UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF INDIANA
SOUTH BEND DIVISION

IN RE:	)	Chapter 11
	)	
NEW ENERGY CORP.,	)	Case No. 12-33866-hcd
	)	
Debtor.	)	
	)	

DISCLOSURE STATEMENT OF DEBTOR AND OFFICIAL COMMITTEE OF UNSECURED CREDITORS PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE WITH REGARD TO JOINT PLAN OF LIQUIDATION

Dated: June 6, 2013

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THIS PROPOSED DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT. THUS, THE FILING AND DISSEMINATION OF THIS PROPOSED DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS AN AUTHORIZED SOLICITATION OF VOTES ON THE JOINT PLAN OF LIQUIDATION OF THE DEBTOR AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS UNDER 11 U.S.C. § 1125 OR OTHERWISE.

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I. GLOSSARY OF TERMS

Below are defined terms from the Plan that are used in this Disclosure Statement. Certain other terms are defined elsewhere in this Disclosure Statement. Other capitalized terms not defined herein have the meanings given to them in the Plan.

"*Administrative Claim*" means a Claim for payment of costs or expenses of administration specified in Sections 503(b) and 507(a)(2) of the Bankruptcy Code.

"*Administrative Claim Bar Date*" means the date fixed pursuant to Section 2.2 of the Plan by which all Entities asserting Administrative Claims arising in the period from the Petition Date through the Effective Date, inclusive, must have filed proofs of such Administrative Claims or requests for payment of such Administrative Claims or be forever barred from asserting such Administrative Claims against the Debtor or its property, or such other date by which any such Administrative Claim must be filed as may be fixed by order of the Bankruptcy Court.

"*Allowed Claim*" means a Claim: (a) either (i) proof of which has been timely filed with the Bankruptcy Court or has been deemed timely filed by a Final Order; or (ii) if not so filed, scheduled by the Debtor other than as disputed, contingent or unliquidated; or (iii) any stipulation of amount and nature of a Claim filed prior to entry of the Confirmation Order; and (b) allowed by a Final Order, by the Plan, or because no party in interest timely has filed an objection, filed a motion to equitably subordinate, or otherwise sought to limit recovery on such Claim. An Allowed Claim shall not include interest accruing after the Petition Date on the amount of any Claim except as expressly provided herein.

"*Avoidance Actions*" means any and all rights, claims, and Causes of Action under Sections 510 and 544 through 553 of the Bankruptcy Code that the Debtor or its Estate may possess against any Entity, whether arising before or after the Petition Date.

"*Bankruptcy Code*" means title 11 of the United States Code (11 U.S.C. §§ 101 et seq.), as amended from time to time, as applicable to the Chapter 11 Case.

"*Bankruptcy Court*" means the United States Bankruptcy Court for the Northern District of Indiana or any other court or adjunct thereof exercising competent jurisdiction.

"*Bankruptcy Rules*" means the Federal Rules of Bankruptcy Procedure as applicable to the Chapter 11 Case.

"*Bar Date*" means March 21, 2013 or May 8, 2013 for governmental units as set forth in the Notice of Chapter 11 Bankruptcy Case, Meeting of Creditors & Deadlines (Doc. No. 10), by which date all Entities asserting certain Claims arising before the Petition Date must have filed proofs of such Claims or be forever barred from asserting such Claims against the Debtor or its Estate.

"*Business Day*" means any day other than Saturday, Sunday or "legal holiday" as such term is defined in Bankruptcy Rule 9006(a).

"*Cash*" means cash and cash equivalents, including but not limited to bank deposits, checks, and other similar items.

"*Cash Collateral Orders*" means the Final Order Granting Debtor's Emergency Motion for Authority to Use Cash Collateral (Doc. No. 115), Order Granting Debtor's Second Motion for Authority to Use Cash Collateral (Doc. No. 203), the Order Granting Debtor's Third Motion for Authority to Use Cash Collateral (Doc. No. 280)), the Agreed Order Granting Debtor's Fourth Motion for Authority to Use Cash Collateral (Doc. No. 362), and any subsequent order or orders authorizing the use of cash collateral as each was entered, amended and/or extended from time to time by the Bankruptcy Court or as permitted by the terms of such orders, the terms of which orders are incorporated herein.

"*Cause of Action*" means any action, cause of action, suit, account, controversy, agreement, promise, right to legal remedy, right to an equitable remedy, right to payment and claim, whether known or unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured, unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise held by the Debtor or its Estate against any Entity, whether arising before or after the Petition Date, including, but limited to those specifically described in Section 10.4 of the Plan.

"*Chapter 11 Case*" means this case under Chapter 11 of the Bankruptcy Code concerning the Debtor, administered under Case No. 12-33866.

"*Claim*" means a claim against the Debtor, as such term is defined in Section 101(5) of the Bankruptcy Code.

"*Class*" means a category of Claims or Interests as provided for in Article III of the Plan.

"*Closing*" means the closing of the Sale in accordance with the Purchase Agreement.

"*Collateral*" means the Debtor's tangible and intangible real and personal property assets subject to valid, perfected and unavoidable Liens and security interests and the proceeds thereof.

"Code" or "Tax Code" means the Internal Revenue Code of 1986, as amended.

"*Committee*" means the Official Committee of Unsecured Creditors of New Energy Corp., appointed on November 27, 2012 (Doc. No. 63), as such committee may be reconstituted from time to time.

"*Confirmation Date*" means the date the Bankruptcy Court enters the Confirmation Order.

"*Confirmation Hearing*" means the hearing to be held by the Bankruptcy Court to consider confirmation of the Plan pursuant to Section 1129 of the Bankruptcy Code.

"*Confirmation Order*" means the order to be entered by the Bankruptcy Court confirming the Plan in accordance with the provisions of the Bankruptcy Code.

"*Creditor*" means an Entity holding a Claim.

"*Debtor*" means New Energy Corp.

"*De Minimis Undistributed Funds*" means those funds remaining in the Liquidating Trust which, as determined by the Liquidating Trustee, would be prohibitively costly to distribute to all Beneficiaries of the Liquidating Trust.

"*Deficiency Claim*" means, with respect to a Claim that is partially secured, the amount by which the Allowed amount of such Claim exceeds the Debtor's interest in the property that serves as Collateral for the Claim.

"*Disclosure Statement*" means this disclosure statement relating to the Plan (including all exhibits and schedules annexed thereto or referred to therein) as may be altered, amended, supplemented or modified from time to time, filed by the Debtor pursuant to Section 1125 of the Bankruptcy Code.

"*Disputed Claim*" means any Claim to the extent such Claim (a) is disputed under the terms of the Plan; (b) is the subject of an objection filed in accordance with Article V of the Plan; (c) is scheduled as contingent, disputed or unliquidated in the Schedules; (d) is not set forth in the Schedules; or (e) is an Untimely Claim. A Claim that is not Allowed as of the Effective Date may become a Disputed Claim pursuant to Article V of the Plan.

"*Distribution*" means a payment made to holders of Claims pursuant to the Plan.

"*Distribution Date*" means any date on which a Distribution is made.

"*DOE*" means the United States of America, acting by and through the Secretary of the Department of Energy.

"*Effective Date*" means the first Business Day on which all conditions to effectiveness of the Plan have been satisfied or waived.

"*Entity*" means "entity" as defined in Section 101(15) of the Bankruptcy Code.

"*Estate*" means the estate of the Debtor created on the Petition Date as defined under Section 541 of the Bankruptcy Code.

"*Facility*" means the Debtor's ethanol plant located in South Bend, Indiana.

"*Final Order*" means an order, ruling or judgment, as entered by the Bankruptcy Court: (i) that has not been reversed, modified or amended, and is not stayed; (ii) as to which the time to appeal from or to seek review or rehearing or petition for certiorari has expired; and (iii) that is no longer subject to review, reversal, modification or amendment; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedure, or any analogous

rule under the Federal Rules, may be filed relating to such order or judgment shall not cause such order or judgment not to be a "Final Order."

"*Freeborn & Peters*" means Freeborn & Peters LLP, in their capacity as counsel for the Committee and the Liquidating Trustee.

"*Impaired*" means any Claim or Interest, or Class of Claims or Interests, which is "impaired" within the meaning of Section 1124 of the Bankruptcy Code.

"*Interest*" means any ownership interest or right to acquire any ownership interest in the Debtor or any other equity security (as defined in the Bankruptcy Code) in the Debtor, including any Claims recharacterized as equity pursuant to an order of the Bankruptcy Court.

"*Insider*" means "insider" as defined in Section 101(31) of the Bankruptcy Code.

"*LFF*" means LF Financial, LLC

"*Lien*" means "lien" as defined in Section 101(37) of the Bankruptcy Code.

"*Liquidating Trust*" means the trust created under the Plan pursuant to the Liquidating Trust Agreement.

"*Liquidating Trust Agreement*" means that certain trust agreement, dated as of the Effective Date, which shall be substantially in the form attached as Exhibit 1 to the Plan.

"*Liquidating Trustee*" means John Pidcock. of Conway MacKenzie, Inc.

"*Net Proceeds of the Remaining Assets*" means the Cash proceeds realized from the collection and liquidation of the Remaining Assets after deducting the reasonable costs of pursuit, collection and liquidation of the Remaining Assets incurred by the Liquidating Trustee and his professionals.

"*Petition Date*" means November 9, 2012.

"*Plan*" means the joint plan of liquidation under Chapter 11 of the Bankruptcy Code (including all exhibits and schedules annexed thereto), as the same may be altered, amended, or modified from time to time (after the Confirmation Date, such amendments or modifications being effective only if approved by order of the Bankruptcy Court) and which is incorporated herein by reference.

"*Prepetition Intercreditor Agreement*" means that certain Intercreditor Agreement, dated as of June 5, 2009 (as amended, restated, supplemented or otherwise modified from time to time), by and among the Debtor, Prepetition Senior Lender, and Prepetition Junior Lenders.

"*Prepetition Junior Lenders*" means the DOE and LFF in their shared second security interests and liens on all of the Debtor's assets on a pari passu basis pursuant to the Prepetition Intercreditor Agreement to secure obligations totaling approximately $37.8 million.

"*Prepetition Senior Lender*" means the DOE in its first security interests and liens on all of the Debtor's assets to secure obligations totaling approximately $2.6 million.

"*Priority Claim*" means any Claim to the extent entitled to priority in payment pursuant to Section 507(a) of the Bankruptcy Code, other than an Administrative Claim.

"*Priority Tax Claim*" means any Claim of governmental units, to the extent entitled to priority in payment under Section 507(a)(8) of the Bankruptcy Code.

"*Pro Rata*" means the amount to be paid with respect to an Allowed Claim based on the ratio of the Allowed Claim to the total amount of Allowed Claims in the same Class.

"*Purchase Agreement*" means Asset Purchase Agreement by and between the Debtor and the Purchaser in the form approved by the Sale Order.

"*Purchaser*" means Maynards Industries (1991) Inc. and Biditup Auctions Worldwide, Inc.

"*Remaining Assets*" means all property in which the Debtor or the Estate has a legal or equitable interest on the Confirmation Date, consisting of Cash, unrefunded deposits and bonds, the Avoidance Actions, and the Causes of Action.

"*Reserve for 2012 Real Property Taxes*" means the reserve for payment of 2012 real property taxes in the amount of $181,000.

"*Reserve for 2013 Personal Property Taxes*" means the reserve for payment of 2013 personal property taxes in the amount of $440,000.

"*Sale*" means the sale of certain of the Debtor's assets to the Purchaser on the terms and conditions approved by the Bankruptcy Court in the Sale Order.

"*Sale Order*" means the Order Granting Motion for Authority to: (1) Sell Substantially All the Assets of New Energy Corp. Free and Clear of All Liens, Claims, Interests and Encumbrances; (2) Assume and Assign Certain Leases and Contracts; and (3) Waive Fourteen Day Stay of Sale entered on February (Doc. No.277), which, among other things approved the Sale and the terms of which, as may be amended from time to time by the Bankruptcy Court or as permitted by the terms of the Sale Order, are incorporated herein.

"*Schedules*" means the schedules, as amended from time to time, of assets and liabilities filed by the Debtor with the Bankruptcy Court on November 21, 2012 (Doc. No. 55) in accordance with Sections 521 and 1106(a)(2) of the Bankruptcy Code.

"*Secured Claim*" means any Claim, or portion thereof, against the Debtor to the extent such Claim is secured within the meaning of Section 506(a) or 1111(b) of the Bankruptcy Code.

"*Unimpaired Claim*" means any Claim or Interest, or Class of Claims or Interests, which is not "impaired" within the meaning of Section 1124 of the Bankruptcy Code.

"*Unsecured Claim*" means any Claim or portion thereof, against the Debtor, other than an Administrative Claim, Priority Claim, Secured Claim or Deficiency Claim of the Prepetition Junior Lenders.

II. INTRODUCTION

New Energy Corp, as debtor and debtor in possession, and the Committee (collectively, the "Plan Proponents") submit this disclosure statement (the "Disclosure Statement") pursuant to Section 1125 of the Bankruptcy Code to holders of Claims against and Interests in the Debtor in connection with (i) the solicitation of votes to accept or reject the Plan attached hereto, and incorporated herein as Exhibit A, filed with the Bankruptcy Court by the Plan Proponents and (ii) the hearing to consider confirmation of the Plan scheduled for _____, 2013, commencing at _____ __.m. prevailing Eastern Time.

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

The commencement of a case under Chapter 11 creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan of reorganization is the principal objective of a Chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan, any creditor or equity interest holder of a debtor and any other person or entity as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code.

Certain holders of claims against and interests in a debtor are permitted to vote to accept or reject a Chapter 11 plan. Prior to soliciting acceptances of the proposed plan, Section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan. Chapter 11 does not require that each holder of a claim against or interest in a debtor vote in favor of a plan of reorganization in order for the plan to be confirmed. However, a plan must be accepted by at least one class of claims impaired under the plan, such acceptance being made by the holders of a majority in number and two-thirds in amount of the claims actually voting in such class. The Plan Proponents are submitting this Disclosure Statement to holders of Claims against and Interests in the Debtor to satisfy the requirements of Section 1125 of the Bankruptcy Code.

The Plan is a plan of liquidation. The Plan shall be funded through the collection and liquidation of the Remaining Assets of the Debtor into Cash. The Plan also creates the Liquidating Trust. The Debtor's Estate will contribute the Remaining Assets to the Liquidating Trust for the benefit of Creditors of the Debtor. Descriptions of the Liquidating Trust and the Remaining Assets that will be contributed to the Liquidating Trust by virtue of the Plan are set forth in Section V of this Disclosure Statement.

The Plan is the result of careful and lengthy review and analysis of the Debtor's business and its reorganization alternatives by the Debtor's management and its financial and legal advisors. The Plan also incorporates the settlement (hereafter "Plan Settlement") which resulted from meaningful negotiations between and among the Debtor and certain key creditor constituents in this Chapter 11 Case, including the Committee and the Prepetition Senior Lender. Under the terms of the Plan Settlement, the Prepetition Senior Lender and the Prepetition Junior Lenders will provide Cash, in an amount not to exceed $75,000, to fund the Liquidating Trust and the Prepetition Junior Lenders will reduce their Pro Rata share of the proceeds of the Remaining Assets.

A. Exhibits and Schedules to the Disclosure Statement

Attached as Exhibits to this Disclosure Statement are the following documents:

- The Plan (Exhibit A)
- Order of the Bankruptcy Court dated _____, 2013 (the "Disclosure Statement Order"), among other things, approving this Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan (Exhibit B)
- Potential Defendants in Litigation Brought by the Liquidating Trustee (Exhibit C). This Exhibit contains, among others, the names of those Entities which received payment within 90 days of the Petition Date, or one year for Insiders, as set forth in the responses to Questions 3b and 3c respectively of the Statement of Financial Affairs filed on November 21, 2012 (Doc. No. 56).

In addition, a ballot for voting on the Plan is enclosed with this Disclosure Statement for those holders of Claims who are entitled to vote to accept or reject the Plan.

B. Disclosure Statement Order

On _____, 2013, after notice and a hearing, the Bankruptcy Court entered the Disclosure Statement Order, a copy of which is attached hereto as Exhibit B, approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical, reasonable investors typical of the Debtor's creditors to make an informed judgment whether to accept or reject the Plan. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order sets forth in detail the deadlines, procedures, and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes, and the applicable standards for tabulating ballots. In addition, detailed voting instructions accompany each ballot. Each holder of a Claim entitled to vote to accept or reject the Plan should read this Disclosure Statement, the Plan, the Disclosure Statement Order, and the instructions accompanying the ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to Section 1125 of the Bankruptcy Code.

C. Classification of Claims and Interests

Section 1122 of the Bankruptcy Code requires that a plan classify the claims of a debtor's creditors and the interests of its equity holders. The Bankruptcy Code also provides that, except for certain claims classified for administrative convenience, a plan may place a claim of a creditor or an interest of an equity holder in a particular class only if such claim or interest is substantially similar to the other claims or interest of such class. The Bankruptcy Code also requires that a plan provide the same treatment for each claim or interest unless the holder of the claim or interest agrees to a less favorable treatment of its claim or interest.

The Plan Proponents believe that the Plan Proponents have classified all Claims against and Interests in the Debtor in compliance with the requirements of the Bankruptcy Code. For a discussion of the classification and treatment of Claims and Interests, see Section V of this Disclosure Statement.

D. Holders of Claims Entitled to Vote

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a proposed plan are entitled to vote to accept or reject a proposed plan. Pursuant to Section 1126(f) of the Bankruptcy Code, classes of claims or interests in which the holders of claims or interests 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. Pursuant to Section 1126(g) of the Bankruptcy Code, classes of claims or interests in which the holders of claims or equity interests will receive no recovery under a Chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Thus, acceptance of the Plan by Classes 3 and 4 will occur only if at least two-thirds in dollar amount and a majority in number of the holders of such Claims in each Class that cast their ballots vote in favor of acceptance. A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code. For a more detailed description of the requirements for confirmation of the Plan, see Sections V of this Disclosure Statement.

If a Class of Claims entitled to vote on the Plan rejects the Plan, the Plan may be confirmed pursuant to Section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code permits the confirmation of a plan notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests. Under Section 1129(b) of the Bankruptcy Code, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Section V of this Disclosure Statement. As discussed below, Class 5 is deemed to reject the Plan. In view of the deemed rejection of the Plan by Class 5, the Debtor will request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code. If any other impaired Class under the Plan fails to accept the Plan in accordance with Section 1129(a)(8) of the Bankruptcy Code, the Debtor reserves the right to request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code with respect to such rejecting Class(es).

E. 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. If you hold Claims in more than one Class and you are entitled to vote Claims in more than one class, you will receive separate ballots, which must be used for each separate Class of Claims. Each ballot contains detailed instructions for completing and submitting the ballot. Please vote and return your ballot(s) to the respective location specified in the instructions accompanying each ballot.

DO NOT RETURN ANY NOTES OR OTHER SECURITIES WITH YOUR BALLOT.

TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE FORWARDED IN ACCORDANCE WITH THE ACCOMPANYING INSTRUCTIONS IN SUFFICIENT TIME FOR IT TO BE RECEIVED BY TAFT STETTINIUS & HOLLISTER LLP, ONE INDIANA SQUARE, SUITE 3500, INDIANAPOLIS, IN 46204, ATTN: JEFFREY GRAHAM, NO LATER THAN 4:00 P.M., PREVAILING EASTERN TIME, ON _____, 2013. PLEASE FOLLOW CAREFULLY THE INSTRUCTIONS CONTAINED IN YOUR BALLOT. ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL NOT BE COUNTED.

Any Claim in an impaired Class as to which an objection or request for estimation is pending or which is scheduled by the Debtor as unliquidated, disputed, or contingent and for which no proof of claim has been filed is not entitled to vote unless the holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan.

If you are a holder of a Claim entitled to vote on the Plan and you did not receive a ballot, received a damaged ballot, or lost your ballot, or if you have any questions concerning this Disclosure Statement or the Plan, please contact Jeffrey Graham at (317) 713-3500.

F. Confirmation Hearing

Pursuant to Section 1128 of the Bankruptcy Code, the Confirmation Hearing will be held on _____, 2013, commencing at _____ __.m. prevailing Eastern Time, before the Honorable Harry C. Dees, Jr., United States Bankruptcy Judge, at the United States Bankruptcy Court for the Northern District of Indiana, 401 South Michigan Street, South Bend, Indiana 46601.

PURSUANT TO THE DISCLOSURE STATEMENT ORDER, THE BANKRUPTCY COURT HAS DIRECTED THAT ANY OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE IN WRITING, AND: (A) STATE THE NAME AND ADDRESS OF THE OBJECTING PARTY AND THE NATURE OF THE CLAIM OR INTEREST OF SUCH PARTY; (B) STATE WITH PARTICULARITY THE LEGAL AND FACTUAL GROUNDS OF ANY OBJECTION OR, WHERE APPLICABLE, PROPOSED MODIFICATIONS; (C) PROVIDE, WHERE APPLICABLE, THE SPECIFIC TEXT THAT THE OBJECTING PARTY BELIEVES TO BE APPROPRIATE TO INSERT INTO THE PLAN; AND (D) BE FILED, TOGETHER WITH PROOF OF SERVICE, WITH THE BANKRUPTCY COURT AND SERVED ON: (I) COUNSEL FOR THE DEBTOR, TAFT STETTINIUS & HOLLISTER LLP, ONE INDIANA SQUARE, SUITE 3500, INDIANAPOLIS, IN 46204, ATTN: JEFFREY GRAHAM; (II) COUNSEL FOR THE COMMITTEE, FREEBORN & PETERS LLP, 311 SOUTH WACKER DRIVE, SUITE 3000, CHICAGO, IL 60606-6677, ATTN: THOMAS R. FAWKES; (III) THE OFFICE OF THE UNITED STATES TRUSTEE, ATTN: ALEXANDER L. EDGAR, 100 EAST WAYNE STREET, ROOM 555, SOUTH BEND, IN 46601; SUCH AS TO BE ACTUALLY RECEIVED NO LATER THAN 4:00 P.M. PREVAILING EASTERN TIME ON _____, 2013, UNLESS AN OBJECTION IS TIMELY FILED AND SERVED AS PROVIDED HEREIN, IT MAY NOT BE CONSIDERED AT THE CONFIRMATION HEARING.

The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND THE DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION STATED SINCE THE DATE HEREOF. HOLDERS OF CLAIMS AND INTERESTS SHOULD CAREFULLY READ THIS DISCLOSURE STATEMENT IN ITS ENTIRETY, INCLUDING THE PLAN, PRIOR TO VOTING ON THE PLAN.

THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED WITH, REVIEWED, OR APPROVED OR DISAPPROVED BY, THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, AND THE COMMISSION HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.

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 THIS DISCLOSURE STATEMENT, THE TERMS OF THE PLAN ARE CONTROLLING. THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. NOTHING STATED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON THE DEBTOR OR HOLDERS OF CLAIMS OR INTERESTS. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, BY NATURE, ARE FORWARD-LOOKING AND CONTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES. ALL HOLDERS OF CLAIMS SHOULD CAREFULLY READ AND CONSIDER FULLY THE RISK FACTORS SET FORTH IN ARTICLE V OF THIS DISCLOSURE STATEMENT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.

SUMMARIES OF CERTAIN PROVISIONS OF AGREEMENTS REFERRED TO IN THIS DISCLOSURE STATEMENT DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, THE FULL TEXT OF THE APPLICABLE AGREEMENT, INCLUDING THE DEFINITIONS OF TERMS CONTAINED IN SUCH AGREEMENT.

THE DEBTOR AND THE COMMITTEE BELIEVE THAT THE PLAN WILL ACCOMPLISH THE OBJECTIVES OF CHAPTER 11 AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTOR, ITS CHAPTER 11 ESTATE, AND ITS CREDITORS.

NO REPRESENTATIONS OR ASSURANCES, IF ANY, CONCERNING THE DEBTOR OR THE PLAN ARE AUTHORIZED BY THE DEBTOR AND/OR THE COMMITTEE OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. ANY REPRESENTATIONS OR INDUCEMENTS MADE BY ANY PERSON TO SECURE YOUR VOTE THAT ARE OTHER THAN HEREIN CONTAINED SHOULD NOT BE RELIED UPON BY YOU IN ARRIVING AT YOUR DECISION. ANY SUCH ADDITIONAL REPRESENTATIONS OR INDUCEMENTS SHOULD BE REPORTED TO COUNSEL FOR THE PLAN PROPONENTS FOR SUCH ACTION AS MAY BE DEEMED APPROPRIATE.

THIS IS A SOLICITATION SOLELY BY THE DEBTOR AND THE COMMITTEE AND IS NOT A SOLICITATION BY ANY SHAREHOLDER, ATTORNEY, OR ACCOUNTANT FOR THE DEBTOR OR THE COMMITTEE. THE REPRESENTATIONS, IF ANY, MADE HEREIN ARE THOSE OF THE DEBTOR AND THE COMMITTEE AND NOT OF SUCH SHAREHOLDERS, ATTORNEYS, OR ACCOUNTANTS, EXCEPT AS MAY BE OTHERWISE SPECIFICALLY AND EXPRESSLY INDICATED.

THE DEBTOR AND THE COMMITTEE URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

III. BACKGROUND OF THE DEBTOR

A. General Overview of the Debtor's Businesses

1. Ownership and Purpose

The Debtor is an Indiana corporation. The Debtor is wholly owned by non-debtor NE Ethanol Holdings LLC ("NEEH"). The Debtor was formed for the purpose of constructing, owning and operating the Facility. The Facility is capable of producing approximately 100 million gallons of ethanol per year. The Company operated continuously, without interruption since 1984, until it ceased operations during the Chapter 11 case.

2. Ethanol

Ethanol is 200 proof grain alcohol with a denaturant added to prevent human consumption and avoid the levy of an alcohol tax. When blended with gasoline, ethanol boosts octane and also oxygenates the fuel, thereby enhancing gasoline performance and reducing gasoline exhaust emissions. Because it is derived primarily from corn, a domestic, readily available agricultural commodity, ethanol is a renewable source of energy. Ethanol is produced by the fermentation of sugars found in grains and other biomass. Although ethanol can be produced from a number of different types of grains, such as wheat and sorghum, as well as from food waste products, approximately 90% of ethanol in the United States is produced from corn because corn consists of over 65% starch, which converts into glucose and eventually to alcohol more easily than other kinds of biomass.

A typical bushel of U.S. Number Two Yellow Corn weighs 56 pounds and yields approximately 2.7 gallons of undenatured fuel ethanol, 18 pounds of dried distiller's grains ("DDGS") and over 16 pounds of CO2, of which approximately 13 pounds is recoverable for sale. DDGS, a natural co-product consisting of the remnants of corn after the ethanol-producing starch has been removed, are a high protein, high-energy, high fiber livestock supplement, with an established commercial value. CO2 has commercial value primarily in the production of dry ice and in the beverage industry.

3. Location

In the ethanol industry, location is paramount. The Facility sits on an approximately 70 acre site in the southwest area of South Bend, Indiana. The Plant is strategically located in the Midwest corn belt which provides lower cost corn, the main feedstock in ethanol production, and proximity to its ethanol end users, large oil refiners and blenders. The Facility has rail and truck shipping and receiving capabilities.

4. The Facility

The Facility was designed by Davy McKee, Inc., and commenced commercial operations in 1984. The Facility can produce approximately 100 million gallons of ethanol, 310,000 tons of

DDGS, and 320,000 tons of CO2 per year. In 2011, the Debtor processed approximately 32 million bushels of corn at a cost of over $212 million. The Facility can store approximately 720,000 bushels of corn on site, which is enough corn for approximately seven days of production at full production rates. Much of the Debtor's corn was sourced from local grain elevators and family farmers, over 300 in aggregate, many of whom had long established business relationships with the Debtor.

5. Workforce

At historical production rates, the Debtor employed 85 to 90 people to run operations, power the Facility and to administer the business operations of the Debtor. The Debtor's average annual payroll had been approximately $7.3 million. The Debtor's workforce was comprised of both hourly and salaried employees, including operators, boiler staff, maintenance workers, laboratory technicians, security guards, administrators and management. The Debtor's employees were not represented by a labor union.

6. Financial Summary

As of the Petition Date, the Debtor's estimated assets totaled $34,400,912.40 (book value) and estimated liabilities totaled $54,189,657.07.

B. The Debtors' Pre-Petition Debt Structure

1. DOE Secured Loan

The Debtor was indebted to the DOE, and Lake City Bank, as the collateral trustee for the benefit of the Secretary (the "Collateral Trustee" or "Bank") as of the Petition Date in the amount of approximately $33.3 million pursuant to the terms of the Second Amended and Restated Loan Restructuring Agreement, dated as of December 18, 1997 (as amended and modified, the "Loan Agreement"). The Debtor's obligations to the DOE as of the Petition Date are secured by the Debtor's real property pursuant to a certain Mortgage granted by the Debtor to and in favor of the Collateral Trustee, for the benefit of the DOE, dated as of October 26, 1982 (as amended and modified, the "Mortgage"), and by a security interest in and on all of the Debtor's personal property granted by Debtor to and in favor of the Collateral Trustee, for the benefit of the DOE, as set forth in that certain Second Amended and Restated Security and Collateral Application Agreement dated as of December 18, 1997, as subsequently amended and modified.

On June 5, 2009, the Debtor, the DOE and Collateral Trustee entered into a Modification and Forbearance Agreement (and as amended or modified, the "Forbearance"), effective as of January 1, 2009 whereby, among other modifications to the Loan Agreement, the DOE agreed to defer scheduled quarterly payments owed by the Debtor to the DOE under the Loan Agreement and to forbear from exercising remedies available under the Loan Agreement for a defined period.

As part of the Forbearance, the Debtor agreed to provide principal reductions in the form of excess cash flow payments (the "Cash Flow Sweep Payments") both during and subsequent to the Forbearance. After the Forbearance period terminated, the requirement to pay Cash Flow

Sweep Payments continued along with the regularly scheduled principal and interest payments required under the Note. Under the terms of the Forbearance, the Debtor's Cash Flow Sweep Payments were calculated as 80% of the Debtor's cash flow up to approximately $3.4 million plus 50% of cash flow above approximately $3.4 million for the prior calendar quarter. Since the Forbearance and related Cash Flow Sweep Payment requirement were in force, the Debtor made approximately $13.0 million in Cash Flow Sweep Payments to the DOE prior to the filing of the Petition.

Under the terms of the Forbearance, the Debtor owed the DOE a Cash Flow Sweep Payment of approximately $3.6 million on January 17, 2012 (the "Cash Flow Sweep Payment"). However, in an effort to preserve liquidity during a period of significant distress in the ethanol market, the Debtor requested a deferral of the January Cash Flow Sweep Payment. Pursuant to the First Extension Agreement dated January 24, 2012 (the "January 2012 Extension Agreement"), but effective as of January 17, 2012, the Debtor agreed to provide a partial payment of the Cash Flow Sweep Payment and to provide the DOE a restructuring proposal by March 2, 2012. The balance of the Cash Flow Sweep Payment, approximately $2.6 million, was deferred and converted to senior secured debt pursuant to an agreement between the DOE and LFF set forth in an amendment to the Prepetition Intercreditor Agreement.

2. LFF Working Capital Facility

The Debtor is also a borrower under a Replacement Loan and Security Agreement (and as amended, the "Working Capital Facility") dated as of December 18, 1997 with LFF. The Working Capital Facility is secured by a mortgage and security interest in the same assets which secure the Debtor's obligations to the DOE. The priority of the mortgages and security interests of the DOE and the Working Capital Lender are governed by an intercreditor agreement between them. The Working Capital Facility bears interest at a rate of 4.75% per annum. As of the Petition Date, the Debtor was indebted to the LFF under the terms of the Working Capital Facility in the amount of approximately $7.2 million.

C. Events Leading to the Bankruptcy Filing

As stated previously, the Debtor had operated continuously since 1984, and had weathered numerous industry downturns over the years. Current industry conditions have been characterized by (i) low/negative margins, (ii) high inventory/production, and (iii) an uncertain regulatory outlook.

Commodity margins, or the difference between the processed saleable ethanol and per gallon corn cost, have been consistently negative since late 2011. There are a number of factors which have caused this including (i) the expiration of the Volumetric Ethanol Excise Tax Credit1

[1] Commonly referred to as the "blender's credit," the VEETC was created in 2004 as part of H.R. 4520, the American Jobs Creation Act of 2004 (JOBS Bill, P.L. 108-357). VEETC provided oil companies with an economic incentive to blend ethanol with gasoline. As of January 1, 2009, the original tax credit totaling 51 cents per gallon on pure ethanol (5.1 cents per gallon for E10, and 42 cents per gallon on E85) was reduced to 45 cents per gallon. The tax credit was passed on to motorists in the form of more cost-effective fuel at the pump. The

(the "VEETC"), (ii) high corn costs/low ethanol price, (iii) high ethanol supplies, (iv) high gas prices, and (v) low gasoline demand. Taken together, these factors have created a very difficult operating environment for the ethanol industry. As a result of industry dynamics, the Company began to experience losses in December 2011 which, together with debt service requirements over the last few years, drained the Company of much needed liquidity. The Debtor paid approximately $13.0 million in debt service to the DOE from June 2009 to the Petition Date.

From an operational perspective, the Debtor took a number of steps to address the adverse industry conditions and liquidity constraints, and to return to profitability including, (i) reducing headcount by approximately 29% (from 126 to 90) in June 2011, (ii) reducing production rates to stem cash burn as a result of negative commodity margins, (iii) utilizing purchased ethanol in lieu of production to meet customer commitments, (iv) cutting payroll costs by approximately 20% in July 2012 via a reduction in compensation levels for all the Debtor's employees, and (v) reducing on-hand inventory and running on leaner working capital. These actions reduced the Debtor's expenses.

In August of 2011, the Debtor initiated a marketing process for the sale of the Facility. A comprehensive sales process was run in which over 50 industry or financial parties were contacted and provided marketing materials related to the opportunity. In the ensuing months, the Debtor worked with prospective buyers, but no interested party was willing or able to move forward to pursue a transaction. During the end of 2011, industry conditions and the Debtor's liquidity position worsened to the point where it was evident a financial and operational restructuring was required.

Pursuant to the requirements of the January 2012 Extension Agreement, the Debtor prepared a detailed restructuring plan which outlined specific restructuring alternatives for all of the Debtor's key stakeholders. At the same time the Debtor reinitiated negotiations with a prospective buyer who was contacted during the sales process in 2011. The prospective buyer's renewed interest in the Plant was an encouraging sign, and representatives of the prospective buyer and the Debtor worked together to structure a transaction.

Unfortunately, despite the Debtor's best efforts, the prospective buyer was unable to complete the transaction. As a result, the Debtor restarted discussions with other buyer groups who had expressed earlier interest in a transaction. On August 21, 2012, the Debtor and the DOE entered into the Second Amended and Restated 2012 Second Forbearance Agreement (the "Second Forbearance"). In the Second Forbearance, the DOE agreed to forbear through November 16, 2012, subject to certain Termination Events which relied primarily on a series of milestones and deadline dates related to an accelerated marketing timeline. The Debtor solicited interest from a broader group of prospective buyers, but no potential buyer was willing or able to submit an indication of interest by October 3, 2012, one of the deadline dates. This represented an event which could trigger termination.

On October 15, 2012, the DOE issued a Notification of Termination Event claiming a default under the Second Forbearance. The DOE requested that the Debtor conduct a sale of its

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VEECT subsidized ethanol producers by increasing demand for ethanol. Congress allowed the VEETC to expire on December 31, 2011.

assets as a going concern under Section 363 of the Bankruptcy Code. The Debtor agreed with the DOE and commenced this Chapter 11 Case in order to maximize the value of its assets through a sale pursuant to Section 363 of the Bankruptcy Code.

IV. EVENTS IN THE CHAPTER 11 CASE

A. Bankruptcy Filing And First Day Orders

On the Petition Date, the Debtor filed its petition under Chapter 11 of the Bankruptcy Code. In connection with its Chapter 11 petition, the Debtor filed a number of initial motions requesting relief designed to minimize the disruption of the Debtor's operations and to facilitate a successful reorganization. Specifically, the Debtor filed certain motions seeking, among other things, authorization to:

- Maintain pre-petition bank accounts, cash management systems and business forms and directing the Debtor's banks to honor certain pre-petition checks;
- Pay certain pre-petition employee claims in the ordinary course;
- Establish prohibitions for utility providers from altering service, provide adequate assurances of payment to utility providers, and establish procedures for the request of addition adequate assurance;
- Use cash collateral ("Cash Collateral");
- Employ Taft Stettinius & Hollister LLP as bankruptcy counsel to the Debtor;
- Employ RPA Advisors, LLC as financial advisors to the Debtor; and
- Implement a key employee incentive plan.

B. Cash Collateral Order

The Debtor required the use of Cash Collateral to continue its business operations and maintain its assets during the course of the Chapter 11 Case. On the Petition Date, the Debtor filed the *Emergency Motion for Authority to Use Cash Collateral* (Doc. No. 8) (the "Cash Use Motion") seeking to use Cash Collateral pursuant to the budget provided with the Cash Use Motion. The Bankruptcy Court entered the *Final Order Granting Debtor's Emergency Motion for Authority to Use Cash Collateral* (Doc. No. 115) allowing the use of Cash Collateral through February 3, 2013. The *Debtor's Second Motion for Authority to Use Cash Collatera*l (Doc. No. 166) was granted by the *Order Granting Debtor's Second Motion for Authority to Use Cash Collateral* (Doc. No. 203) allowing the use of Cash Collateral through March 3, 2013. The *Debtor's Third Motion for Authority to Use Cash Collateral* (Doc. No. 236) was granted by the *Order Granting Debtor's Third Motion for Authority to Use Cash Collateral* (Doc. No. 280) allowing the use of Cash Collateral through April 28, 2013. The Debtor's Fourth Motion for Authority to Use Cash Collateral (Doc. No. 354) was granted by *the Agreed Order Granting Debtor's Fourth Motion for Authority to Use Cash Collateral* (Doc. No. 362) allowing the use of Cash Collateral through June 23, 2013.

C. Official Committee in this Chapter 11 Case

Official committees appointed under Section 1102 of the Bankruptcy Code have, among other rights, the right to (i) consult with a debtor concerning administration of the case, (ii) investigate the acts, conduct, assets, liabilities and financial condition of the debtor, the operation of the debtor's business, and any other matter relevant to the case or to the formulation of a plan, and (iii) participate in the formulation and acceptance or rejection of a plan. The Debtor has worked closely with the Committee formed in this Chapter 11 Case.

The Committee in this Chapter 11 Cases was appointed by the United States Trustee on November 27, 2013. The creditors appointed to serve on the Committee are: (i) Interactive Health Solutions, Inc.; (ii) Michael D. Craig; (iii) Robert Canter; (iv) Ronald R. Kuntz; and (v) Randall L. Chrobot, Chairperson. Pursuant to authorization by the Bankruptcy Court, the Committee employed Freeborn & Peters to represent the Committee in this Chapter 11 Case. On May 8, 2013, Randall L. Chrobot resigned as a member and Chairperson of the Committee. As of the filing of this Disclosure Statement, his position has not been replaced.

D. Retention of Legal Counsel and Financial Professionals

The Bankruptcy Court has entered orders authorizing the Debtor to retain the following professionals to assist in this Chapter 11 Case: (i) Taft Stettinius & Hollister LLP as Chapter 11 attorneys; and (ii) RPA Advisors, LLP as financial advisor.

E. Schedules and Statements.

The Debtor filed its Schedules and Statement of Financial Affairs on November 21, 2012.

F. Meeting of Creditors

On December 21, 2012, the United States Trustee for the Northern District of Indiana conducted the Section 341 meeting of creditors.

G. Asset Dispositions

On November 14, 2012, the Debtor filed the *Debtor's Motion to Establish Bidding Procedures for the Sale of Substantially All the Assets of New Energy Corp. and Establishing Auction and Hearing Dates* (Doc. No 34) and *the Motion for Authority to: (1) Sell Substantially All The Assets of New Energy Corp Free and Clear of All Liens, Claims, Interests and Encumbrances; (2) Assume and Assign Certain Leases and Contracts; and (3) Waive Fourteen Day Stay of Sale* (Doc No. 35). By order of the Bankruptcy Court entered on December 19, 2013 (Doc. No. 116), an auction was held on January 31, 2013 for the sale of substantially all of the Debtor's assets. On February 1, 2013, the Debtor filed its *Notice of Successful Bidder and Asset Purchase Agreement Filed by Debtor New Energy Corp.* (Doc. No. 182) notifying all interested parties that Maynards Industries (1991) Inc. and Biditup Auctions Worldwide Inc. was the Successful Bidder at the Auction.

Natural Chem Holdings, LLC ("Nat Chem"), which attended the Auction but did not qualify to bid at the Auction, objected to the Sale Order, alleging that the Successful Bidder had

engaged in unlawful collusion during the Auction and asking the Bankruptcy Court to set aside the Auction and to order a new auction. After an evidentiary hearing, the Bankruptcy Court rejected Nat Chem's allegations, denied its objections and, on February 27, 2013, entered the Sale Order. Nat Chem then filed several other motions, including motions asking the Bankruptcy Court to amend the Sale Order and the United States District Court for the Northern District of Indiana (the "District Court") to withdraw the matter from the Bankruptcy Court. All of Nat Chem's motions have been denied by the Bankruptcy Court and the District Court. The Closing of the Sale took place on March 18, 2013. The Sale proceeds totaled $2,500,000. Nat Chem has appealed some of the orders relating to the Sale to the District Court. The Plan Proponents believe that Nat Chem's appeal has no merit and will not succeed.

H. Real Property Taxes

2012 real property taxes will be paid from the Reserve for 2012 Real Property Taxes as set forth in the Plan which is summarized below. 2013 real property taxes are being paid by the Purchaser pursuant to the terms of the Purchase Agreement and the Sale Order which includes the retention of a lien in favor of St. Joseph County, Indiana to secure such payment. The Debtor has filed a motion under Section 505 of the Bankruptcy Code challenging the amount of the County's Claim for 2012 real property taxes and 2013 real property taxes.

V. THE PLAN

The Plan is attached as Exhibit A. The summary description of the Plan is qualified in its entirety by reference to the full text of the Plan. The following table classifies Claims and Interests for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Interest to be classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A Claim or Interest is in a particular Class only to the extent that any such Claim or Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

Class	Designation	Impairment	Entitled to Vote	Estimated Recovery
Class 1	Class 1 contains the Secured Claim of St. Joseph County, Indiana for real property taxes	Unimpaired	No	
Class 2	Class 2 contains the Secured Claim of the Prepetition Senior Lender	Unimpaired	No	
Class 3	Class 3 contains the Secured Claim of the Prepetition Junior Lenders	Impaired	Yes	Less than 3% *
Class 4	Class 4 contains the Unsecured Claims	Impaired	Yes	*
Class 5	Class 5 contains the Interest in the Debtor	Impaired	No (deemed	

			to reject)	

* These estimates are based on the Debtor's belief that the Avoidance Actions and the Causes of Action are not likely to generate recoveries sufficient to pay Priority Claims in full.

A. Administrative Expense Claims

Each holder of an Allowed Administrative Claim shall receive one of the following treatments, in the sole discretion of the Liquidating Trustee: (i) to the extent not already paid, on the later of the Effective Date or thirty (30) Business Days after the date on which such Administrative Claim becomes an Allowed Claim, or, in each such case, as soon as reasonably practicable thereafter, payment of Cash in the full amount of such Allowed Administrative Claim; (ii) to the extent not yet due and payable, payment of Cash in accordance with the terms and conditions of the particular transaction giving rise to the Administrative Claim; (iii) to the extent such Claims are Administrative Claims of the United States Trustee for fees pursuant to 28 U.S.C. § 1930(a)(6), payment of Cash in accordance with the applicable schedule for payment of such fees; (iv) payment on such other terms as may be mutually agreed upon in writing between the holder of such Allowed Administrative Claim and the Debtor (in consultation with the Committee), prior to the Effective Date, or the Liquidating Trustee, on or after the Effective Date; or (v) payment of Cash on the first date that the Net Proceeds of the Remaining Assets are sufficient to make such payments, as determined by the Liquidating Trustee in his sole discretion; provided, however, that interim and/or final payment of Allowed Administrative Claims approved by the Bankruptcy Court shall be paid at the time of and in accordance with such Bankruptcy Court approval.

B. Administrative Claims Bar Date

ADMINISTRATIVE CLAIM REQUESTS RESPECTING ADMINISTRATIVE CLAIMS THAT HAVE ARISEN OR WILL ARISE IN THE PERIOD FROM THE PETITION DATE THROUGH THE EFFECTIVE DATE, INCLUSIVE, MUST BE FILED AND SERVED PURSUANT TO THE PROCEDURES SET FORTH IN THE CONFIRMATION ORDER AND/OR NOTICE OF ENTRY OF CONFIRMATION ORDER, NO LATER THAN FORTY-FIVE (45) DAYS AFTER THE EFFECTIVE DATE (unless an earlier date is set by the Bankruptcy Court). Notwithstanding anything to the contrary in the Plan, no Administrative Claim request need be filed for the allowance of any fees of the United States Trustee arising under 28 U.S.C. § 1930. Any Entities that are required to, but fail to file such an Administrative Claim request on or before the deadline referenced above, shall be forever barred from asserting such Claim against the Debtor or the Liquidating Trust and their respective attorneys, other professionals, trustee and/or agents, or any of property of the Debtor or the Liquidating Trust, and the holder thereof shall be enjoined from commencing or continuing any action, employment of process or act to collect, offset or recover such Administrative Claim.

C. Priority Claims

Each holder of an Allowed Priority Claim, including Allowed Priority Tax Claims, shall be paid in Cash on the first date that the Net Proceeds of the Remaining Assets are sufficient to make such payments, as determined by the Liquidating Trustee in his sole discretion. The Liquidating Trustee shall reserve sufficient Net Proceeds of the Remaining Assets to pay

Allowed Priority Claims in full prior to making a Distribution to Classes 3 and 4 described below.

D. Treatment of Claims Against and Interests in the Debtor

- ***Class 1 – Claim of St Joseph County, Indiana.***
- Classification. Class 1 consists of the Secured Claim of St. Joseph County, Indiana for 2012 real property taxes.
- Treatment. The Class 1 Claim shall be paid in full in Cash from the Reserve for 2012 Real Property Taxes at the time the Class 1 claim becomes an Allowed Claim.
- Voting. Class 1 is Unimpaired. Therefore, the holder of the Class 1 claim is deemed to accept the Plan.
- ***Class 2 – Secured Claim of the Prepetition Senior Lender.***
- Classification. Class 2 consists of the Secured Claim of the Prepetition Senior Secured Lender.
- Treatment. The Class 2 Claim shall be paid in full in Cash on the Effective Date.
- Voting. Class 2 is Unimpaired. Therefore, the holder of the Class 2 claim is deemed to accept the Plan.
- ***Class 3 – Class 3 consists of the Secured Claim of the Prepetition Junior Lenders***
- Classification. Class 3 consists of the Secured Claim of the Prepetition Junior Lenders.
- Treatment. The Class 3 Claim shall be paid (i) on the Effective Date, all Cash held by the Liquidating Trustee less the Cash paid to the holder of the Class 2 Claim, less the Reserve for 2012 Real Property Taxes, less the Reserve for 2013 Personal Property Taxes, and less $75,000, (ii) promptly upon their receipt, refunds of deposits and bonds, (iii) promptly upon payment in full of the 2012 real property taxes, any funds remaining in the Reserve for 2012 Real Property Taxes, (iv) promptly upon payment in full of the 2013 personal property taxes, any funds remaining in the Reserve for 2013 Personal Property Taxes, and (v) on the first date that the Net Proceeds of the Avoidance Actions and the Causes of Action after full payment of or full reserve for Priority Claims are sufficient, as determined by the Liquidating Trustee in its sole discretion, Cash in the amount of $39,000 plus 65% of the first $1,000,000 of such Net Proceeds and 75% of such Net Proceeds in excess of $1,000,000.

- Voting. Class 3 is Impaired. Therefore, the holders of the Class 3 claims are entitled to vote to accept or reject the Plan and the vote of such holders will be solicited with respect to such Claims.

- Class 4 – Class 4 consists of Unsecured Claims.

- Classification. Class 4 consists of the Unsecured Claims.

- Treatment. The Class 4 Claims shall be paid, Pro Rata, on the first date that the Net Proceeds of the Avoidance Actions and the Causes of Action after full payment of or full reserve for Priority Claims and payment of $39,000 to the holder of the Class 3 Claim are sufficient, as determined by the Liquidating Trustee in its sole discretion, Cash in the amount of 35% of the first $1,000,000 of such Net Proceeds and 25% of such Net Proceeds in excess of $1,000,000.

- Voting. Class 4 is Impaired. Therefore, the holders of the Unsecured Claims are entitled to vote to accept or reject the Plan and the vote of such holders will be solicited with respect to such Claims.

- ***Class 5 – Interest.***

- Classification. Class 5 consists of the Interest in the Debtor.

- Treatment. On the Effective Date, the Interest shall be deemed cancelled, and the holders of the Interest shall neither receive nor retain any property under the Plan.

- Voting. Class 5 is Impaired. In accordance with Section 1126(g) of the Bankruptcy Code, the holder of the Interest is conclusively presumed to reject the Plan and the vote of such holder will not be solicited with respect to such Interest.

E. <u>Treatment of Disputed Claims</u>

1. <u>Objections to Claims.</u> Except with respect to Claims that already are Allowed Claims by order of the Bankruptcy Court, the Liquidating Trustee may object to any Claim, whether listed on the schedules filed by Debtor or filed by any Creditor, on or before the later of (a) one hundred eighty (180) days from the date of filing of any Claim or (b) unless extended by the Bankruptcy Court, one-hundred twenty (120) days after the Effective Date.

2. <u>Resolution of Disputed Claims</u>. Subject to Section 5.1 of the Plan with respect to previously Allowed Claims, all objections to Claims shall be litigated to a Final Order except to the extent the Liquidating Trustee elects to withdraw any such objection or the Liquidating Trustee and the claimant elect to compromise, settle or otherwise resolve any such objection, in which event the Liquidating Trustee may settle, compromise or otherwise resolve any Disputed Claim without approval of the Bankruptcy Court, subject to the oversight rights of the DOE set forth in the Liquidation Trust Agreement.

3. Estimation. The Liquidating Trustee may, at any time, request that the Bankruptcy Court estimate any Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the Liquidating Trustee has previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction (pursuant to Section 13.1 of the Plan) to estimate any Claim at any time, including during litigation concerning any objection to such Claim.

4. Distribution on Disputed Claims. No Distributions shall be made with respect to a Disputed Claim until such Disputed Claim becomes an Allowed Claim, subject to the oversight rights of the DOE set forth in the Liquidating Trust Agreement. In the event, and to the extent, a Disputed Claim becomes an Allowed Claim after the Effective Date, the holder of such Allowed Claim shall receive such Distributions as to which such holder is then entitled under the Plan.

5. Reserve for Disputed Claims. With respect to Claims to be paid by the Plan, the Liquidating Trustee shall hold in reserve, for the benefit of each holder of a Disputed Claim, Cash in an amount required by order of the Bankruptcy Court or, in the absence of such order, Cash equal to the Distribution that would have been made to the holder of such Disputed Claim, if it were an Allowed Claim in the liquidated amount, if any, asserted on the Effective Date. If and to the extent that a Disputed Claim becomes an Allowed Claim, on the first Distribution Date that is at least thirty (30) Business Days after such allowance, the Liquidating Trustee shall distribute to the holder thereof the amount of Cash to which such holder is entitled under the provisions of the Plan.

F. Executory Contracts and Unexpired Leases

1. Assumption or Rejection of Executory Contracts. If not rejected or assumed by the Debtor prior to the confirmation date, all executory contracts and unexpired leases to which the Debtor is a party shall be deemed rejected, pursuant to Sections 365 and 1123 of the Bankruptcy Code, on the Confirmation Date.

2. Deadline to File Rejection Damage Claims. Each Entity that is a party to an executory contract or unexpired lease rejected under the Plan must file with the Bankruptcy Court and serve on the Liquidating Trustee, on or before the later of forty five (45) days after entry of the Confirmation Order or twenty (20) days after entry of an order rejecting such contract or lease, a proof of claim for damages alleged to arise from the rejection of the applicable contract or lease or be forever barred from filing a Claim, or sharing in Distributions under the Plan, related to such alleged rejection damages. Claims for damages for the rejection of an executory contract or unexpired lease shall constitute Class 4 Unsecured Claims.

G. Execution and Implementation of the Plan/ Liquidating Trust

1. Funding of the Plan. The Plan shall be funded by the Remaining Assets, title to which shall vest in the Liquidating Trust upon the Effective Date pursuant to Section 7.3 of the Plan.

2. Creation of the Liquidating Trust. On or prior to the Effective Date, the Liquidating Trustee and the Debtor shall execute the Liquidation Trust Agreement. The Liquidating Trust shall become effective on the Effective Date. Except to the extent inconsistent

with the terms of the Plan, the terms and conditions of the Liquidating Trust Agreement shall govern under the Plan.

3. Vesting of Remaining Assets in the Liquidating Trust. Title to the Remaining Assets automatically vests in the Liquidating Trust upon the Effective Date. On the Effective Date, the Debtor is discharged from its status as debtor-in-possession and the affairs and business of the Debtor thereafter shall be conducted by the Liquidating Trust without Bankruptcy Court involvement except as expressly set forth and governed by the Plan.

4. Funding of Tax Reserves. After the Remaining Assets have vested in the Liquidating Trust, the Liquidating Trustee shall establish and fund the Reserve for 2012 Real Property Taxes and the Reserve for the 2013 Personal Property Taxes.

5. Federal Income Tax Treatment of Liquidating Trust. For federal income tax purposes, the transfer by the Debtor of its title and interest in the Remaining Assets to the Liquidating Trust, pursuant to the terms of the Plan and the Liquidating Trust Agreement, shall be treated as a deemed transfer of the title and interest in the Remaining Assets to creditors, that is, the Liquidating Trust beneficiaries, followed by a deemed transfer of the title and interest in the Remaining Assets by the Liquidating Trust beneficiaries to the Liquidating Trust. The Liquidating Trust beneficiaries shall be treated as the grantors and owners of the Liquidating Trust for federal income tax purposes. All Remaining Assets transferred to the Liquidating Trust shall be valued consistently by the Debtor, the Estate, the Liquidating Trustee, and the Liquidating Trust Beneficiaries, to the extent applicable, for all federal income tax purposes.

6. Effectuating Documents. The Liquidating Trustee, or such other person(s) as the Liquidating Trustee may approve pursuant to the Liquidating Trust Agreement, is authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan. Each of the Liquidating Trustee or such other person(s) is authorized to certify or attest to any of the foregoing actions.

H. Liquidating Trustee

1. Liquidating Trustee. The Committee and the Debtor have selected John Pidcock of Conway MacKenzie, Inc. to be the Liquidating Trustee and Mr. Pidcock has accepted such position. The Liquidating Trustee shall be compensated as set forth in the Liquidating Trust Agreement.

2. Liquidating Trustee's Duties. The Liquidating Trustee's duties include: (i) the pursuit of Causes of Action, including Avoidance Actions; (ii) objections to, and resolution of, all Claims; (iii) the distribution of funds to pay expenses of the Liquidating Trust and to pay Allowed Claims; (iv) the liquidation of the Remaining Assets transferred to the Liquidating Trust on the Effective Date; and (v) such other matters as provided in the Liquidating Trust Agreement, subject to the oversight rights of the DOE set forth in the Liquidating Trust Agreement. The Liquidating Trustee may employ professionals or other persons, which may include firms that are or were employed by the Debtor or the Committee, in connection with the performance of his duties and compensate such persons for their reasonable fees and expenses in

accordance with Section 8.5 of the Plan. The Liquidating Trustee may compromise or settle any Claims, Causes of Action (including Avoidance Actions) or other matters or disputes relating to the Remaining Assets or the Liquidating Trust without notice or Bankruptcy Court approval, subject to the oversight rights of the DOE set forth in the Liquidating Trust Agreement.

3. Payment of Quarterly Fees. The Liquidating Trustee shall pay the quarterly fees, pursuant to 28 U.S.C. § 1930(a)(6), to the U.S. Trustee until this Chapter 11 Case has been converted, dismissed or closed by the Bankruptcy Court.

4. Fees and Expenses. The fees and expenses of the Liquidating Trustee shall be governed by the terms of the Liquidating Trust Agreement. In no event shall the Liquidating Trustee be required to expend his own funds. Any fees and/or expenses incurred after the Effective Date on behalf of the Liquidating Trust shall be handled in accordance with the Liquidating Trust Agreement. As set forth more fully in the Liquidating Trust Agreement, the Liquidation Trustee and his professionals will be paid customary hourly rates. However, as to litigation matters other than the investigation of potential insider claims, the Liquidation Trustee's professionals shall be paid 25% of recoveries rather than based upon hourly rates.

5. Post-Effective Date Professional Fees. Except as otherwise set forth in the Plan, the reasonable fees and expenses of professionals representing the Liquidating Trust or Liquidating Trustee for services provided after the Effective Date may be paid by the Liquidating Trustee as provided in the Plan without further Bankruptcy Court approval. Provided available funds exist, as determined by the Liquidating Trustee in his sole discretion, payment shall be made within thirty (30) days after submission of a detailed invoice to the Liquidating Trustee. If the Liquidating Trustee disputes the reasonableness of any such invoice, the undisputed portion of such invoice shall be timely paid, and the affected professional may submit the dispute to the Bankruptcy Court for appropriate resolution. If there are insufficient funds available to pay all fees and expenses of professionals and the compensation of the Liquidating Trustee in full, as determined by the Liquidating Trustee in his sole discretion, such professionals and the Liquidating Trustee shall share Pro Rata in the available funds until payment in full is made.

6. Liability; Indemnification. The Liquidating Trustee shall not be required to give any bond for the faithful performance of his duties hereunder. Except for his or their own gross negligence or willful misconduct, neither the Liquidating Trustee or any professional person, representative, director, officer, employee, or agent of the Liquidating Trust or the Liquidating Trustee (collectively the "Indemnified Liquidating Trust Parties") shall have any liability to any Entity for acts or omissions related to the Liquidating Trust. The Liquidating Trust shall indemnify, except as set forth in the Liquidating Trust Agreement, the Indemnified Liquidating Trust Parties against expenses, including attorney's fees, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by the Indemnified Liquidating Trust Parties.

I. Distributions Under the Plan

1. Distributions. Distributions to holders of Allowed Claims shall be made by the Liquidating Trustee in accordance with the Liquidating Trust Agreement and the Plan, subject to the oversight rights of the DOE set forth in the Liquidating Trust Agreement.

Distributions to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court unless the Debtor or the Liquidating Trustee, as applicable, have been notified in writing of a change of address, including by the filing of a proof of claim or Administrative Claim request that contains an address for a holder of a Claim different from the address reflected on such Schedule(s) for such holder. If any holder's Distribution is returned as undeliverable, no further Distributions to such holder shall be made unless the Liquidating Trustee is notified in writing of such holder's then current address within ninety (90) days after the date of such attempted Distribution, at which time all missed Distributions shall be made to such holder, without interest, from the date of the first attempted Distribution. All unclaimed Distributions shall be used to satisfy the costs of administering and fully consummating the Plan and the holder of any such Claim or Interest shall not be entitled to any other or further Distribution under the Plan on account of such Claim or Interest.

2. Time Bar to Cash Distribution Checks; Minimum Distribution; Unclaimed Funds. Distribution checks issued by the Liquidating Trust shall be null and void if not negotiated within sixty (60) days after the date of issuance thereof. If any Distribution to a holder of an Allowed Claim is less than $10.00, the holder of such Allowed Claim shall not receive such Distribution and shall be forever barred from asserting any Claim therefore against the Debtor, the Estate or the Liquidating Trust. If the Liquidating Trustee determines that there are De Minimis Undistributed Funds held by the Liquidating Trust, such funds may be distributed to the DOE.

3. Untimely Claims. Except as otherwise agreed by the Liquidating Trustee, any Claim filed after the applicable Bar Date shall be deemed disallowed and expunged without further notice, action or order of the Bankruptcy Court, and holders of such Claims shall not receive any Distribution on account of such Claims.

4. Interest on Claims. Interest shall not accrue on Claims. No holder of a Claim shall be entitled to interest accruing on any Claim unless otherwise expressly provided pursuant to the terms of the Plan.

5. No Recourse. No claimant shall have recourse to the Liquidating Trustee other than for the enforcement of any right to a Distribution under the terms of the Plan.

J. Confirmation Process

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

1. Solicitation of Votes. In accordance with Sections 1126 and 1129 of the Bankruptcy Code, the Claims in Classes 3 and 4 of the Plan are impaired, and the holders of Allowed Claims in each of these Classes are entitled to vote to accept or reject the Plan. The holder of the Interest in Class 5 of the Plan will not receive any distributions under the Plan and will not receive a ballot and is conclusively presumed to have rejected the Plan pursuant to Section 1126(g) of the Bankruptcy Code. The holders of Claims and the Interest deemed to have rejected or accepted the Plan shall receive with this Disclosure Statement a Notice of Non-Voting Status.

As to the classes of claims entitled to vote on a plan, the Bankruptcy Code defines acceptance of a plan by a class of creditors as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class that have timely voted to accept or reject a 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 creditor in any impaired Class (a) whose Claim has been listed by the Debtor in the Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated) or (b) who filed a proof of claim, which Claim is not the subject of an objection or request for estimation, is entitled to vote on the Plan. For a discussion of the procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, see the Disclosure Statement Order.

2. The Confirmation Hearing. The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for _____, 2013, commencing at _____ __.m. prevailing Eastern Time, before the Honorable Harry C. Dees, Jr., United States Bankruptcy Judge, at the Robert K. Rodibaugh U.S. Bankruptcy Courthouse, 401 South Michigan Street, South Bend, Indiana 46601. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to the confirmation of the Plan must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or other amount or description of the Interest held by the objector. Any such objection must be filed with the Bankruptcy Court and served in accordance with the Disclosure Statement Order such as to be received on or before _____, 2013, at 4:00 p.m. prevailing Eastern Time. Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014.

3. Confirmation. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all requirements of Section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (a) 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, (b) feasible, and (c) in the "best interests" of creditors and stockholders that are impaired under the plan.

K. Acceptance

As set forth above, Classes 3 and 4 of the Plan are impaired under the Plan and are entitled to vote to accept or reject the Plan. The Holder of the Interest in Class 5 is receiving no distributions under the Plan and, therefore, is conclusively presumed to have voted to reject the Plan. With respect to Class 5, the Debtor shall request that the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code. If any impaired Class of Claims entitled to vote does not accept the Plan by the requisite statutory majority provided in Section 1126(c) of

the Bankruptcy Code, the Debtor reserves the right to amend the Plan or to have the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code or both.

L. Unfair Discrimination and Fair and Equitable Tests

To obtain nonconsensual confirmation of the Plan, it must be demonstrated that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each impaired, nonaccepting Class. The Bankruptcy Code provides a non-exclusive definition of the phrase "fair and equitable." Section 1129(b) of the Bankruptcy Code establishes "cram down" tests for unsecured creditors and equity holders, as follows.

Unsecured Creditors. 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.

Equity Interests. Either (i) each holder of an equity interest will receive or retain under the plan property of a value equal to the greater of the fixed liquidation preference to which such holder is entitled, or 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 nonaccepting class will not receive or retain any property under the plan.

A plan does not "discriminate unfairly" with respect to a nonaccepting class if the value of the cash and/or securities to be distributed to the nonaccepting class is equal to, or otherwise fair when compared to, the value of the distributions to other classes whose legal rights are the same as those of the nonaccepting class.

The Plan Proponents believe that the Plan is fair and equitable and does not discriminate unfairly with respect to any Classes that vote not to accept the Plan.

M. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires the Bankruptcy Court to make a finding that confirmation of the Plan is not likely to be followed by the liquidation, or need for further financial reorganization, of the Debtor or any successor to the Debtor under the Plan. The Distributions to be made under the Plan are not dependent upon the future financial performance of any business. Instead, consummation of the Plan is dependent upon the prosecution of certain litigation claims and the distribution of proceeds from such claims. Assuming that the Plan is confirmed, the Plan is necessarily feasible. See Article VI addressing the risks to confirmation of the Plan.

N. Best Interests Test

With respect to each impaired Class of Claims and the Interest, confirmation of the Plan requires that each holder of a Claim and the holder of the 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 if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. To determine what holders of Claims in each impaired Class and the holder

of the Interest would receive if the Debtor was liquidated under Chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtor's assets and properties in the context of a Chapter 7 liquidation case. The cash amount that would be available for satisfaction of the Claims and the Interest would consist of the proceeds of the Remaining Assets. Such cash amount would be reduced by the costs and expenses of liquidation.

The Debtor's costs of liquidation under Chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those fees payable to attorneys and other professionals that such trustee might engage. These claims and other claims that might arise in a liquidation case or result from the pending Chapter 11 Case, including any unpaid expenses incurred by the Debtor during the Chapter 11 Case, such as compensation for attorneys, financial advisors and accountants, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition unsecured Claims.

To determine if the Plan is in the best interests of each impaired Class, the present value of the distributions from the proceeds of a liquidation of the Debtor's unencumbered assets and properties, if any, must be compared with the value of the property offered to such Classes of Claims under the Plan.

The Plan Proponents believe that the value of any distributions in a Chapter 7 case would be less than the value of distributions under the Plan because, among other reasons, distributions in a Chapter 7 case may not occur for a longer period of time, thereby reducing the present value of such distributions. In this regard, it is possible that distribution of the proceeds of a liquidation could be delayed for a period in order for a Chapter 7 trustee and its professionals to become knowledgeable about the Chapter 11 Case and the Claims against the Debtor. The fees and expenses of a Chapter 7 trustee also would likely exceed those of the Professionals retained by the Liquidating Trustee, thereby further reducing Cash available for distribution. In addition, a Chapter 7 trustee would not have the benefit of the Plan Settlement.

O. Effect of Confirmation of the Plan

1. Binding Effect. On and after the Confirmation Date, the provisions of the Plan shall bind any holder of a Claim against, or Interest in, the Debtor whether or not the Claim or Interest of such holder is impaired under the Plan and whether or not such holder has accepted the Plan.

2. Discharge. Pursuant to Section 1141(d)(3) of the Bankruptcy Code, confirmation of this Plan shall not discharge Claims against the Debtor; provided, however, upon confirmation of the Plan and the occurrence of the Effective Date, Creditors may not seek payment or recourse against or otherwise be entitled to any Distribution from the assets of the Debtor, the Estate or the Liquidating Trust except as expressly provided in the Plan.

3. Releases and Injunctions.

(a) *Releases by Debtor, the Estate, the Committee and the Liquidating Trustee*. To the extent not previously released by prior orders of the Bankruptcy Court, on the Effective Date, the Debtor, in its individual capacity and as debtor-in-possession, for and on

behalf of the Estate, the Committee and the Liquidating Trustee release and discharge, completely, absolutely, unconditionally, irrevocably and forever, and shall be permanently enjoined from any prosecution or attempted prosecution of, any and all Causes of Action arising from the beginning of time through the Effective Date, against (i) the DOE, (ii) LFF; (iii) Taft Stettinius & Hollister LLP, (iv) RPA Advisors, LLC, (v) the Committee, (vi) Freeborn & Peters, (vii) Conway MacKenzie, Inc. and (viii) the respective current and past members, officers, directors, shareholders, agents, subsidiaries, affiliates, general and limited partners, financial advisors, independent accountants, attorneys, employees, representatives, successors and assignees of the Entities identified in subclauses (i) through (vii) of this Section 10.3(a) (the "Related Parties"), acting in such capacities, in any way relating to the Debtor, the Chapter 11 Case or the Plan; provided, however, that the foregoing shall not operate as a waiver of or release from any Avoidance Actions; objections to the Claims of any holder of a Class 4 Claim on any grounds, including pursuant to Sections 105, 502 or 510 of the Bankruptcy Code; any Causes of Action against current and former officers, directors or shareholders of the Debtor; or any Causes of Action arising out of (x) the rights of the Debtor or the Liquidating Trustee to enforce the Plan and the contracts, instruments, releases, and other agreements or documents delivered hereunder, or, (y) as to the Entities identified in subclauses (iii) through (vii) and their respective Related Parties, acts or omissions to act involving willful misconduct, recklessness or gross negligence.

(b) *Other Releases*. To the fullest extent permitted by applicable law, each holder of a Claim (whether or not Allowed) against or Interest in the Debtor or the Estate releases and discharges, completely, absolutely, unconditionally, irrevocably and forever, and is permanently enjoined from any prosecution or attempted prosecution of any and all Causes of Action arising from the beginning of time through the Effective Date, against (i) the DOE; (ii) LFF, (iii) Taft Stettinius & Hollister LLP, (iv) RPA Advisors, LLC, (v) the Committee, (vi) Freeborn & Peters, (vii) Conway MacKenzie, Inc. and (viii) their respective Related Parties, acting in such capacities, in any way relating to the Debtor, the Chapter 11 Case or the Plan. The releases set forth in Section 10.3(b) of the Plan shall not constitute a release of any claims or causes of action by holders of Claims against the foregoing released parties that are exclusively individual and non-derivative of the Debtor or the Estate.

(c) *Preservation of Certain Claims of United States of America.* Nothing in the Plan or order confirming the Plan shall be interpreted as releasing or compromising, and the United States does not release or compromise, (i) any claims arising under criminal law; (ii) any criminal, civil, or administrative claims, rights or defenses arising under Title 26, United States Code (Internal Revenue Code); (iii) any claims, rights or defenses arising under 31 U.S.C. §§ 3729 et seq. (False Claims Act), 31 U.S.C. §§ 3801 et seq. (Program Frauds Civil Remedies Act), 42 U.S.C. §§ 1320a-7a (Civil Monetary Penalties Statute), or any common law cause of action of the Unites States of America for fraud; (iv) any claim by any agency other than the DOE; or (v) any offset or recoupment rights of the United States under any applicable nonbankruptcy laws.

(d) *Exculpation*. Except with respect to obligations under the Plan, (i) the DOE, (ii) LFF, (iii) Taft Stettinius & Hollister LLP, (iv) RPA Advisors, LLC, (v) the Committee, (vi) Freeborn & Peters, (vii) Conway MacKenzie, Inc., (viii) the Liquidating Trustee, and (ix) the postpetition members, officers, directors, shareholders, agents, subsidiaries, affiliates, general and limited partners, financial advisors, independent accountants, attorneys,

employees, representatives, successors and assignees of the Debtor and the Entities identified in subclauses (i) through (viii) acting in such capacities, shall not have or incur any liability to any Entity whatsoever, including, without limitation, any holder of any Claim or Interest for any act or omission taken after the Petition Date in good faith in connection with, or arising out of, the Chapter 11 Case, the formulation, preparation, dissemination or confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or property to be distributed pursuant to the Plan, or any contract, instrument, release, or other agreement or document created or entered into, pursuant to or in connection with the Plan, except for willful misconduct, recklessness or gross negligence.

(e) *Injunction*. Except as otherwise provided in the Plan or the Confirmation Order, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Entities that have held, hold or may hold Claims (whether or not allowed) against or Interests in the Debtor or the Estate are, with respect to any such Claims or Interests, permanently enjoined from: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against or affecting the Debtor, the Estate, the Liquidating Trust or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Entities, or any property of any such transferee or successor; (ii) 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 or order against the Debtor, the Estate, the Liquidating Trust or any of their property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, any of the foregoing Entities, or any property of any such transferee or successor; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, the Estate or the Liquidating Trust or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Entities; (iv) asserting any right of setoff, subrogation, or recoupment of any kind, directly or indirectly, against any obligation due the Debtor, the Estate or the Liquidating Trust or any of their property, or any direct or indirect transferee of any property of, or successor in interest to, any of the foregoing Entities; and (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan to the full extent permitted by applicable law.

(f) *Preservation of Releases*. Nothing in this Plan shall reduce the scope of, limit or adversely affect any releases included in the Cash Collateral Orders or the Sale Order.

(g) For clarification, nothing contained in the Plan shall effectuate a release or relinquishment of any right, claim or Cause of Action that the Debtor, the Estate or the Liquidating Trust may have against those Entities listed in Exhibit C to the Disclosure Statement.

4. Retention of Causes of Action/Reservation of Rights.

(a) *Causes of Action*. The Liquidating Trustee is granted authority and standing, on behalf of the Debtor, its Estate and the Liquidating Trust to initiate any Causes of

Action, including Avoidance Actions, in the name of and on behalf of the Debtor, its Estate and the Liquidating Trust. The Causes of Action may include: (i) any and all Causes of Action pursuant to any applicable Section of the Bankruptcy Code, including Avoidance Actions; (ii) objections to Claims; (iii) claims that the Estate is entitled to set off or recoupment claims against parties with claims against the Estate; (iv) claims against the Debtor's current or former shareholders, directors, officers or employees of the Debtor or any Insider of the Debtor or any other Entities related to or controlled by the foregoing parties for conduct, actions, or failures to act prior to the Petition Date, which conduct is actionable under any theory of law or equity, including, but not limited to, breach of fiduciary duty, breach of contract, mismanagement or malfeasance of any kind, self-dealing, abuse of discretion, professional malpractice, fraud, misrepresentation, violations of state or federal securities laws or similar claims, as well as claims that may be recoverable under any applicable insurance policies maintained by the Debtor; and (v) any other litigation or Causes of Action, whether legal, equitable, or statutory in nature, arising out of, or in connection with, the Debtor's business, assets, or operations, or otherwise affecting the Debtor, against any Entities engaged by or which conducted business with the Debtor. In addition to the foregoing potential defendants, some of the Entities who may be the subject of litigation brought by the Liquidating Trustee are identified in Exhibit C. The foregoing potential defendants and the Entities listed on Exhibit C are not exhaustive and if a specific Cause of Action or defendant is not identified thereon, it is because such Cause of Action or defendant is not known to the Debtor or the Liquidating Trustee at this time. On behalf of the Debtor and its Estate, the Debtor preserves for the Liquidating Trust the rights to any Causes of Action that may be identified on or after the Effective Date. The Liquidating Trustee may in his discretion, after consultation with the DOE, elect not to pursue any Causes of Action (including Avoidance Actions), the pursuit of which the Liquidating Trustee deems not to be in the best interest of the Estate or the Liquidating Trust.

(b) *Retention of Causes of Action*. Except as specifically provided in the Plan 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 Debtor or the Liquidating Trust, as the case may be, may have or which the Liquidating Trustee may choose to assert on behalf of the Estate or the Liquidating Trust in accordance with any provision of the Bankruptcy Code or any applicable nonbankruptcy law, including, without limitation, (i) any and all claims against any person or entity, to the extent such person or entity asserts a crossclaim, counterclaim, and/or Claim for setoff which seeks affirmative relief against the Debtor, its officers, directors, or representatives, (ii) the avoidance of any transfer by or obligation of the Estate or the Debtor under Chapter 5 of the Bankruptcy Code or the recovery of the value of such transfer, (iii) the turnover of any property of the Estate, or (iv) any other Cause of Action not specifically released pursuant to the Plan.

(c) *Reservation of Rights*. Except as specifically provided in the Plan or in the Confirmation Order, nothing contained in the Plan or in the Confirmation Order shall be deemed to be a waiver or relinquishment of any Claim, Cause of Action (including Avoidance Actions), right of setoff, or other legal or equitable defense that the Debtor had immediately prior to the Petition Date, against or with respect to any Claim left unimpaired by the Plan. The Liquidating Trust or the Liquidating Trustee, as the case may be, shall have, retain, reserve, and be entitled to assert all such Claims, Causes of Action (including Avoidance Actions), rights of

setoff, or other legal or equitable defenses which the Debtor, the Estate, the Liquidating Trust, the Liquidating Trustee or any of them had immediately prior to the Petition Date fully as if the Chapter 11 Case had not been commenced, and all legal and equitable rights of the Debtor respecting any Claim, Cause of Action (including Avoidance Actions and the Construction Claims), right of setoff, or other legal or equitable defense left unimpaired by the Plan may be asserted after the Confirmation Date by the Liquidating Trust or the Liquidating Trustee to the same extent as if the Chapter 11 Case had not been commenced.

(d) **ALL CAUSES OF ACTION SHALL SURVIVE CONFIRMATION AND THE COMMENCEMENT OR 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, in 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).

5. Preservation of Insurance. Nothing in the Plan shall diminish or impair the enforceability of any policies of insurance that may cover Claims against the Debtor or any other Entity.

P. Modification of the Plan.

1. Modification of the Plan. The Debtor and the Committee jointly may alter, amend, or modify the Plan under Section 1127 of the Bankruptcy Code at any time prior to the Effective Date, provided that any such alteration, amendment or modification is consistent with the terms of the Cash Collateral Order, the Sale Order and the releases provided in this Plan. After the Effective Date, the Liquidating Trustee may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the Confirmation Order, or to address such matters as may be necessary to carry out the purposes and effects of the Plan. Notwithstanding any reference in the Plan to the forms of documents to be filed with the Bankruptcy Court prior to the Confirmation Hearing, and without limiting the preceding portions of Article XI of the Plan, the Debtor and the Committee jointly may make any non-material changes to such forms prior to the Effective Date.

2. Revocation of the Plan. The Debtor and the Committee reserve the right to revoke or withdraw the Plan prior to the Confirmation Date. If the Debtor and the Committee revoke or withdraw the Plan, or if confirmation of the Plan does not occur, then the Plan shall be null and void, and nothing contained in the Plan shall: (i) constitute a waiver or release of any Claims by or against, or Liens in property of, the Debtor; or (ii) serve as an admission of fact or conclusion of law or otherwise prejudice in any manner the rights of the Debtor or the Committee in any further proceedings involving the Debtor.

Q. Conditions to Effective Date.

1. Conditions to Effective Date. The Plan may not be consummated unless each of the conditions set forth below has been satisfied:

(a) The Confirmation Order shall have been entered; and

(b) All documents, instruments and agreements, in form and substance satisfactory to the Debtor and the Committee, provided for under or necessary to implement the Plan, including the Liquidating Trust Agreement, shall have been executed and delivered by the parties thereto, unless such execution or delivery has been jointly waived by the Debtor and the Committee.

2. Notice of Effective Date. Within five (5) Business Days of the Effective Date, the Liquidating Trustee shall file a notice of occurrence of the Effective Date with the Bankruptcy Court.

VI. RISKS ASSOCIATED WITH THE PLAN

HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE DEBTOR SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THE DISCLOSURE STATEMENT (ANDA THE DOCUMENTS DELIVERED TOGETHER HEREWITH AND/OR INCORPORATED BY REFERENCE THEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.

A. Parties in interest may object to the Debtor's classification of Claims.

Section 1122 of the Bankruptcy Code provides that a plan may place a claim or an interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Plan Proponents believe that the classification of claims and interests under the Plan complies with the requirements set forth in the Bankruptcy Code. However, the Plan Proponents cannot assure you that parties in interest and/or the Bankruptcy Court will reach the same conclusion.

B. The commencement of the Chapter 11 Case may have negative implications under certain contracts of the Debtor.

The Debtor is party to various contractual arrangements under which the commencement of the Chapter 11 Case and the other transactions contemplated by the Plan could, subject to the Debtor's rights and powers under Sections 362 and 365 of the Bankruptcy Code, (i) result in a breach, violation, default or conflict, (ii) give other parties thereto rights of termination or cancellation, or (iii) have other adverse consequences for the Debtor. The magnitude of any such adverse consequences may depend on, among other factors, the diligence and vigor with which other parties to such contracts may seek to assert any such rights and pursue any such remedies in respect of such matters, and the ability of the Debtor prior to the Effective Date or the Liquidating Trustee following the Effective Date to resolve such matters on acceptable terms through negotiations with such other parties or otherwise.

C. The Plan Proponents may not be able to secure confirmation of the Plan.

1. Risk of Non-Confirmation of the Plan. Although the Plan Proponents believe that the Plan will satisfy all requirements necessary for confirmation of the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the solicitation of votes.

2. Non-Consensual Confirmation. In the event any impaired Class of Claims does not accept the Plan, the Bankruptcy Court may nevertheless confirm the Plan at the Plan Proponents' request if at least one impaired Class has accepted the Plan (such acceptance being determined without including the vote of any Insider in such Class), and as to each impaired Class that has not accepted the Plan, if the Bankruptcy Court determines that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Plan Proponents believe that the Plan satisfies these requirements.

D. Reversal on Appeal of orders relating to the Sale

As discussed above, Nat Chem has appealed some of the orders relating to the Sale to the District Court. The Plan Proponents believe that Nat Chem's appeal has no merit and will not succeed. However, if it were to succeed, it is possible that the Auction would be set aside and a new auction ordered. In that case, it is likely that the Liquidating Trustee would promptly conduct another auction and that any sale proceeds in excess of those which resulted from the Auction would be paid to the Prepetition Junior Lenders.

E. The Plan Proponents may object to the amount or classification of your Claim.

The Plan Proponents reserve the right to object to the amount or classification of any Claim.

F. The information in this Disclosure Statement is based on estimates, which may turn out to be incorrect.

The information in this Disclosure Statement is based upon Claims reflected in the Schedules and a preliminary review of the Claims filed as of the date hereof. Upon the passage of the Bar Date and the completion of a detailed analysis of the proofs of claim, the actual amount of Claims may differ from the current estimates. Further, the amounts of Disputed Claims that ultimately are allowed by the Bankruptcy Court may be significantly more or less than the estimated amount of such Claims. The actual aggregate amount of Allowed Claims may differ significantly from the estimates set forth in this Disclosure Statement. Accordingly, the amount of the Distributions that ultimately will be received by a particular holder of an Allowed Claim may be adversely or favorably affected by the aggregate amount of Claims ultimately Allowed.

VII. TAX CONSEQUENCES OF THE PLAN

The federal income tax consequences of the Plan are complex and are subject to significant uncertainties. The Debtor has not requested a ruling from the Internal Revenue Service or an opinion of counsel concerning same.

ACCORDINGLY, ANY PERSONS WHO MAY BE AFFECTED BY IMPLEMENTATION OF THE PLAN, INCLUDING CREDITORS AND THE EQUITY INTEREST HOLDER OF THE DEBTOR, SHOULD CONSULT THEIR OWN TAX ADVISORS RESPECTING THE TAX CONSEQUENCES UNDER FEDERAL AND ANY APPLICABLE STATE, COMMONWEALTH, LOCAL OR FOREIGN LAW.

VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Liquidation Under Chapter 7

If no Chapter 11 plan can be confirmed, the Chapter 11 Case may be converted to a case under Chapter 7 of the Bankruptcy Code in which case a trustee will be appointed to liquidate the assets of the Debtor. It is impossible to predict precisely how the proceeds of a liquidation of the Debtor's assets under Chapter 7 of the Bankruptcy Code would be distributed to the respective holders of Claims against or Interests in the Debtor. However, the Debtor and Committee believe that liquidation under Chapter 7 would result in, among other things, (i) smaller distributions being made to creditors than those provided for in the Plan because of additional administrative expenses attendant to the appointment of a trustee and the trustee's employment of attorneys and other professionals, and the loss of the benefits of the Plan Settlement, and (ii) additional expenses and claims, some of which may be entitled to priority.

B. Alternative Plan of Reorganization

If the Plan is not confirmed, the Debtor or any other party in interest could attempt to formulate a different plan with respect to the Debtor. Such a plan would necessarily involve the liquidation of the Remaining Assets. The Debtor and Committee have concluded that the Plan represents the best alternative to protect the interests of creditors and other parties in interest.

IX. CONCLUSION AND RECOMMENDATION

The Debtor and Committee believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. Other alternatives would involve delay, uncertainty and substantial administrative costs. The Debtor and Committee urge holders of impaired Claims entitled to vote on the Plan to accept the Plan.

Respectfully submitted,
NEW ENERGY CORP.
By: */s/ Russell L. Abarr*
Russell L. Abarr,
Proposed Designated Representative

OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF NEW ENERGY CORP.

By: /s/ *Michael Craig*
Michael Craig,
Committee Member