hand delivery; or (iii) reputable overnight delivery service, freight prepaid, addressed to the following:

The Debtors:  
Daniel A. Zazove, Esq.  
PERKINS COIE LLP  
131 S. Dearborn St., Ste. 1700  
Chicago, Illinois 60603  
*Counsel for the Debtors*

The Committee:  
Aaron L. Hammer, Esq.  
Christopher J. Horvay, Esq.  
SUGAR FELSETHAL GRAIS & HAMMER LLP  
30 N. LaSalle St., Ste. 3000  
Chicago, IL 60602  
*Counsel for the Committee*

LWP Partners, LLC:  
Eric S. Prezant, Esq.  
BRYAN CAVE LLP  
161 N. Clark St., Ste. 4300  
Chicago, IL 60601  
*Counsel for LWP Partners, LLC*

The Liquidating Trustee:  
Norman B. Newman, Esq.  
Much Shelist, P.C.  
191 N. Wacker Dr., Ste. 1800  
Chicago, IL 60606  
*Liquidating Trustee*

**7.14 Minimum Distributions.**

The Liquidating Trustee shall not be required to make a distribution to a creditor unless the amount of the distribution is twenty-five dollars (\$25.00) or greater.

**7.15 Injunction.**

Except as otherwise provided in the Plan or the Confirmation Order, on and after the Confirmation Date, all Persons and entities who have held, hold or may hold Liens, Claims or Interests in or against the Debtors are, with respect to any such Liens, Claims or Interests, permanently enjoined from enforcing, levying, attaching (including, without limitation, any pre-judgment attachment), collecting or otherwise recovering by any manner or means whether directly or indirectly, any judgment, award, decree, claim or order arising out of their Liens, Claims or Interests in or against the Debtors against: (i) the assets of the Debtors; (ii) any officers, directors, current or former shareholders of the Debtors; (iii) the Liquidating Trust; (iv) or any of their successors or assigns.

**7.16 Term of Bankruptcy Injunction or Stays.**

All injunctions or stays provided for in the Cases under section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect through the termination of the Liquidating Trust and the imposition of the injunction set forth in Section 7.15 of this Plan.

**7.17 Exculpation and Limitation of Liability.**

Neither the Committee, LWP, the Liquidating Trustee, the Debtors nor any of their respective present and former members, officers, directors, shareholders, subsidiaries, affiliates, employees, advisors, attorneys or agents acting in such capacity or any of their successors or assigns, shall have or incur any liability to, or be subject to any right of action by, any person or entity, for any act or omission in connection with, relating to or arising out of, the Cases, the pursuit of confirmation of the Plan or the Plan's implementation, except for their fraud, willful misconduct or gross negligence, 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.

**7.18 Semi-Annual Reports.**

The Liquidating Trustee shall prepare and file with the Bankruptcy Court a report within thirty (30) days after June 30 and December 31 of every calendar year during the term of

this Liquidating Trust Agreement following the Effective Date, with the first report to be made within thirty (30) days of December 31, 2014. The Semi-Annual Report shall set forth: (a) all distributions to Beneficiaries during the period covered by such Semi-Annual Report; (b) a summary of the Liquidating Trust deposits and disbursements during the period covered by such Semi-Annual Report; and (c) a summary of the Liquidating Trust Assets.

**7.19 Closing of the Cases.**

The Cases shall not be closed, or if closed shall remain subject to re-opening pursuant to section 350 of the Bankruptcy Code, until the Liquidating Trust Assets have been fully administered.

**ARTICLE VIII  
Modification of the Plan**

The Plan and related documents may be altered, amended or modified, jointly, by the Plan Proponents, before or after the Confirmation Date, as provided in section 1127 of the Bankruptcy Code and the Bankruptcy Rules.

**ARTICLE IX  
General Provisions**

**9.1 Headings for Convenience Only.**

The headings in the Plan are for convenience of reference only and shall not limit or otherwise affect the meanings of the sections to which they pertain.

**9.2 U.S. Trustee Fees.**

The Debtors shall continue to pay quarterly fees to the U.S. Trustee that have accrued up to the Effective Date; provided, however, that the Liquidating Trustee shall pay any unpaid quarterly fees which remain unpaid on the Effective Date. Following the Effective Date, the Liquidating Trustee shall pay quarterly fees accrued during the post-Effective Date period to the U.S. Trustee.

**9.3 Objections to Claims.**

The Liquidation Trustee shall have standing to file objections to Claims, even if such Claims were scheduled by the Debtors as undisputed, liquidated and non-contingent. The Liquidation Trustee shall file objections to Claims no later than 180 days after the Effective Date (unless extended by an order of the Bankruptcy Court). If the Liquidation Trustee has objected to a Claim, payment will be withheld only with respect to the amount actually in dispute, and such objection shall not affect payments or distributions under the Plan on the undisputed portion of the Claim. Notwithstanding the deadline to file objections to Claims provided herein, the Liquidating Trustee may file objections to claims within ninety (90) days of the filing of an amended Claim.

**9.4 Lapsed Distributions.**

Any distribution that has not cleared the recipient's bank within ninety (90) days of the date of the distribution will lapse. With respect to any lapsed distributions, the lapsed distribution will revert to the Liquidating Trust and be distributed Pro Rata to the remaining beneficiaries of the Liquidating Trust in accordance with the Plan and the Liquidating Trust Agreement.

**9.5 Undeliverable and Unclaimed Distributions.**

If any distribution is returned as undeliverable, no further distributions to such Creditor will be made unless the Liquidating Trustee is notified in writing of the Creditor's current address. Upon receipt of the notification, the Liquidating Trustee will remit all missed distributions to the Creditor without interest. All claims for undeliverable distributions must be made on or before the second anniversary of the Effective Date of the Plan. If a claim is not made within that time, all unclaimed distributions will revert to the Liquidating Trust and be distributed Pro Rata to the remaining beneficiaries of the Liquidating Trust. Nothing in this Plan will require the Liquidating Trustee to attempt to locate any holder of an Allowed Claim.

**ARTICLE X  
Retention of Jurisdiction**

This Bankruptcy Court shall retain jurisdiction over these Cases for the following purposes:

- 10.1** Resolution of any and all objections to Claims.
- 10.2** Determination of all questions and disputes regarding all Causes of Action, controversies, disputes or conflicts, whether or not subject to pending actions as of the Confirmation Date, between: (i) the Debtors and any other party; (ii) the Liquidating Trustee and any other party; or (iii) otherwise under this Plan, the Confirmation Order or any other order issued by the Bankruptcy Court in connection with these Cases.
- 10.3** The correction of any defect and the curing of any omission or inconsistency in the Plan or the Confirmation Order as may be necessary to carry out the purposes and intent of the Plan.
- 10.4** Modification of the Plan after confirmation pursuant to the Bankruptcy Code and the Bankruptcy Rules.
- 10.5** Allowance of all Claims and applications for payment of Administrative Claims and professional fees and expenses which may be paid by the Debtors or their Estates pursuant to the provisions of the Bankruptcy Code, and resolution of all disputes pertaining thereto.

- 10.6** Resolution of any disputes regarding the Liquidating Trust or any claim or controversy related thereto.
- 10.7** Entry of a final order confirming substantial consummation of the Plan and closing the Cases.
- 10.8** Avoidance Actions and other Causes of Action

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Dated this 19th day of March, 2014.

LYON WORKSPACE PRODUCTS, L.L.C., *ET AL.*

By: /s/ Daniel A. Zazove  
Its Counsel

THE OFFICIAL COMMITTEE OF  
UNSECURED CREDITORS OF  
LYON WORKSPACE PRODUCTS, L.L.C., *ET AL.*

By: /s/ Aaron L. Hammer  
Its Counsel

**Exhibit B**

**Lyon Workspace Products, LLC et al.  
Liquidation Analysis**

	Chapter 7		Chapter 11		
	Low Est. Value	High Est. Value	Low Est. Value	High Est. Value	Comments
<u>Assets:</u>					
Funding of Liquidation Trustee Expenses	100,000	100,000	100,000	100,000	Per APA Schedule 3.1(A); subject to reimbursement from net litigation proceeds
Reimbursement for Preparation of Final Tax Returns	50,000	50,000	50,000	50,000	Per APA Schedule 3.1(A)
Excess Letter of Credit Proceeds (Net Recovery)	395,100	395,100	395,100	395,100	Proceeds from Sentry per Dkt #461
Litigation Claims: Preference Actions (Net Recovery)	899,975	1,301,158	1,349,962	1,951,738	Per section 2.2h of APA; Ch 7 Trustee estimated to recover 2/3 of Ch 11 recoveries
Less: Reimbursement of Liquidation Trustee Funding	(100,000)	(100,000)	(100,000)	(100,000)	Per APA Schedule 3.1(A); reimbursement of initial Liquidation Trustee expenses
Litigation Claims: Other	TBD	TBD	TBD	TBD	Per section 2.2h of APA
Deposits Related to Excluded Assets	TBD	TBD	TBD	TBD	All deposits related to Excluded Assets per sections 2.1c and 2.2i of APA
Tax Refunds for pre-Closing Periods	TBD	TBD	TBD	TBD	Tax refunds related to pre-closing periods per section 2.2d of APA
Professional Fee Retainers	-	-	-	-	Per section 2.2g of APA; all retainers believed to be (or will be) exhausted
Total Assets	1,345,075	1,746,258	1,795,062	2,396,838	
<u>Administrative Claims:</u>					
503(b)(9) Claims	237,432	237,432	237,432	237,432	Estimate of allowed claims
Professional Fees through 12/31 (Perkins Coie)	17,139	17,139	17,139	17,139	Balance as of 12/31, less \$50k paid through post-closing professional fee funding
Professional Fees through 12/31 (Focus, KCC)	(22,445)	(22,445)	(22,445)	(22,445)	Negative balance is result of retainer held
Professional Fees through 12/31 (Creditors' Committee)	110,498	110,498	110,498	110,498	Balance as of 12/31, less \$50k paid through post-closing professional fee funding
Estimated Professional Fees to Confirmation	60,000	60,000	60,000	60,000	Estimate of \$15,000 per month for 4 months
Professional Fees Outstanding (Kinnally)	980	980	980	980	Invoice as of 1/31
Case Closing Costs (KCC)	21,403	21,403	42,806	42,806	Estimate per KCC; Ch 7 estimate 50% less due to exclusion of plan solicitation costs
Company Payroll & Services	10,000	5,000	10,000	5,000	Estimate
Tax Returns, Bank Fees, etc.	60,000	50,000	60,000	50,000	Estimate and subject to up to \$50k reimbursement per above
US Trustee Fees	30,000	20,000	30,000	20,000	Estimate
Chapter 11 Liquidating Trustee	-	-	60,000	39,000	Estimate of \$10k for first 3 months, \$3k - \$5k thereafter for 6-9 months total
Chapter 11 Liquidating Professional Fees	-	-	150,000	120,000	Estimate of \$20,000 - \$25,000 per month for 6 months
Chapter 7 Liquidating Trustee	63,602	75,638	-	-	Fees payable on total assets administered per statutory fee structure
Chapter 7 Liquidating Professional Fees	210,000	150,000	-	-	Estimate of \$25,000 - \$35,000 per month for 6 months
Total Administrative Claims	798,609	725,645	756,410	680,410	
Assets Remaining	546,465	1,020,613	1,038,652	1,716,427	
<u>Priority Claims:</u>					
Priority Wage Claims	-	-	-	-	Satisfied or paid per Debtor's counsel, or assumed per section 2.3b of APA
Priority Taxes	16,986	16,986	16,986	16,986	Estimate of allowed claims
Total Priority Claims	16,986	16,986	16,986	16,986	
Net Estimated Proceeds Available to Unsecured Trust	529,479	1,003,627	1,021,666	1,699,441	
<u>Unsecured Claims:</u>					
Landlord Claims	281,561	281,561	281,561	281,561	Estimate of allowed claims
PBGC Claims	11,499,111	11,499,111	11,499,111	11,499,111	Per Stipulation Between PBGC, Debtors, and Unsecured Creditors' Committee
Other General Unsecured Claims	10,951,512	10,951,512	10,951,512	10,951,512	Estimate of allowed claims
Total Unsecured Claims	22,732,184	22,732,184	22,732,184	22,732,184	
Payout to Unsecured Creditors	2.3%	4.4%	4.5%	7.5%	

Values provided are estimates only and inherently may ultimately materially differ from actual results.