

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

Chapter 11

NAILITE INTERNATIONAL, INC.,

Case No. 09-10526 (MFW)

Debtor.

**DISCLOSURE STATEMENT FOR THE JOINT PLAN
OF LIQUIDATION OF NAILITE INTERNATIONAL, INC.
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE JOINT PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL THE DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL TO THE BANKRUPTCY COURT BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.

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Dated: _____, 2009

THE VOTING DEADLINE TO ACCEPT OR REJECT THE JOINT PLAN IS 5:00 PM [·][·], 2009 PREVAILING EASTERN TIME, UNLESS THE VOTING DEADLINE IS EXTENDED PRIOR TO [·][·], 2009. TO BE COUNTED, THE VOTING AND CLAIMS AGENT MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.

THE DEBTOR AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS (COLLECTIVELY, THE "PLAN PROPONENTS") PROVIDE NO ASSURANCE THAT THE DISCLOSURE STATEMENT (AND THE EXHIBITS HERETO) THAT IS ULTIMATELY APPROVED IN THE CHAPTER 11 CASE (A) WILL CONTAIN ANY OF THE TERMS IN THIS CURRENT DOCUMENT OR (B) WILL NOT CONTAIN DIFFERENT, ADDITIONAL OR MATERIAL TERMS THAT DO NOT APPEAR IN THIS CURRENT DOCUMENT.

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE JOINT PLAN AND ANY EXHIBITS ATTACHED HERETO IS HIGHLY SPECULATIVE, AND PERSONS SHOULD NOT RELY ON SUCH DOCUMENTS IN MAKING INVESTMENT DECISIONS WITH RESPECT TO (A) THE DEBTOR OR (B) ANY OTHER ENTITIES THAT MAY BE AFFECTED BY THE CHAPTER 11 CASE.

THE PLAN PROPONENTS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE JOINT PLAN OF LIQUIDATION OF NAILITE INTERNATIONAL, INC. UNDER CHAPTER 11 OF THE BANKRUPTCY CODE TO HOLDERS OF CLAIMS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE JOINT PLAN. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE JOINT PLAN.

THIS DISCLOSURE STATEMENT MAY CONTAIN "FORWARD LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE LIQUIDATION ANALYSIS, DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS URGES EACH HOLDER OF A CLAIM OR AN EQUITY INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE JOINT PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE JOINT PLAN.

IT IS THE PLAN PROPONENTS' POSITION THAT THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, HOLDERS OF CLAIMS AND EQUITY INTERESTS AND OTHER ENTITIES SHOULD CONSTRUE THIS DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE LIQUIDATING TRUSTEE MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE JOINT PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS. THE JOINT PLAN RESERVES FOR THE LIQUIDATING TRUSTEE THE RIGHT TO BRING CAUSES OF ACTION (DEFINED IN THE JOINT PLAN) AGAINST ANY ENTITY OR PARTY IN INTEREST EXCEPT THOSE SPECIFICALLY RELEASED.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE JOINT PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTOR'S CHAPTER 11 CASE AND CERTAIN DOCUMENTS RELATED TO THE JOINT PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE PLAN PROPONENTS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE JOINT PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE JOINT PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTOR'S MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE PLAN PROPONENTS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTOR'S MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTOR HAS USED ITS REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, NO ENTITY HAS AUDITED THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT, OTHER THAN THE FINANCIAL STATEMENTS INCLUDED IN THE DEBTOR'S ANNUAL REPORT.

THE PLAN PROPONENTS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE PLAN PROPONENTS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THEY HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE FILING OF THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS ENTITLED TO VOTE TO ACCEPT OR REJECT THE JOINT PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTOR AND THEIR OWN ANALYSIS OF THE TERMS OF THE JOINT PLAN, INCLUDING, WITHOUT LIMITATION, ANY RISK FACTORS CITED HEREIN, IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE JOINT PLAN.

THE DEBTOR HAS NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE JOINT PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTOR HAS NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTOR OR THE VALUE OF ITS PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE JOINT PLAN, EACH HOLDER OF A CLAIM IN A VOTING CLASS SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL HEREIN.

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EXHIBITS

- Exhibit A** The Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code
- Exhibit B** [Disclosure Statement Order (with the Solicitation Procedures attached thereto as Exhibit 1)]

I. SUMMARY¹

Pursuant to section 1125 of the Bankruptcy Code, Nailite International, Inc. (the “Debtor”) and the Official Committee of Unsecured Creditors (the “Committee”) submit this Disclosure Statement to holders of Claims in connection with (a) the solicitation of votes to accept or reject the Joint Plan of Liquidation under Chapter 11 of the Bankruptcy Code dated as of August [•], 2009 (“Joint Plan”) and (b) the Confirmation Hearing, which is scheduled for [•][•], 2009 at [•] prevailing Eastern Time.

The following summary is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Disclosure Statement.

A. The Chapter 11 Case

On February 13, 2009 (the “Petition Date”), the Debtor filed a voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware.

The circumstances that led the Debtor to file for relief under the bankruptcy code are two-fold. First, in April 2003, the Debtor entered into a credit agreement (the “Credit Agreement”) with National City Bank, as administrative agent and a lender, and Sovereign Bank and Firsttrust Bank, as lenders (collectively, the “Original Lenders”). Shortly prior to the Petition Date, following a payment default under the Credit Agreement by the Debtor, and a subsequent administrative freeze placed on the Debtor’s accounts, Premier Exteriors, LLC (“Exteriors”) purchased the rights of the Original Lenders under the Credit Agreement, including the obligations of the Debtor thereunder (the “Loan Purchase”). Following the Loan Purchase, the Debtor filed for protection under chapter 11 of the Bankruptcy Code. As of the Petition Date, the Debtor estimates the outstanding balance under the Credit Agreement was approximately \$18.5 million (the “Pre-Petition Obligations”). Second, the Debtor cites the overall condition of the economy and the downturn in the domestic housing market.

On February 27, 2009, the Court entered its *Order Approving Debtors' Motion For Order (A) Approving Bid Procedures; (B) Approving Form And Manner Of Notice; (C) Scheduling A Hearing To Consider The Sale Of Certain Of The Debtors' Assets; And (D) Granting Related Relief* [D.I. 53], which approved bidding procedures for the sale of substantially all of the Debtor’s assets, and approved Exteriors as the proposed purchaser.

Although the Debtor’s and the Committee’s professionals continued to market the Debtor’s assets, no qualified bids were made, other than Exteriors’ bid. Therefore, the Debtor sought and received approval to sell substantially all of its assets to Exteriors pursuant to the asset purchase agreement between the parties (the “Asset Purchase Agreement”). On April 13, 2009, the Court approved the sale by entering its *Order (A) Approving Asset Purchase Agreement; (B) Authorizing (I) Sale of Substantially All of the Acquired Assets Free And Clear of Liens, Claims, Interests And Encumbrances And (II) Assumption And Assignment of Certain*

¹ Capitalized terms are defined in the glossary contained in part IX of the Disclosure Statement.

Executory Contracts And Leases, And (C)Granting Related Relief (the “Sale Order”) [D.I. 134]. The closing of the sale occurred on April 15, 2009.

The consideration under the Asset Purchase Agreement consisted of the following:

(i) obligations in the amount of \$8.0 million outstanding under the Purchased Loan Agreement² as of the Petition Date including the outstanding principal balance of the Notes, plus the amount of any accrued and unpaid interest payable through the Auction Date; plus

(ii) cash in the amount of \$650,000.00;³ plus

(iii) the assumption of the Assumed Liabilities, including the DIP Agreement ((i), (ii) and (iii) above, collectively, the “Sale Proceeds”).

The Sale Proceeds were not sufficient to satisfy the Claims of the Debtor’s Secured Lenders in full. However, Exteriors has agreed to leave certain Sale Proceeds in the Estate to facilitate a distribution to the holders of General Unsecured Claims (the “Creditor Carveout”).

B. The Purpose of the Joint Plan

On August [•] , 2009, the Debtor and the Committee filed the Joint Plan with the Bankruptcy Court to facilitate the liquidation of the Debtor’s estate and the Distribution of the Creditor Carveout and any other remaining assets to holders of Allowed Claims in accordance with its provisions. The Joint Plan represents the culmination of extensive negotiations by and between the Debtor and the Committee. A copy of the Joint Plan is attached hereto as Exhibit A and incorporated herein by reference.

The Plan Proponents believe the Joint Plan provides the best recoveries possible for holders of Allowed Claims and strongly recommend that, if such holders are entitled to vote, they vote to accept the Joint Plan.

IN THE EVENT VOTERS DO NOT ACCEPT THIS CHAPTER 11 JOINT PLAN OF LIQUIDATION, THE CHAPTER 11 CASE MAY BE CONVERTED TO A CASE UNDER CHAPTER 7 OF THE BANKRUPTCY CODE AND THERE LIKELY WOULD BE NO RECOVERY TO ANY PARTIES OTHER THAN THE SECURED LENDERS.

Pursuant to section 1141(d)(3) of the Bankruptcy Code, the Joint Plan does not contain a discharge for the Debtor as (1) the Joint Plan is a liquidating Joint Plan, (2) the Debtor will not be engaging in business after the consummation of the Joint Plan and therefore (3) the Debtor is not entitled to a discharge under section 727(a) of the Bankruptcy Code.

² Undefined terms in this paragraph shall have the meaning ascribed to them in the Asset Purchase Agreement.

³ As is provided in the Asset Purchase Agreement, for the avoidance of doubt, of the \$650,000.00, \$250,000 is designated for distribution to general unsecured creditors (excluding, administrative and priority creditors) and the remaining balance shall be used to fund the administration of the estate while in chapter 11. To the extent the cost of administration of the estate in chapter 11 is less than \$400,000, the remaining balance shall revert back to Exteriors.

C. Treatment of Claims and Interests

THE FOLLOWING CHART IS A SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS AND THE POTENTIAL DISTRIBUTIONS UNDER THE JOINT PLAN. THE AMOUNTS SET FORTH BELOW ARE ESTIMATES ONLY. REFERENCE SHOULD BE MADE TO THE ENTIRE DISCLOSURE STATEMENT AND THE JOINT PLAN FOR A COMPLETE DESCRIPTION OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS. THE RECOVERIES SET FORTH BELOW ARE PROJECTED RECOVERIES AND ARE THEREFORE SUBJECT TO CHANGE. THE ALLOWANCE OF CLAIMS MAY BE SUBJECT TO LITIGATION OR OTHER ADJUSTMENTS, AND ACTUAL ALLOWED CLAIM AMOUNTS MAY DIFFER MATERIALLY FROM THESE ESTIMATED AMOUNTS.

<u>Class/Type of Claim or Interest</u>	<u>Projected Claims</u>	<u>Joint Plan Treatment of Class</u>	<u>Projected Recovery Under Joint Plan</u>
Class 1 - Secured Lender Claims	N/A	To the extent not previously resolved by credit bid and/or payments made pursuant to the Sale Order or other Final Order, and exclusive of the Committee Carve-Out, D&O Proceeds and/or the proceeds of any other Chapter 5 Claims, the Secured Lender Deficiency Claim, if any, shall be waived. The treatment afforded herein shall be in full and final satisfaction of the Allowed Secured Lender Claims.	N/A
Class 2 - Other Secured Claims	\$150,000	The Liquidating Trustee shall place each holder of an Allowed Other Secured Claim in a separate Subclass, and will treat each Subclass as a separate class for Distribution purposes. On or as soon as practicable after the Effective Date, the Debtor or the Liquidating Trustee shall pay each holder of an Allowed Other Secured Claim, in full and final satisfaction of such Allowed Other Secured Claim, except to the extent any holder of an	100%

<u>Class/Type of Claim or Interest</u>	<u>Projected Claims</u>	<u>Joint Plan Treatment of Class</u>	<u>Projected Recovery Under Joint Plan</u>
		Allowed Other Secured Claim agrees to a different treatment, either: (i) the collateral securing such Allowed Other Secured Claims; or (ii) cash in an amount equal to the value of such collateral.	
Class 3 - General Unsecured Claims	\$11,500,000	The holders of Allowed General Unsecured Claims shall receive their Pro Rata share of the Liquidating Trust Fund, after satisfaction of the Liquidating Trust Expenses and all Allowed Administrative Claims, Allowed Secured Claims and Allowed Priority Tax Claims, but in no event more than the Creditor Carveout.	.022%
Class 4 - Insider Claims	\$0	Holders of Insider Claims shall receive no Distribution under the Joint Plan	waived
Class 5 - Equity Interests	N/A	Holders of Equity Interests shall neither receive nor retain any property under the Joint Plan.	\$0

The actual recoveries under the Joint Plan by the Debtor's creditors will be dependent upon a variety of factors including, without limitation, whether, and to what extent, Disputed Claims are resolved in favor of the Debtor rather than the Creditors. Accordingly, the actual amount available for Distributions to, among others, holders of Allowed General Unsecured Claims may differ significantly from these estimates. Such differences may adversely affect the percentage recovery to holders of such Claims under the Joint Plan.

D. Entities Entitled to Vote on the Joint Plan

Under the provisions of the Bankruptcy Code, not all holders of claims against and equity interests in a debtor are entitled to vote on a chapter 11 plan. Holders of Claims that are not Impaired by the Joint Plan are deemed to accept the Joint Plan under section 1126(f) of the Bankruptcy Code and, therefore, are not entitled to vote on the Joint Plan.

The Classes of Claims and Equity Interests are classified for all purposes, including voting, confirmation and Distribution pursuant to the Joint Plan and sections 1122 and

1123(a)(1) of the Bankruptcy Code. The Joint Plan deems a Claim or an Equity Interest to be classified in a particular Class only to the extent that the Claim or the Equity Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of the Claim or Equity Interest qualifies within the description of a different Class.

SUMMARY OF STATUS AND VOTING RIGHTS

Class	Claim	Status	Voting Rights
1	Secured Lender Claim	Impaired	Entitled to Vote
2	Other Secured Claims	Unimpaired	Deemed to Accept
3	General Unsecured Claims	Impaired	Entitled to Vote
4	Insider Claims	Impaired	Deemed to Accept
5	Equity Interests	Impaired	Deemed to Reject

The following sets forth the Classes that are entitled to vote on the Joint Plan and the Classes that are not entitled to vote on the Joint Plan:

- The Debtor **IS** soliciting votes to accept or reject the Joint Plan from holders of Claims in Classes 1 and 3 because Allowed Claims in the Voting Classes are Impaired under the Joint Plan and will receive Distributions under the Joint Plan. Accordingly, holders of Allowed Claims in the Voting Classes have the right to vote to accept or reject the Joint Plan.
- The Debtor is **NOT** seeking votes from the holders of Claims in Classes 2 and 4 because those Classes, and the Claims of any holders in those Classes, are either Unimpaired under the Joint Plan or are otherwise deemed to accept the Joint Plan.
- The Debtor is **NOT** seeking votes from the holders of Equity Interests in Class 5. Class 5 is Impaired and will receive no Distribution under the Joint Plan. Pursuant to section 1126(g) of the Bankruptcy Code, Class 5 is presumed to reject the Joint Plan.

For a detailed description of the Classes of Claims and the Classes of Equity Interests, as well as their respective treatment under the Joint Plan, see Article III of the Joint Plan.

E. Solicitation Process⁴

The following documents and materials will constitute the “Solicitation Package.”

- Joint Plan;

⁴ For a complete description of this process and meanings of associated defined terms, see the Solicitation Procedures.

- Disclosure Statement;
- Disclosure Statement Order;
- Confirmation Hearing Notice;
- appropriate Ballot and voting instructions;
- pre-addressed, postage pre-paid return envelope; and
- appropriate letter explaining the solicitation process and urging the holders to vote to accept the Joint Plan.

Through the Garden City Group (the “Debtor’s Claims, Noticing and Balloting Agent”), the Plan Proponents intend to distribute the Solicitation Packages no less than [•] calendar days before the Voting Deadline. The Plan Proponents submit that Distribution of the Solicitation Packages at least [•] calendar days prior to the Voting Deadline will provide the requisite materials to holders of Claims entitled to vote on the Joint Plan in compliance with Bankruptcy Rules 3017(d) and 2002(b). The Plan Proponents will make every reasonable effort to ensure that holders who have more than one Allowed Claim in a single voting Class receive no more than one Solicitation Package.

The Solicitation Package will be distributed to holders of Claims in Voting Classes as of the Record Date and in accordance with the Solicitation Procedures. The Solicitation Procedures are annexed as Exhibit 1 to the Disclosure Statement Order. The Solicitation Package (except the Ballots) may also be obtained by contacting the Debtor’s Claims, Noticing and Balloting Agent at (631) 470-5000 or by sending an e-mail to nailite@gardencitygroup.com.

The Notice Parties as of the Record Date, the Internal Revenue Service and the Securities and Exchange Commission will be served either paper copies of or a CD-ROM containing the Disclosure Statement Order, the Disclosure Statement and all exhibits to the Disclosure Statement, including the Joint Plan. Any Entity that is served a CD-ROM but desires paper copies of these documents may obtain copies by contacting the Debtor’s Claims, Noticing and Balloting Agent at (631) 470-5000 or by sending an e-mail to nailite@gardencitygroup.com.

Following the Disclosure Statement Hearing, the Debtor will publish the Solicitation Notice, which will contain the Joint Plan Objection Deadline, the Voting Deadline and the date that the Confirmation Hearing is first scheduled, in the following publications: (i) *The Wall Street Journal* national edition or the *New York Times* national edition, (ii) *The Miami Herald*, and (iii) the trade journal *Plastics News* on a date no later than fifteen (15) days prior to the Voting Deadline to provide notice to those Entities that may not receive notice by mail.

The Joint Plan Supplement will be filed by the Debtor no later than five (5) Business Days before the Confirmation Hearing. When filed, the Joint Plan Supplement will be made available from the Debtor’s Claims, Noticing and Balloting Agent’s website at <http://www.gardencitygroup.com/cases/nai/>. The Debtor will not serve paper or CD-ROM copies of the Joint Plan Supplement. However, parties also may obtain a copy of the Joint Plan Supplement by contacting the Debtor’s Claims, Noticing and Balloting Agent at (631) 470-5000 or by sending an e-mail to nailite@gardencitygroup.com.

F. Voting Procedures

The Record Date is [•], 2009. The Record Date is the date on which the following will be determined: (a) the holders of Claims that are entitled to receive the Solicitation Package in accordance with the Solicitation Procedures; (b) the holders of Claims that are entitled to vote to accept or reject the Joint Plan; and (c) whether Claims have been properly assigned or transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the holder of a Claim.

The Voting Deadline is 5:00 p.m. prevailing Eastern Time on [•], 2009. To ensure that a vote is counted, holders of Allowed Claims must: (a) complete the Ballot; (b) indicate a decision either to accept or reject the Joint Plan; and (c) sign and return the Ballot to the address set forth on the enclosed pre-addressed envelope provided in the Solicitation Package or by delivery by first-class mail, overnight courier or personal delivery, so that all Ballots are **actually received** no later than the Voting Deadline, by the Debtor's Claims, Noticing and Balloting Agent.

ANY BALLOT THAT IS PROPERLY EXECUTED BY THE HOLDER OF A CLAIM, BUT THAT DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE JOINT PLAN OR INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE JOINT PLAN, WILL NOT BE COUNTED.

EACH HOLDER OF A CLAIM MUST VOTE ALL OF ITS CLAIMS WITHIN A PARTICULAR CLASS EITHER TO ACCEPT OR REJECT THE JOINT PLAN AND MAY NOT SPLIT SUCH VOTES. BY SIGNING AND RETURNING A BALLOT, EACH HOLDER OF A CLAIM WILL CERTIFY TO THE BANKRUPTCY COURT AND THE DEBTOR THAT NO OTHER BALLOTS WITH RESPECT TO SUCH CLAIM HAVE BEEN CAST OR, IF ANY OTHER BALLOTS HAVE BEEN CAST WITH RESPECT TO SUCH CLASS OF CLAIMS, SUCH OTHER BALLOTS INDICATED THE SAME VOTE TO ACCEPT OR REJECT THE JOINT PLAN.

BALLOTS	
Ballots must be <u>actually received</u> by the Debtor's Claims, Noticing and Balloting Agent <u>by the Voting Deadline as follows:</u>	
<u>If sent by the envelope provided or otherwise by First Class Mail:</u>	<u>If sent by Overnight Courier or Personal Delivery:</u>
The Garden City Group, Inc. Attn: Nailite International, Inc. P.O. Box 9348 Dublin, OH 43017-4248	The Garden City Group, Inc. Attn: Nailite International, Inc. 5151 Blazer Pkwy, Ste. A Dublin, OH 43017
If you have any questions on the procedures for voting on the	

Joint Plan, please contact the Debtor's Claims, Noticing and Balloting Agent at the following telephone number (631) 470-5000 or by e-mail at nailite@gardencitygroup.com.

IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED UNLESS THE DEBTOR IN CONSULTATION WITH THE COMMITTEE DETERMINES OTHERWISE.

Prior to deciding whether and how to vote on the Joint Plan, each holder in a voting class should consider carefully all of the information in this Disclosure Statement, especially the Risk Factors described herein.

G. Confirmation Hearing

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of the Joint Plan. Section 1128(b) of the Bankruptcy Code provides that any party-in-interest may object to confirmation of the Joint Plan.

The Confirmation Hearing will commence on [], 2009 at [: a.m./p.m.] prevailing Eastern Time, before the Honorable Mary F. Walrath, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

The Joint Plan Objection Deadline is 12:00 p.m. prevailing Eastern Time on [], 2009. All Joint Plan objections must be Filed with the Bankruptcy Court and served on the Debtor and certain other parties in accordance with the Disclosure Statement Order on or before the Joint Plan Objection Deadline. In accordance with the Confirmation Hearing Notice Filed with the Bankruptcy Court, Joint Plan Objections or requests for modifications to the Joint Plan, if any, must:

- be in writing;
- conform to the Bankruptcy Rules and the Local Bankruptcy Rules;
- state the name and address of the objecting Entity and the amount and nature of the Claim or Equity Interest of such Entity;
- state with particularity the basis and nature of the Joint Plan Objection and, if practicable, a proposed modification to the Joint Plan that would resolve such Joint Plan Objection; and
- be Filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** by the notice parties identified in the Confirmation Hearing Notice on or prior to the Voting Deadline.

THE BANKRUPTCY COURT WILL NOT CONSIDER JOINT PLAN OBJECTIONS UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE PROCEDURES SET FORTH IN THE DISCLOSURE STATEMENT ORDER.

II. BACKGROUND TO THE CHAPTER 11 CASE

A. Debtor's Business

1. Summary

The Debtor is based in Miami, Florida and was founded in 1978. It was the leading producer of injection molded polypropylene based cedar and masonry replica siding. The Debtor's products were primarily used by the residential construction and remodeling markets.

2. Employees

Leading up to the Petition Date, the Debtor employed approximately seventy-nine (79) employees of which fifty-nine (59) were paid on an hourly basis and twenty (20) were salaried. Approximately ten (10) employees were terminated before the Petition Date. As of the Petition Date, employee wages and benefit payments were current.

3. Directors and Officers

As of the Closing Date (as that term is defined in the Asset Purchase Agreement), the Debtor's directors and officers included the following:

Name	Position
Charles D. Jerasa	Chief Executive Officer and Member of the Board of Directors
Tim Self	Chief Financial Officer
Joshua M. Wilson	Member of the Board of Directors
Joseph G. May	Chairman of the Board of Directors

B. Debtor's Corporate and Capital Structure

The Debtor has three primary stockholders: Argosy Investment Partners II, LP owns 5.4% of the Debtor's stock; Graham Alternative Investment Partners I owns 5.4% of the Debtor's stock; and Graham Partners Investments ("GPI"), LP, GPI(A) LP, GPI(B) LP (collectively referred to as "Graham Partners") who together own 88.8% of the Debtor's stock. Graham Partners purchased its interest in the Debtor in April 2003 for approximately \$46 million from Sun Capital.

The Debtor owns no real property. The Debtor leases both its headquarters location and a small warehouse, both of which are located in Miami, Florida.

C. Summary of Prepetition Indebtedness and Prepetition Financing

In April 2003 the Debtor, National City Bank, as administrative agent and lender, Sovereign Bank and Firsttrust Bank, as lenders, entered into a credit agreement (the “Credit Agreement”). The obligations under the Credit Agreement were and are secured by all assets of the Debtor. The Credit Agreement provided for a term loan facility and a revolving credit facility. Principal on the term loan facility is payable quarterly. In April of 2003, the Debtor also executed a note purchase agreement with American Capital Financial Services, Inc. for an unsecured subordinated term loan. The subordinated term loan was refinanced in November of 2006.

At the end of 2003, the Debtor had in excess of \$25 million in “long term debt.” Between 2003 and 2008, the Debtor periodically defaulted on its financial covenants under the Credit Agreement and the Credit Agreement was amended four times during this period. As of December 31, 2008, the Debtor’s long term debt was in excess of \$32 million. The Debtor also owed \$4.1 million in trade debt and “accrued payables.” The Debtor’s accounts receivables for this same time totaled approximately \$1.5 million.

On December 31, 2008, the Debtor failed to pay the principal and interest owed to National City Bank pursuant to the Credit Agreement. On January 2, 2009, National City Bank sent a Notice of Default to the Debtor. On January 6, 2009, National City Bank then terminated the Debtor’s revolving loan commitment and accelerated the Debtor’s obligations under the Credit Agreement. In addition, National City Bank placed an administrative hold on the Debtor’s deposit accounts. Although the Debtor attempted to renegotiate its loans with National City Bank, the bank was unwilling to extend the Debtor additional credit. In addition to being unable to operate, National City’s hold made the Debtor’s business unappealing for many potential creditors.

The Debtor began looking, with the assistance of Graham Partners and Alix Partners LLC, for investors and/or new financing in mid December 2008. The Debtor soon realized that the only party willing to extend such financing was Premier Exteriors.

D. Legal Proceedings Outside the Bankruptcy Court

1. Court Proceedings

As of the Petition Date, the Debtor had three suits in which it was named as a defendant. All three actions were still pending as of the Petition Date.

2. Environmental Claims

Prior to the Petition Date, the Debtor was served with a notice from the Florida Department of Environmental Protection (“DEP”) concerning its warehouse located in Miami. The warehouse was at one point a painting site. (The Debtor has ceased painting its products.) Pursuant to an agreement with the Florida DEP, the Debtor created a company to be in charge of remediating the site. The company is fully funded and there are no outstanding issues with the remediation.

III. EVENTS LEADING TO THE CHAPTER 11 CASE

A. Economic Downturn

The Debtor cites the overall condition of the economy and the downturn in the domestic housing market as the primary factor leading to its filing for bankruptcy. The Debtor's business correlates closely to housing starts, and to a lesser degree, remodeling. Between 2000 and 2005, housing starts had increased by approximately 30%. However, between 2005 and 2008, housing starts were down by 56%. During the fourth quarter of 2008, housing starts were down 64% as compared to the fourth quarter of 2007. In turn, the Debtor's earnings decreased by 176% for the same period. For the fiscal years of 2007 and 2008 the Debtor's sales were \$44 million and \$41.7 million respectively. However the Debtor lost between \$7 million and \$8 million of EBITDA for both 2007 and 2008. Also, the Debtor's sales for January 2009 were at a record low. In addition, the cost of producing the Debtor's products had significantly increased. For example, the cost of resin per pound in 2005 was 33 cents, and in 2008, the cost rose to \$1.05 per pound.

B. Prepetition Restructuring Initiatives

During the fourth quarter of 2008, the Debtor realized it faced substantial liquidity issues. In an attempt to address the problem, the Debtor hired AlixPartners, LLP to assist it with exploring all strategic avenues available to the Debtor. The Debtor soon realized that the only option that would allow it to maintain the employment of its workers and maximize recovery for all creditors was to restructure its company through a bankruptcy process.

IV. ADMINISTRATION OF THE CHAPTER 11 CASE

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated holders of claims and equity interests, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the commencement of the chapter 11 case. 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."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any entity acquiring property under the confirmed plan, any holder of a claim or equity interest in a debtor and all other entities as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code, to the terms and conditions of the confirmed plan. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan provides for the treatment of claims and equity interests in accordance with the terms of the confirmed plan.

Prior to soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the chapter 11 Joint Plan to be prepared. This Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code.

B. Initial Motions and Certain Related Relief

Immediately following the Petition Date, the Debtor devoted substantial efforts to stabilizing its operations and preserving and restoring its relationships with vendors, customers, employees, landlords and utility providers. To that end, the Debtor sought and obtained a number of orders from the Bankruptcy Court to minimize disruption to its operations and facilitate the administration of the Chapter 11 Case. Several of these orders are briefly summarized below.

1. Motion for Authority to Obtain Debtor-in-Possession Financing

On February 17, 2009, the Bankruptcy Court approved an interim order authorizing the Debtor's use of postpetition financing and cash collateral. Pursuant to the order, the Bankruptcy Court authorized the Debtor to borrow up to \$3 million in postpetition loans and to use cash collateral (as defined in section 363(c)(2)(A) of the Bankruptcy Code) to permit the Debtor to continue to make ordinary course and other approved payments. Such relief was necessary for the Debtor to continue to operate its business without disruption and preserve the good will and value of its business. Pursuant to the financing and cash collateral order, Exteriors was granted replacement liens of the same validity and priority as existed on the Petition Date in the postpetition assets of the Debtor to provide adequate protection for any diminution in the value of any valid and an avoidable liens and security interests they possess in cash collateral arising from the Debtor's use of such cash collateral.

On March 11, 2009 the Committee objected to entry of the Debtor's Debtor in Possession Financing Motion (the "DIP Motion") [Docket Entry No. 88]. On March 12, 2009 the Bankruptcy Court entered the Final Order approving the DIP Motion which incorporated certain of the Committee's objections [Docket Entry No. 93]. Pursuant to the Bankruptcy Court's approval of the DIP Motion, the obligations under the DIP financing facility have priority over all other Claims in the Debtor's case, including Administrative Claims other than specified levels of Professional fees and expenses and the U. S. Trustee's fees.

On April 15, 2009, in connection with the closing of the sale of the Debtor's assets, the Debtor paid in full the Claims owing under the DIP financing facility and the commitments thereunder were terminated.

2. Motion to Maintain Bank Accounts

On February 13, 2009 the Debtor filed a motion for permission to maintain its prepetition cash management system, bank accounts and business forms during the pendency its case [Docket Entry No. 4]. The motion was granted by the Bankruptcy Court on February 17, 2009 [Docket Entry No. 17].

3. Motion to Pay Employee Wages and Associated Compensation

On February 13, 2009, the Debtor filed a motion for permission to pay wages and benefits earned by its employees prior to the Petition Date. The Debtor estimated this sum to be \$127,393. The Debtor sought permission to pay its employees this sum outright. The Debtor also estimated that its employees were owed \$177,434 in unpaid vacation time and \$59,740 in unpaid personal time. The Debtor sought permission to pay its employees these sums in its discretion pursuant to the Debtor's prepetition policy, which was to make these types of payments upon the employee's termination. The Debtor also sought permission to continue paying health insurance costs and COBRA payments of \$50,000 per month, 401(k) matching payments of \$10,000 per month and life insurance plan payments of \$920 per month [Docket Entry No. 5]. The motion was granted by the Court on February 17, 2009 [Docket Entry No. 18].

4. Motion to Prohibit Utilities from Terminating Service

On February 13, 2009, the Debtor filed a motion to prohibit its utility companies from terminating service. The Debtor proposed setting aside an amount equivalent to 50% of the Debtor's estimated monthly utility costs to serve as adequate assurance for the Debtor's utility service providers ("Adequate Assurance"). An interim order granting the motion was issued on February 17, 2009 [Docket Entry No. 19].

On March 5, 2009, Florida Power & Light objected to the motion and asked that an additional sum be set aside as Adequate Assurance [Docket Entry No. 65]. The Bankruptcy Court issued a final order granting the Debtor's motion on March 12, 2009 [Docket Entry No. 95]. However, while the Bankruptcy Court did not increase the amount of Adequate Assurance, it did include a provision that Florida Power & Light was not bound by the order.

The Debtor paid for all utility services provided on a postpetition basis.

5. Motion to Pay Prepetition Shipping and Related Charges

The Debtor regularly sends and receives goods, materials, products and correspondence and uses third party shippers, common carriers and other transporters ("Shipping Parties") for these services. The Debtor moved for permission to satisfy its obligations to the Shipping Parties and to treat postpetition obligations as expenses under 11 U.S.C. § 503(b)(9) [Docket Entry No. 7].

An interim order granting the motion was issued on February 17, 2009. The order allowed the Debtor to pay up to \$60,000 on an interim basis to the Shipping Parties. The order also allowed the Debtor to incur up to \$125,000 of fees if in its judgment the fees were necessary to maintain the smooth operation of its business [Docket Entry No. 20].

6. Motion to Pay Taxes

The Debtor moved for an order allowing it to pay prepetition taxes and directing the Debtor's bank to honor any checks and wire transfers concerning the Debtor's tax payments to be paid [Docket Entry No. 8]. The motion was granted on February 17, 2009 [Docket Entry No. 21].

7. Motion to Approve Bidding Procedures and Motion to Approve Sale

On February 19, 2009, the Debtor filed a motion for an order (A) Approving Bid Procedures Including Without Limitation, Proposed Purchasers Break-Up Fee; (B) Approving form and manner of Notice; (C) Scheduling a Hearing to Consider the Sale of Certain of the Debtor's Assets and (D) Granting Other Relief ("Bidding Procedures Motion") [Docket Entry No. 25]. The Debtor also filed a motion for an order pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code and Rules 2002, 6004, 6006 and 9014 of the Federal Rules of Bankruptcy Procedure (I) Authorizing the Sale of Certain Assets, Free and Clear of Liens, Claims, Encumbrances, and Interests Subject to Higher and Better Offers (the "Sale"); (II) Approving an Asset Purchase Agreement; (III) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection with Such Sale; and (IV) Granting Related Relief ("Sale Motion") [Docket Entry No. 26].

The U.S. Trustee and the Committee filed objections to the Bidding Procedures Motion on a variety of grounds. The U.S. Trustee noted that Exteriors, or certain of its affiliates, were involved in various aspects of the Debtor's capital structure, such as the Debtor's pre-petition lender, partial owner of the 100% equity holder of the Debtor, and the DIP lender. The U.S. Trustee objected to the amount of the proposed "break-up fee" and requested that the Committee be consulted with in relation to the Debtor's proposed bidding process and procedures. The Committee's objection noted the proposed sale appeared to be an attempt by Exteriors to force the Debtor to sell its assets at a severely depressed value [Docket Entry No. 42]. The Committee also noted the Debtor's proposed bidding procedures failed to provide adequate time for other prospective bidders to formulate and submit alternative bids.

In response to the objections raised by the Committee and the U.S. Trustee, the Debtor: (a) extended the bidding deadline by three (3) weeks (from March 24, 2009 to April 6, 2009), (b) extended the sale hearing date by approximately two (2) weeks (from March 27, 2009 to April 13, 2009) and (c) reduced the proposed deposit and bid increments at the auction. The Bankruptcy Court heard the Sale Motion on February 27, 2009 and entered an order incorporating the U.S. Trustee's and the Committee's objections on the same day [Docket Entry No. 53]. The bidding procedures and sale process are described in greater detail below.

8. Applications to Retain Professionals

To assist the Debtor in carrying out its duties as a debtor-in-possession and to represent the Debtor's interests in the chapter 11 case, the Debtor retained: (a) Potter Anderson & Corroon LLP as counsel [Docket Entry No. 33]; AlixPartners, LLP as Restructuring Advisors [Docket Entry No. 34]; and (c) Garden City Group as its Debtor's Claims, Noticing and Balloting Agent [Docket Entry No. 38]. The Bankruptcy Court granted each of these applications.

9. Warranty Claims

The Debtor experienced a significant increase in warranty claims prior to the Petition Date. The Debtor asserted that during the past five years, its warranty claim payments had increased by 168%. Prior to the Petition Date, the Debtor established a warranty program on its siding as a part of its customer service program. Under the program, customers were allowed to have siding manufactured by the Debtor repaired by the Debtor for a sliding-scale fee. Prior to

the Petition Date the Debtor had received “contributions” from approximately fifty (50) customers seeking repairs under the warranty program. The Debtor stated the “contributions” totaled \$159,802.29. As per the Debtor’s prior practices, all of the contributions were deposited with the Debtor’s operating funds in its general operating account.

On March 9, 2009, and due to the Debtor’s financial inability to continue honoring prepetition warranty claims, the Debtor filed a Motion for an Order Authorizing Refund of Certain Homeowner Pro-Rata Warranty Contributions [Docket Entry No. 76]. Debtor sought permission from the Bankruptcy Court to refund up to \$160,000 in warranty contributions received from customers post-petition. The Court granted the motion on March 12, 2009 [Docket Entry No. 94].

C. Unsecured Creditors Committee

1. Appointment of the Committee

The Committee was formed by the U.S. Trustee on February 23, 2009. The Committee consists of H. Muelstein & Co., Inc., Osterman and Company, Inc., Heritage Plastics Inc., Strathmore Products Inc. and Four Towers Logistics.

The Committee filed applications to retain (a) Lowenstein Sandler PC [Docket Entry No. 69] and Elliott Greenleaf [Docket Entry No. 73] as its legal counsel; and (b) Ladenburg Thalmann & Co., Inc. [Docket Entry No. 72] as its financial advisors in this case. The Bankruptcy Court granted these applications on April 14, 2009.

2. Meeting of Creditors

The meeting of creditors pursuant to section 341 of the Bankruptcy Code was held on March 19, 2009 at 11:00 a.m. prevailing Eastern Time, at the J. Caleb Boggs Federal Building, Wilmington, Delaware 19801. In accordance with Bankruptcy Rule 9001(5), Tim Self, the Debtor’s Chief Financial Officer, appeared for the purpose of being examined under oath by a representative of the U.S. Trustee and by any attending parties-in-interest.

3. Filing Schedules and Setting of Bar Dates

The Debtor Filed its Schedules on March 9, 2009. On April 14, 2009, the Bankruptcy Court entered the “Claims Bar Date Order” [Docket Entry No. 136], which set forth the following dates by which proofs of claims must be filed (collectively, the “Bar Dates”):

- General Bar Date: May 18, 2009 at 5:00 p.m. prevailing Eastern Time; and
- Governmental Bar Date: August 12, 2009 at 5:00 p.m. prevailing Eastern Time.

Subject to certain limited exceptions contained in the Bankruptcy Code and, other than Claims arising from the rejection of executory contracts after the General Bar Date, all proofs of Claim must be submitted by the applicable Bar Date.

In accordance with the Bar Date Order, written notice of the Bar Dates and a proof of claim form were mailed to, among others, all known Claimants holding actual or potential Claims and other parties listed in the Bar Date Order within three business days after the date of entry of the Bar Date Order. In addition, in accordance with the Bar Date Order, the Debtor published notice of the Bar Dates in the national edition of the New York Times, the Miami Herald and the trade publications *Plastics News*. In accordance with the Bar Date Order, all administrative claims, including Claims pursuant to section 503(b)(9) of the Bankruptcy Code, arising prior to May 18, 2009, other than professional claims, were subject to the General Bar Date. A deadline by which Administrative Claims arising after May 18, 2009 are required to be filed with the Bankruptcy Court has not been established as of the date of this Disclosure Statement, and the Debtor is requesting that the Bankruptcy Court set such date as part of the Confirmation of the Joint Plan.

D. Sale of Assets

1. Factors Leading to Sale

Given an inability to obtain the necessary additional financing, the Debtor determined that the value of its estate would best be preserved through a sale process and, consequently, commenced this Chapter 11 Case to pursue the Sale for the benefit of its stakeholders.

2. The Bidding Procedures

On February 19, 2009, the Debtor Filed the Sale Motion seeking, among other things, approval of comprehensive and detailed bidding procedures. As detailed above, the Committee requested, and the Debtor agreed, to incorporate a number of changes to the proposed bidding procedures. The Bankruptcy Court approved the bidding procedures on February 27, 2009. The bidding procedures set April 6, 2009 as the bid deadline and April 13, 2009 as the date of the sale.

On March 4, 2009, the Debtor served notice of the order approving the Bidding Procedures upon a number of key parties in the Chapter 11 Case. On March 9, 2009, the Debtor published a notice of the Sale in the national edition of *The Wall Street Journal*. On March 16, 2009 the Debtor published a notice of the Sale in *Plastics News*. The Debtor filed affidavits attesting to the notice publication dates on March 20, 2009 [Docket Entry No. 104].

3. Sale Marketing Efforts Following Approval of Bidding Procedures

The Debtor and Ladenburg began their formal marketing efforts as early as March 4, 2009, when Ladenburg first sent out confidentiality agreements to potential purchasers. In total, Ladenburg marketed the Debtor's assets—as an entire business—to twenty-seven (27) potential buyers. Three (3) potential buyers were sent executive summaries to review.

Ladenburg provided presentations to approximately 30 of these potential buyers. The potential buyers were able to provide initial indications of interest quickly in part because of the Debtor's extensive pre-petition efforts to explore alternatives to a chapter 11 restructuring. The sale process was open and transparent and available to any potential purchaser. In addition, the Committee participated throughout the Sale process.

4. Exteriors' Stalking Horse Bid

The Sale Proceeds (as set forth under the Asset Purchase Agreement) consisted of the following:

(iv) obligations in the amount of \$8.0 million outstanding under the Purchased Loan Agreement⁵ as of the Petition Date including the outstanding principal balance of the Notes, plus the amount of any accrued and unpaid interest payable through the Auction Date; plus

(v) cash in the amount of \$650,000.00;⁶ plus

(vi) the assumption of the Assumed Liabilities, including the DIP Agreement.

Exteriors agreed to leave the Creditor Carveout in the estate to facilitate a distribution to the holders of General Unsecured Claims.

5. Competing Bids

The Debtor did not receive any competing bids, as a result, there was no auction.

6. Closing of the Sale

The Sale closed on April 15, 2009.

V. SUMMARY OF THE JOINT PLAN

A. Summary

1. In accordance with section 1123(a)(1) of the Bankruptcy Code, the Debtor has not classified Administrative Claims, Priority Tax Claims and Other Priority Claims, as described in Article II of the Joint Plan
2. The following table classifies Claims against and Equity Interests in the Debtor for all purposes, including voting, confirmation and Distribution pursuant hereto and pursuant to Sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Joint Plan deems a Claim or Equity Interest to be classified in a particular Class only to the extent that the Claim or Equity 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 Equity Interest qualifies within the description of such different Class. A Claim or Equity Interest is in a particular Class only to the extent that any

⁵ Undefined terms in this paragraph shall have the meaning ascribed to them in the Asset Purchase Agreement.

⁶ As is provided in the Asset Purchase Agreement, for the avoidance of doubt, of the \$650,000.00, \$250,000 is designated for distribution to general unsecured creditors (excluding administrative and priority creditors) and the remaining balance shall be used to fund the administration of the estate while in chapter 11. To the extent the cost of administration of the estate in chapter 11 is less than \$400,000, the remaining balance shall revert back to Exteriors.

such Claim or Equity Interest is Allowed in that Class and has not been paid or otherwise settled prior to the Effective Date.

3. *Summary of Classification and Treatment of Classified Claims and Equity Interests.*

<u>Class</u>	<u>Claim</u>	<u>Status</u>	<u>Voting Rights</u>
1	Secured Lender Claims	Impaired	Entitled to Vote
2	Other Secured Claims	Unimpaired	Deemed to Accept
3	General Unsecured Claims	Impaired	Entitled to Vote
4	Cancelled Intercompany Claims	Impaired	Deemed to Accept
5	Equity Interests	Impaired	Deemed to Reject

B. Administrative and Priority Claims

1. Administrative Claims

Subject to the provisions of Sections 328, 330(a) and 331 of the Bankruptcy Code, the Debtor or the Liquidating Trust shall pay each holder of an Allowed Administrative Claim the full unpaid amount of such Allowed Administrative Claim in Cash: (1) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (2) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due); (3) at such time and upon such terms as may be agreed upon by such holder and the Debtor; or (4) at such time and upon such terms as set forth in an order of the Bankruptcy Court; *provided, however*, that Administrative Claims do not include Administrative Claims Filed or asserted after the Administrative Bar Date or Administrative Claims Filed or asserted pursuant to section 503(b)(9) after the General Bar Date.

a. Professional Compensation and Reimbursement Claims

The Bankruptcy Court shall fix in the Confirmation Order a date for filing of, and a date to hear and determine, all applications for final allowance of compensation or reimbursement of expenses under Section 330 of the Bankruptcy Code or applications for allowance of Administrative Expenses arising under Sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(6) of the Bankruptcy Code.

2. Priority Tax Claims

The Debtor or the Liquidating Trustee shall pay each holder of an Allowed Priority Tax Claim the full unpaid amount of such Allowed Priority Tax Claim in Cash, on the latest of (i) the Effective Date, (ii) the date such Allowed Priority Tax Claim becomes Allowed and (iii) the date such Allowed Priority Tax Claim is payable under applicable non-bankruptcy law.

3. Other Priority Claims

On or as soon as practicable after the Effective Date, the Debtor or the Liquidating Trustee shall pay each holder of an Allowed Other Priority Claim, in full and final satisfaction of such Allowed Other Priority Claim the full unpaid amount of such Allowed Other Priority Claim in Cash.

C. Classification and Treatment of Claims and Equity Interests

1. Secured Lender Claim (Class 1)

- a. *Classification:* Class 1 consists of the Secured Lender Claims.
- b. *Treatment:* To the extent not previously resolved by credit bid and/or payments made pursuant to the Sale Order or other Final Order, and exclusive of the Committee Carve-Out, D&O Proceeds and/or the proceeds of any Chapter 5 Claims, the Secured Lender Deficiency Claim, if any, shall be waived. The treatment afforded herein shall be in full and final satisfaction of the Allowed Secured Lender Claims.
- c. *Voting:* Class 1 is Impaired, and the Prepetition Lenders are entitled to vote to accept or reject the Joint Plan.

2. Other Secured Claims (Class 2)

- a. *Classification:* Class 2 consists of Other Secured Claims.
- b. *Treatment:* The Liquidating Trustee shall place each holder of an Allowed Other Secured Claim in a separate Subclass, and will treat each Subclass as a separate class for Distribution purposes. On or as soon as practicable after the Effective Date, the Debtor or the Liquidating Trustee shall pay each holder of an Allowed Other Secured Claim, in full and final satisfaction of such Allowed Other Secured Claim, except to the extent any holder of an Allowed Other Secured Claim agrees to a different treatment, either:
 - (1) The collateral securing such Allowed Other Secured Claim; or
 - (2) Cash in an amount equal to the value of such collateral.
- c. *Voting:* Class 2 is Unimpaired, and holders of Other Secured Claims are conclusively deemed to have accepted the Joint Plan. Only holders of Allowed Other Secured Claims shall receive a Distribution under the terms of the Joint Plan.

3. General Unsecured Claims (Class 3)

- a. *Classification:* Class 3 consists of General Unsecured Claims.
- b. *Treatment:* the holders of Allowed General Unsecured Claims shall receive their Pro Rata share of the Liquidating Trust Fund, after satisfaction of the Liquidating Trust Expenses and all Allowed Administrative Claims, Allowed Secured Claims and Allowed Priority Tax Claims, but in any event not to exceed the amount of the Creditor Carveout.

- c. *Voting:* Class 3 is Impaired, and holders of General Unsecured Claims are entitled to vote to accept or reject the Joint Plan. For the purpose of clarity, only holders of Allowed General Unsecured Claims shall receive a Distribution under the Joint Plan.

4. Insider Claims (Class 4)

- a. *Classification:* Class 4 consists of Insider Claims.
- b. *Treatment:* Holders of Insider Claims shall receive no Distribution under the Joint Plan.
- c. *Voting:* Class 4 is Impaired, and holders of Insider Claims are conclusively deemed to accept the Joint Plan pursuant to an agreement between the parties.

5. Equity Interests (Class 5)

- a. *Classification:* Class 5 consists of Equity Interests.
- b. *Treatment:* Holders of Equity Interests shall neither receive nor retain any property under the Joint Plan.
- c. *Voting:* Class 5 is Impaired, and holders of Equity Interests conclusively are deemed to reject the Joint Plan.

6. Special Provision Governing Unimpaired Claims

Except as otherwise provided in the Joint Plan, nothing under the Joint Plan shall affect the Debtor's rights in respect of any Unimpaired Claim, including, without limitation, all rights in respect of legal and equitable defenses to or setoffs or recoupment against any such Unimpaired Claim.

7. Non-Consensual Confirmation

The Debtor and the Committee reserve the right to seek confirmation of the Joint Plan under Section 1129(b) of the Bankruptcy Code. To the extent that any Class votes to reject the Joint Plan, the Committee and the Debtor further reserve the right to modify the Joint Plan in accordance with its provisions and applicable provisions of the Bankruptcy Code.

D. Means For Implementation Of The Joint Plan

1.Designation of a Liquidating Trustee and a Liquidating Trust Committee The Committee has designated James Gallagher of Pine Brook Associates LLC as the Liquidating Trustee. Additionally, on or prior to the Confirmation Date, the Committee shall designate a three (3) member Liquidating Trust Committee. The Liquidating Trustee shall serve at the direction of the Liquidating Trust Committee, provided, however, the Liquidating Trust Committee may not direct the Liquidating Trustee or the members of the Liquidating Trust Committee to act inconsistently with their duties under the Liquidating Trust Agreement and the Joint Plan. The Liquidating Trust Committee may terminate the Liquidating Trustee at any time in accordance with the provisions of the Liquidating Trust Agreement.

2. The Liquidating Trust

a. Formation of the Liquidating Trust

On the Effective Date, the Liquidating Trust shall be established pursuant to the Liquidating Trust Agreement for the purpose of (a) administering the Liquidating Trust Fund, (b) resolving all Disputed Claims, and (c) pursuing the D&O Claims and (d) making all Distributions to the Beneficiaries provided for under the Joint Plan. The Liquidating Trust is intended to qualify as a liquidating trust pursuant to United States Treasury Regulation Article 301.7701-4(d).

b. Funding of the Liquidating Trust

On the Effective Date, the Debtor shall fund the Liquidating Trust Fund and these funds shall vest automatically in the Liquidating Trust. The Joint Plan shall be considered a motion pursuant to sections 105, 363 and 365 of the Bankruptcy Code for such relief. The transfer of the Liquidating Trust Fund to the Liquidating Trust shall be made for the benefit and on behalf of the Beneficiaries. The assets comprising the Liquidating Trust Fund will be treated for tax purposes as being transferred by the Debtor to the Beneficiaries pursuant to the Joint Plan in exchange for their Allowed Claims and then by the Beneficiaries to the Liquidating Trust in exchange for the beneficial interests in the Liquidating Trust. The Beneficiaries shall be treated as the grantors and owners of the Liquidating Trust. Upon the transfer of the Liquidating Trust Fund, the Liquidating Trust shall succeed to all of the Debtor's rights, title and interest in the Liquidating Trust Fund and the Debtor will have no further interest in or with respect to the Liquidating Trust Fund.

As soon as possible after the Effective Date, but in no event later than sixty (60) days thereafter, (i) the Liquidating Trust Committee shall inform the Liquidating Trust in writing of the fair market value of the Liquidating Trust Fund as of the Effective Date, based on its good faith determination, and (ii) the Liquidating Trustee shall establish appropriate means to apprise the Beneficiaries of such valuation. The valuation shall be used consistently by all parties (including, without limitation, the Debtor, the Liquidating Trust, the Beneficiaries and the Liquidating Trust Committee) for all federal income tax purposes.

c. Rights and Powers of the Liquidating Trustee

The Liquidating Trustee shall be deemed the Estate's representative in accordance with section 1123 of the Bankruptcy Code and shall have all the rights and powers set forth in the Liquidating Trust Agreement, including, without limitation, the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code and Rule 2004 of the Bankruptcy Rules (including without limitation, the right to (1) effect all actions and execute all agreements, instruments and other documents necessary to implement the provisions of the Joint Plan and the Liquidating Trust Agreement; (2) liquidate any Non-Acquired Assets; (3) prosecute, settle, abandon or compromise any D&O Claims, in consultations with the Lenders; (4) prosecute, settle, abandon or compromise any open issues or disputes under the Asset Purchase Agreement; (5) establish and administer any necessary reserves for Disputed Claims that may be required; (6) object to the Disputed Claims and prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court such objections; and (7) employ and compensate professionals and other agents, *provided, however*, that any such compensation shall be made only out of the Liquidating Trust Fund, to the extent not inconsistent with the status of the Liquidating Trust as a liquidating trust within the meaning of Treas. Reg. § 301.7701-4(d) for federal income tax purposes and further the retention and terms of engagement of any professionals retained in connection with the prosecution of the D&O Claims shall be made in consultation with the Lenders.

d. Fees and Expenses of the Liquidating Trust

Except as otherwise ordered by the Bankruptcy Court, the Liquidating Trust Expenses on or after the Effective Date shall be paid in accordance with the Liquidating Trust Agreement without further order of the Bankruptcy Court.

e. Semi-Annual Reports to Be Filed by the Liquidating Trust

The Liquidating Trust shall File semi-annual reports regarding the liquidation or other administration of property comprising the Liquidating Trust Fund, the Distributions made by it and other matters required to be included in such report in accordance with the Liquidating Trust Agreement. In addition, the Liquidating Trust will file tax returns as a grantor trust pursuant to United States Treasury Regulation Article 1.671-4(a).

3. Directors/Officers/Equity/Assets of the Debtor on the Effective Date.

- a. On the Effective Date, the authority, power and incumbency of the persons then acting as directors and officers of the Debtor shall be terminated and such directors and officers shall be deemed to have resigned or to have been removed without cause.
- b. On the Effective Date, all the then Equity Interests in the Debtor (including all instruments evidencing such Equity Interests) shall be canceled and extinguished without further action under any applicable agreement, law, regulation or rule.

4. Liquidation of the Debtor

- a. The Debtor shall be deemed to have been liquidated as of the Effective Date, and all Equity Interests in the Debtor shall automatically be canceled and extinguished as of the Effective Date without the need for any further action by the Bankruptcy Court or any Entity.
- b. Notwithstanding the foregoing, as soon as practicable after the Effective Date, the Liquidating Trustee shall: (a) file a certificate of dissolution, together with all other necessary corporate documents, to effect its dissolution under the applicable laws of its state of incorporation; and (b) complete and file its final federal, state and local tax returns, and pursuant to section 505(b) of the Bankruptcy Code, request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws.
- c. On the Effective Date, the Debtor shall assign, transfer and distribute to the Liquidating Trust (a) any of its remaining assets, properties or interests; and (b) all of its books and records relating to the foregoing. For purposes of this Article, books and records include computer generated or computer maintained books and records and computer data, as well as electronically generated or maintained books and records or data, along with books and records of any Debtor maintained by or in the possession of third parties, wherever located.

5. Operations of the Debtor Between the Confirmation Date and the Effective Date

The Debtor shall continue to operate as debtor in possession during the period from the Confirmation Date through and until the Effective Date.

6. Establishment of the Administrative Bar Date

- a. The Joint Plan establishes the Administrative Bar Date, which was approved by the Bankruptcy Court pursuant to the Confirmation Order.
- b. Except as otherwise provided in the Joint Plan, on or before 5:00 p.m., prevailing Eastern time, on the Administrative Bar Date, each holder of an Administrative Claim arising after the General Bar Date, that has not previously filed a claim, shall file with the Bankruptcy Court a request for payment of Administrative Claim (a) by mailing, hand delivering or delivering by courier service such request for payment of Administrative Claim to the Clerk of the Bankruptcy Court at 824 North Market Street, 3rd Floor, Wilmington Delaware 19801 or (ii) by using the Bankruptcy Court's CM/ECF electronic filing system.
- c. The request for payment of an Administrative Claim will be timely filed only if it is *actually received* by the Bankruptcy Court by 5:00 p.m., prevailing Eastern time, on the Administrative Bar Date.
- d. Notwithstanding anything in the Joint Plan, the Debtor's and the Committee's professionals shall not be required to file a request for payment of any Administrative Claim on or before the Administrative Bar Date for fees and expenses arising under sections 330, 331 or 503(b)(2-5) of the Bankruptcy Code, as such Professionals will instead file final fee applications as required by the Bankruptcy Code, Bankruptcy Rules and the Confirmation Order.

7. Term of Injunctions or Stays

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Case is closed. Notwithstanding the foregoing, any releases, injunctions and/or stays previously approved pursuant to the Sale Order and APA shall permanently remain in full force and effect.

8. Cancellation of Equity Interests

On the Effective Date, except to the extent otherwise provided herein, all notes, stock, instruments, certificates and other documents evidencing Equity Interests shall be deemed automatically canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtor thereunder or in any way related thereto shall be discharged.

9. Dissolution of the Committee

As of the Effective Date, the Committee shall dissolve, and its members shall be released and discharged from all further authority, duties, responsibilities and obligations relating to and arising from the Chapter 11 Case. The retention and employment of the Professionals retained by the Committee shall terminate as of the Effective Date, *provided, however*, that the Committee shall exist, and its Professionals shall be retained, after such date with respect to (a) applications Filed pursuant to sections 330 and 331 of the Bankruptcy Code and (b) motions seeking the enforcement of the provisions of the Joint Plan or the Confirmation Order.

E. Provisions Governing Distributions

1. Initial Distribution Date

On the Initial Distribution Date or as soon thereafter as is reasonably practicable, the Liquidating Trust shall make, or shall make adequate reserves for, the Distributions required to be made under the Joint Plan.

2. Disputed Reserves

a. Establishment of Disputed Reserves

On the Initial Distribution Date, and after making all Distributions required to be made on such date under the Joint Plan, the Liquidating Trustee shall establish a separate Disputed Reserve for Disputed Claims, each of which Disputed Reserves shall be administered by the Liquidating Trustee. The Liquidating Trustee shall reserve in Cash or other property, for Distribution on account of each Disputed Claim, the full asserted amount (or such lesser amount as may be reasonably estimated by the Liquidating Trustee) with respect to each Disputed Claim.

b. Maintenance of Disputed Reserves

To the extent that the property placed in a Disputed Reserve consists of Cash, that Cash shall be deposited in an interest-bearing account. The Liquidating Trust shall hold property in the Disputed Reserves in trust for the benefit of the holders of Claims ultimately determined to be Allowed. Each Disputed Reserve shall be closed and extinguished by the Liquidating Trust when all Distributions and other dispositions of Cash or other property required to be made hereunder will have been made in accordance with the terms of the Joint Plan. Upon closure of a Disputed Reserve, all Cash (including any Cash Investment Yield) or other property held in that Disputed Reserve shall revert in and become the property of the Liquidating Trust. All funds or other property that vest or revert in the Liquidating Trust pursuant to this paragraph shall be (a) used to pay the fees and expenses of the Liquidating Trust as and to the extent set forth in the Liquidating Trust Agreement, and (b) thereafter distributed on a Pro Rata basis to holders of Allowed Claims.

3. Quarterly Distributions

Any Distribution that is not made on the Initial Distribution Date or on any other date specified herein because the Claim that would have been entitled to receive that Distribution is not an Allowed Claim on such date, shall be held by the Liquidating Trust in a Disputed Reserve pursuant to Article V.B of the Joint Plan and Distributed (in full, in the case of Administrative Expense Claims, Priority Tax Claims, or Other Priority Claims; and up to its Ratable Proportion with respect to the Claims in Class 3) on the first Quarterly Distribution Date after such Claim is Allowed. No interest shall accrue or be paid on the unpaid amount of any Distribution paid on a Quarterly Distribution Date in accordance with Article V.C of the Joint Plan.

4. Record Date for Distributions

Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Record Date will be treated as the holders of those Claims for all purposes, notwithstanding that any period

provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Record Date. The Liquidating Trust shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. In making any Distribution with respect to any Claim, the Liquidating Trust shall be entitled instead to recognize and deal with, for all purposes hereunder, only the Entity that is listed on the proof of Claim Filed with respect thereto or on the Schedules as the holder thereof as of the close of business on the Record Date and upon such other evidence or record of transfer or assignment that are known to the Liquidating Trust as of the Record Date.

5. Delivery of Distributions

a. General Provisions; Undeliverable Distributions

Subject to Bankruptcy Rule 9010 and except as otherwise provided herein, Distributions to the holders of Allowed Claims shall be made by the Liquidating Trust at (a) the address of each holder as set forth in the Schedules, unless superseded by the address set forth on proofs of Claim filed by such holder or (b) the last known address of such holder if no proof of Claim is filed or if the Debtor have been notified in writing of a change of address. If any Distribution is returned as undeliverable, the Liquidating Trust may, in its discretion, make such efforts to determine the current address of the holder of the Claim with respect to which the Distribution was made as the Liquidating Trust deems appropriate, but no Distribution to any holder shall be made unless and until the Liquidating Trust has determined the then-current address of the holder, at which time the Distribution to such holder shall be made to the holder without interest. Amounts in respect of any undeliverable Distributions made by the Liquidating Trust shall be returned to, and held in trust by, the Liquidating Trust until the Distributions are claimed or are deemed to be unclaimed property under section 347(b) of the Bankruptcy Code as set forth in the Joint Plan. The Liquidating Trustee shall have the discretion to determine how to make Distributions in the most efficient and cost-effective manner possible; *provided, however*, that its discretion may not be exercised in a manner inconsistent with any express requirements of the Joint Plan or the Liquidating Trust Agreement.

b. Minimum Distributions

Notwithstanding anything herein to the contrary, if a Distribution to be made to a holder of an Allowed Claim on the Initial Distribution Date or any subsequent date for Distributions (other than the final Distribution Date) would be \$50 or less in the aggregate, no such Distribution will be made to that holder unless a request therefore is made in writing to the Liquidating Trustee no later than twenty (20) days after the Effective Date.

c. Unclaimed Property

Reserve Distributions that are not claimed by the expiration of one year from the Effective Date shall be deemed to be unclaimed property under section 347(b) of the Bankruptcy Code and shall vest or revert in the Liquidating Trust, and the Claims with respect to which those Distributions are made shall be automatically canceled. After the expiration of that one-year period, the claim of any Entity to those Distributions shall be discharged and forever barred. Nothing contained in the Joint Plan shall require the Liquidating Trust to attempt to locate any holder of an Allowed Claim. All funds or other property that vests or reverts in the Liquidating Trust pursuant to this Article shall be distributed by the Liquidating Trustee to the other holders

of Allowed Claims in accordance with the provisions of the Joint Plan or the Liquidating Trust Agreement.

6. Surrender of Cancelled Instruments and Securities

a. Generally

Except as set forth in the Joint Plan, as a condition precedent to receiving any Distribution hereunder on account of an Allowed Claim evidenced by instruments, securities or other documentation canceled pursuant to the Joint Plan, the holder of such Claim shall tender such instrument, security or other documentation evidencing such Claim to the Liquidating Trust. Any Distributions pursuant to the Joint Plan on account of any Claim evidenced by such instruments, securities or other documentation shall, pending such surrender, will be treated as an undeliverable Distribution in accordance with the Article V.E. of the Joint Plan; provided, however, all notes, instruments and other securities issued under the Secured Credit Agreement shall be deemed terminated and canceled upon the Effective Date to the extent not already surrendered and canceled as part of the closing of the Sale.

b. Failure to Surrender Cancelled Instruments

If any holder of an Allowed Claim evidenced by instruments, securities or other documentation cancelled pursuant to Article IV.I of the Joint Plan, fails to surrender such instrument, security or other documentation or comply with the provisions of Article V.F.1 of the Joint Plan within one year after the Effective Date, its Claim for a Distribution under the Joint Plan on account of such instrument, security, or other documentation shall be discharged, and such holder shall be forever barred from asserting such Claim against the Nailite International Liquidating Trust or its property. In such case, any property held on account of such Claim shall be disposed of pursuant to the provisions set forth in Article V.E.3 of the Joint Plan.

7. Lost, Stolen, Mutilated or Destroyed Instrument or Security

Any holder of an Allowed Claim evidenced by instruments, securities or other documentation canceled pursuant to Article IV.I of the Joint Plan that has been lost, stolen, mutilated or destroyed, shall, in lieu of surrendering such instrument, security or documentation: deliver to the Liquidating Trustee (i) an affidavit of loss reasonably satisfactory to the Liquidating Trustee setting forth the unavailability of such instrument, security, or other documentation and (ii) such additional security or indemnity as may reasonably be requested by the Liquidating Trustee to hold the Liquidating Trust harmless from any damages, liabilities, or costs incurred in treating such Entity as a holder of an Allowed. Upon compliance with this Article by a holder of an Allowed Claim evidenced by such instrument, security or other documentation, such holder shall, for all purposes under the Joint Plan, be deemed to have surrendered such instrument, security or other documentation.

8. Manner of Cash Payments Under the Joint Plan or the Liquidating Trust Agreement

Cash payments made pursuant to the Joint Plan or the Liquidating Trust Agreement shall be in United States dollars by checks drawn on a domestic bank selected by the Liquidating Trust or by wire transfer from a domestic bank, at the option of the Liquidating Trust.

9. Time Bar to Cash Payments by Check

Checks issued by the Liquidating Trust on account of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for the reissuance of any check that becomes null and void pursuant to this Article shall be made directly to the Liquidating Trustee by the holder of the Allowed Claim to whom the check was originally issued. Any Claim in respect of such voided check shall be made in writing on or before the later of the first anniversary of the Effective Date or the first anniversary of the date on which the Claim at issue became an Allowed Claim. After that date, all Claims in respect of void checks shall be discharged and forever barred and the proceeds of those checks shall revert in and become the property of the Liquidating Trust as unclaimed property in accordance with section 347(b) of the Bankruptcy Code and be distributed as provided in Article V.E.3.

10. Limitations on Funding of Disputed Reserves

Except as expressly set forth in the Joint Plan, neither the Debtor, the Committee, Exteriors nor the Liquidating Trust shall have any duty to fund the Disputed Reserves.

11. Compliance with Tax Requirements

In connection with making Distributions under this Joint Plan, to the extent applicable, the Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to this Joint Plan shall be subject to such withholding and reporting requirements. The Liquidating Trustee may withhold the entire Distribution due to any holder of an Allowed Claim until such time as such holder provides the necessary information to comply with any withholding requirements of any governmental unit. Any property so withheld will then be paid by the Liquidating Trustee to the appropriate authority. If the holder of an Allowed Claim fails to provide the information necessary to comply with any withholding requirements of any governmental unit within six months from the date of first notification to the holder of the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then such holder's Distribution shall be treated as an undeliverable Distribution in accordance with Article V.E.1.

12. No Payments of Fractional Dollars

Notwithstanding any other provision of the Joint Plan to the contrary, no payment of fractional dollars shall be made pursuant to the Joint Plan. Whenever any payment of a fraction of a dollar under the Joint Plan would otherwise be required, the actual Distribution made shall reflect a rounding down of such fraction to the nearest whole dollar.

13. Interest on Claims

Except as specifically provided for in the Joint Plan or the Confirmation Order, interest shall not accrue on Claims and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim. Interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a final Distribution is made thereon if and after that Disputed Claim becomes an Allowed Claim. Except as expressly provided herein or in a Final Order of the Bankruptcy Court, no prepetition Claim shall be Allowed to the extent that it is for post petition interest or other similar charges.

14. No Distribution in Excess of Allowed Amount of Claim

Notwithstanding anything to the contrary contained in the Joint Plan, no holder of an Allowed Claim shall receive in respect of that Claim any Distribution in excess of the Allowed amount of that Claim.

15. Setoff and Recoupment

The Liquidating Trust may, but shall not be required to, setoff against, or recoup from, any Claim and the Distributions to be made pursuant to the Joint Plan in respect thereof, any claims or defenses of any nature whatsoever that any of the Debtor, the Debtor, the Estate or the Liquidating Trust may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim under the Joint Plan shall constitute a waiver or release by the Debtor, the Estate, or the Liquidating Trust of any right of setoff or recoupment that any of them may have against the holder of any Claim.

F. Disputed Claims

1. No Distribution Pending Allowance

Notwithstanding any other provision of the Joint Plan, the Liquidating Trustee shall not Distribute any Cash or other property on account of any Disputed Claim unless and until such Claim becomes Allowed.

2. Resolution of Disputed Claims.

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Liquidating Trustee shall have the right to the exclusion of all others (except as to the Professionals' applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, File, prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court, objections to Claims. The costs of pursuing the objections to Claims shall be borne by the Liquidating Trust.

3. Objection Deadline

All objections to Disputed Claims shall be Filed and served upon the holders of each such Claim not later than one year after the Effective Date, unless otherwise ordered by the Bankruptcy Court after notice and a hearing.

4. Estimation of Claims

At any time, (a) prior to the Effective Date, the Debtor or the Committee, and (b) subsequent to the Effective Date, the Liquidating Trustee may request that the Court estimate any contingent or unliquidated Claim to the extent permitted by section 502(c) of the Bankruptcy Code regardless of whether the Estate or the Liquidating Trust previously objected to such Claim or whether the Bankruptcy Court ruled on any such objection, and the Bankruptcy Court shall have jurisdiction to estimate any Claim at any time during litigation concerning any objection to such Claim, including during the pendency of any appeal relating to any such objection. If the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall

constitute either the Allowed amount of such Claim or a maximum limitation on the Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the Claim, the Debtor, the Committee or the Liquidating Trust, as applicable, may elect to pursue supplemental proceedings to object to the ultimate allowance of the Claim. All of the aforementioned Claim objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

5. Disallowance of Claims.

Except as otherwise agreed, any and all proofs of Claim filed after the applicable Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order or approval of the Bankruptcy Court, and holders of such Claims may not receive any Distributions on account of such Claims, unless on or before the Confirmation Hearing the Bankruptcy Court has entered an order deeming such Claim to be timely filed.

G. Treatment Of Executory Contracts And Unexpired Leases

1. Rejection of Executory Contracts and Unexpired Leases

The Joint Plan shall constitute a motion to reject all executory contracts and unexpired leases not previously assumed or rejected by Final Order, and the Debtor and/or the Estate shall have no further liability thereunder. The entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of any such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code and that the rejection thereof is in the best interest of the Debtor, the Estate and all parties in interest in the Chapter 11 Case.

2. Claims Based on Rejection of Executory Contracts or Unexpired Leases

Claims created by the rejection of executory contracts and unexpired leases pursuant to Article VII.A of the Joint Plan, or the expiration or termination of any executory contract or unexpired lease prior to the Effective Date, must be Filed with the Bankruptcy Court and served on the Committee, the Debtor and the Liquidating Trust no later than thirty (30) days after the Effective Date. Any Claims arising from the rejection of an executory contract or unexpired lease pursuant to Article VII.A for which proofs of Claim are not timely filed within that time period will be forever barred from assertion against the Debtor, the Estate, their successors and assigns, and their assets and properties, unless otherwise ordered by the Bankruptcy Court or as otherwise provided herein. All such Claims shall, as of the Effective Date, be subject to the discharge and permanent injunction set forth in Article IX.E of the Joint Plan. Unless otherwise ordered by the Bankruptcy Court, all such Claims that are timely Filed as provided herein shall be treated as General Unsecured Claims under the Joint Plan and shall be subject to the provisions of the Joint Plan.

H. Conditions Precedent To The Effective Date

The following are conditions precedent to the Effective Date that must be satisfied or waived:

1. The Confirmation Order has become a Final Order.

2. The Confirmation Order shall be in full force and effect.

3. The Debtor shall fund the Liquidating Trust Fund.

4. Notwithstanding the foregoing, the Debtor reserves, in its sole discretion, the right to waive the occurrence of any condition precedent to the Effective Date or to modify any of the foregoing conditions precedent. Any such written waiver of a condition precedent set forth in this Article may be effected at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Joint Plan. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

I. Indemnification, Release, Injunctive And Related Provisions

1. Compromise and Settlement

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided pursuant to the Joint Plan, the provisions of the Joint Plan shall constitute a good faith compromise of all Claims and Equity Interests. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all Claims and Equity Interests, as well as a finding by the Bankruptcy Court that such compromise or settlement is fair, equitable, reasonable and in the best interests of the Debtor, the Estate and holders of Claims and Equity Interests.

2. Releases

a. Releases by the Estate.

Pursuant to § 1123(b) of the Bankruptcy Code, as of the Confirmation Date, but subject to the occurrence of the Effective Date, the Debtor and the Debtor's estate shall be deemed to forever waive, release and discharge all Releasees from and with respect to all Claims, obligations, suits, causes of action, demands, judgments, debts, rights, liabilities, losses, whether known or unknown, in law or in equity, liquidated or unliquidated, fixed or contingent, matured or unmatured, foreseen or unforeseen, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place before the Effective Date in any way relating to the Debtor, the Debtor's business or affairs, the Chapter 11 Case, the Joint Plan or the Disclosure Statement that have been or could have been asserted by or on behalf of the Debtor or the Debtor's estate against the Releasees as of the Effective Date. The release of all such claims in favor of the Releasees shall bind all creditors, shareholders, the Liquidating Trustee, and other parties in interest in the Chapter 11 Case, provided, however, that the foregoing provisions of this Joint Plan shall not operate to waive or release any D&O Claims or Avoidance Actions against Insiders expressly set forth in and preserved by the Joint Plan or Joint Plan Supplement or any defenses thereto. ANY SUCH RELEASE SHALL ADDITIONALLY ACT AS AN INJUNCTION AGAINST ANY PERSON FROM COMMENCING OR CONTINUING ANY ACTION, EMPLOYMENT OF PROCESS OR ACT TO COLLECT, OFFSET, OR RECOVER ANY CLAIM THAT IS SO RELEASED. Without limitation, the

foregoing release shall include any claims which were available to Persons outside of bankruptcy but which the Estate became entitled to enforce under § 544 of the Bankruptcy Code.

b. Third Party Releases.

As of the Confirmation Date, but subject to the occurrence of the Effective Date, and except as otherwise expressly provided in the Confirmation Order or herein, for good and valuable consideration, the adequacy of which is hereby confirmed, each holder of a Claim that votes to accept the Plan as set forth on the relevant Ballot shall be deemed to have forever covenanted with the Debtor and with each of the Releasees to waive, release, and discharge all Claims, obligations, suits, causes of action, demands, judgments, debts, rights, liabilities, losses, whether known or unknown, in law or in equity, liquidated or unliquidated, fixed or contingent, matured or unmatured, foreseen or unforeseen, in law, equity or otherwise that are based in whole or in part on any act, omission, transaction, event or other occurrence taking place before the Effective Date in any way relating to the Debtor, the Debtor's business or affairs, the Chapter 11 Case, the Joint Plan or the Disclosure Statement that could have been asserted by such holder of a Claim or Interest against the Releasees as of the Effective Date (the "Released Claims") and such Released Claims shall not be preserved for the benefit of the beneficiaries of the Liquidating Trust and shall not be deemed to be among the assets transferred and assigned to the Liquidating Trust on the Effective Date.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the releases set forth in the Joint Plan pursuant to Bankruptcy Rule 9019 and its finding that they are:

(i) in exchange for good and valuable consideration, representing a good faith settlement and compromise of the Claims and Causes of Action thereby released; (ii) in the best interests of the Estate and all holders of Claims; (iii) fair, equitable and reasonable; (iv) approved after due notice and opportunity for hearing; and (v) a bar to the Estate or the Liquidating Trustee or any other affected Person and/or Entity.

3. Exculpation

The Exculpated Parties and any property of or professionals retained by such parties, or direct or indirect predecessor-in-interest to any of the foregoing Persons, will not have or incur any liability to any Person for any act taken or omission occurring on or after the Petition Date or for any and all Claims and Causes of Action arising on or after the Petition Date, in connection with or related to the Debtor or the Liquidating Trust, including, but not limited to, (i) the commencement and administration of the Chapter 11 Case, (ii) the operation of the Debtor during the pendency of the Chapter 11 Case, including, but not limited to, the sale of its assets, (iii) formulating, negotiating, preparing, disseminating, soliciting, implementing, administering, confirming or consummating the Joint Plan, the Disclosure Statement, Liquidating Trust Agreement, DIP financing facility, or any other contract, instrument, release or other agreement or document created or entered into in connection with the Joint Plan or any other post petition act taken or omitted to be taken in connection with or in contemplation of the Settlement or the Sale or liquidation of the Debtor; (iv) submission of and statements made in, the Disclosure Statement or any contract, instrument, release or other agreement or document entered into, or any action taken or omitted to be taken in connection with the Joint Plan; or (v) any Distributions

made pursuant to the Joint Plan, except for acts constituting willful misconduct or gross negligence, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Joint Plan. The entry of the Confirmation Order shall constitute a determination by the Court that the Debtor, the Liquidating Trustee and each of their Representatives shall have acted in good faith and in compliance with the applicable provisions of the Bankruptcy Code, pursuant to, among other provisions of law, § 1125(e) and 1129(a)(3) of the Bankruptcy Code, with respect to the foregoing, provided, further, that the foregoing provisions of the Joint Plan shall not apply to any acts, omissions, Claims, Causes of Action or other obligations expressly set forth in and preserved by the Joint Plan or Joint Plan Supplement or any defenses thereto.

4. Preservation of Rights of Action

a. Vesting of Causes of Action

(1) Except as otherwise provided in the Joint Plan or Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtor may hold against any Entity shall vest upon the Effective Date in the Liquidating Trust, with the exception of any Causes of Action (whether held by the Debtor or any other Person or Entity) related to the DIP Lender and Purchaser, all of which are released.

(2) Except as otherwise provided in the Joint Plan or Confirmation Order, after the Effective Date, the Liquidating Trustee shall have the exclusive right to institute, prosecute, abandon, settle or compromise any Causes of Action, in accordance with the terms of the Liquidating Trust Agreement and without further order of the Bankruptcy Court, in any court or other tribunal, including, without limitation, in an adversary proceeding Filed in the Chapter 11 Case.

(3) Causes of Action and any recoveries there from shall remain the sole property of the Liquidating Trust (for the sole benefit of the holders of General Unsecured Claims) and holders of Claims shall have no right to any such recovery.

b. Preservation of All Causes of Action Not Expressly Settled or Released

(1) Unless a Cause of Action against a holder or other Entity is expressly waived, relinquished, released, compromised or settled in the Joint Plan or any Final Order (including the Confirmation Order), the Liquidating Trustee expressly reserve such Cause of Action for later adjudication by the Debtor, the Committee or the Liquidating Trustee (including, without limitation, Causes of Action not specifically identified or described in the Joint Plan Supplement or elsewhere or of which the Estate may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to Estate at this time or facts or circumstances which may change or be different from those the Estate now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after the entry of the Confirmation Order or Effective Date based on the Disclosure Statement, Joint Plan or Confirmation Order, except where

such Causes of Action have been released in the Joint Plan (including, without limitation, and for the avoidance of doubt, the releases contained in V.I.2.a) or any other Final Order (including the Confirmation Order). In addition, the Liquidating Trustee expressly reserves the right to pursue or adopt any claims alleged in any lawsuit in which the Debtor are a defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co-defendants in such lawsuits.

(2) Subject to the immediately preceding paragraph, any Entity to whom the Debtor has incurred an obligation (whether on account of services, purchase or sale of goods or otherwise), or who has received services from the Debtor or a transfer of money or property of the Debtor, or who has transacted business with the Debtor, or leased equipment or property from the Debtor should assume that any such obligation, transfer, or transaction may be reviewed by the Liquidating Trustee subsequent to the Effective Date and may be the subject of an action after the Effective Date, regardless of whether:

- (a) such Entity has filed a proof of claim in the Chapter 11 Case;
- (b) an objection was Filed to any such Entity's proof of claim;
- (c) any such Entity's Claim was included in the Schedules;
- (d) an objection was Filed against any such Entity's scheduled Claim; or
- (e) any such Entity's scheduled Claim has been identified as disputed, contingent or unliquidated.

5. Indemnification

Notwithstanding anything to the contrary in this Joint Plan, the Debtor's obligations to indemnify Persons who served during the Chapter 11 Case as the Debtor's officers and employees existing under applicable nonbankruptcy law (whether arising under contract, bylaw, or certificate of incorporation) with respect to all present and future actions, suits, and proceedings against any of such indemnified Persons, based upon any act or omission related to service with, for, or on behalf of the Debtor at any time during the period from the Petition Date through the Effective Date (including acting as employee benefit plan fiduciaries or employee benefit administrative trustees), in all cases net of applicable insurance proceeds, other than for acts constituting willful misconduct or gross negligence, shall continue as obligations for the Liquidating Trust after the Effective Date; provided, however, that unless otherwise ordered by the Court (which order may be entered at any time) neither the Debtor nor the Liquidating Trust shall be required to reserve for any such obligations and such obligations shall be terminated and discharged upon the later to occur of the entry of a Final Order closing the Chapter 11 Case and the dissolution of the Liquidating Trust.

6. Injunction

All Persons who have held, hold, or may hold Claims against or Interests in the Debtor or Releasees shall, with respect to any such Claims or Interests, be permanently enjoined from and after the Confirmation Date, except for D&O Claims which are expressly preserved, from taking any of the following actions (other than actions to enforce any rights or obligations under the

Plan): (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, the Liquidating Trustee, the Releasees, or any of their respective property; (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, the Liquidating Trustee, the Releasees, or any of their respective property; (iii) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against the Debtor, the Estate, the Liquidating Trust, the Liquidating Trustee, the Releasees, or any of their property; (iv) asserting any right of setoff, directly or indirectly, against any obligation due the Debtor, the Estate, the Liquidating Trust, the Liquidating Trustee, the Releasees, or any of their property, except as contemplated or allowed by the Joint Plan or the Confirmation Order; (v) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Joint Plan; (vi) pursuing, prosecuting, or recovering proceeds on account of my claims belonging to transferred to, or conferred upon the Liquidating Trust (or which will belong to, be transferred to, or conferred upon the Liquidating Trust on the Effective Date) and (vii) prosecuting or otherwise asserting any right, claim, or cause of action released pursuant to the Joint Plan.

7. Releases of Liens

Except as otherwise provided in the Joint Plan or in any contract, instrument, release or other agreement or document created pursuant to the Joint Plan, on the Effective Date, all mortgages, deeds of trust, liens, pledges or other security interests against property of the Estate shall be fully released and discharged and all of the right, title and interest of any holder of such mortgages, deeds of trust, liens, pledges or other security interest shall revert to the Debtor and the Liquidating Trustee.

VI. RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Case and all Entities with respect to all matters related to the Chapter 11 Case, the Debtor and the Joint Plan as is legally permissible, including, without limitation, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;
2. grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Joint Plan, for periods ending on or before the Effective Date;
3. resolve any matters related to the assumption, assignment or rejection of any executory contract or unexpired lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine and, if

necessary, liquidate, any Claims arising there from, including those matters related to any amendment to the Joint Plan after the Effective Date pursuant to the Joint Plan adding executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be assumed;

4. ensure that Distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Joint Plan;
5. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving a Debtor that may be pending on the Effective Date or instituted by the Liquidating Trustee after the Effective Date, provided, however, that the Liquidating Trustee shall reserve the right to commence actions in all appropriate jurisdictions;
6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Joint Plan and all other contracts, instruments, releases, and other agreements or documents adopted in connection with the Joint Plan, Joint Plan Supplement or the Disclosure Statement;
7. resolve any cases, controversies, suits or disputes that may arise in connection with the Effective Date, interpretation or enforcement of the Joint Plan or any Entity's obligations incurred in connection with the Joint Plan;
8. issue injunctions, enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the Effective Date or enforcement of the Joint Plan, except as otherwise provided in the Joint Plan;
9. enforce the Injunction set forth in the Joint Plan;
10. resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in the Joint Plan, and enter such orders as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;
11. enter and implement such orders as necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;
12. resolve any other matters that may arise in connection with or relate to the Joint Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, or other agreement or document adopted in connection with the Joint Plan or the Disclosure Statement; and
13. enter an order and/or the decree contemplated in Bankruptcy Rule 3022 concluding the Chapter 11 Case.

VII. MISCELLANEOUS PROVISIONS

A. Final Fee Applications

The deadline for submission by Professionals of applications for Bankruptcy Court approval of Accrued Professional Compensation shall be forty-five (45) days after the Effective Date.

B. Payment of Statutory Fees

All fees payable pursuant to Article 1930 of title 28 of the United States Code after the Effective Date, as determined by the Bankruptcy Court at a hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid prior to the closing of the Chapter 11 Case on the earlier of when due or the Effective Date, or as soon thereafter as practicable.

C. Modification of Joint Plan

Subject to the limitations contained in the Joint Plan: (1) the Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, after consultation with the Committee and Exteriors, to amend or modify the Joint Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Liquidating Trustee, as the case may be, may, upon order of the Bankruptcy Court, amend or modify the Joint Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Joint Plan in such manner as may be necessary to carry out the purpose and intent of the Joint Plan.

D. Revocation of Joint Plan

The Debtor reserves the right to revoke or withdraw the Joint Plan prior to the entry of the Confirmation Order, after consultation with the Committee and Exteriors, and to File subsequent chapter 11 Joint Plans. If the Joint Plan is revoked or withdrawn or if entry of the Confirmation Order or the Effective Date does not occur, then the Joint Plan shall be null and void in all respects.

E. Successors and Assigns

The rights, benefits and obligations of any Entity named or referred to herein shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

F. Governing Law

Except to the extent that the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, instrument, release, or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the state of Delaware, without giving effect to the principles of conflict of laws thereof.

G. Reservation of Rights

Except as expressly set forth herein, the Joint Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order. Neither the filing of the Joint Plan, any statement or provision contained herein, nor the taking of any action by a Debtor or any Entity with respect to the Joint Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) any Debtor with respect to the holders of Claims or Equity Interests or other parties-in-interest; or (2) any holder of a Claim or other party-in-interest prior to the Effective Date.

H. Article 1146 Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment.

I. Section 1125(e) Good Faith Compliance

The Debtor, the Committee and its individual members, and each of their respective Representatives, shall be deemed to have acted in "good faith" under section 1125(e) of the Bankruptcy Code.

J. Further Assurances

The Debtor, Liquidating Trustee, all holders of Claims receiving Distributions hereunder and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Joint Plan or the Confirmation Order.

K. Service of Documents

Any pleading, notice or other document required by the Joint Plan to be served on or delivered to the Debtor shall be sent by first class U.S. mail, postage prepaid as follows:

To the Committee:

Kenneth A. Rosen, Esq.
Sharon L. Levine, Esq.
Thomas A. Pitta, Esq.
Cassandra M. Porter, Esq.
Lowenstein Sandler P.C.
65 Livingston Avenue
Roseland, New Jersey 07068-1791

To the Debtor:

Steven M. Yoder, Esq.
Etta R. Wolfe, Esq.
Potter Anderson & Corroon LLP
1313 North Market Street
Wilmington, DE 19801

To the Liquidating Trustee:

James Gallagher
16 Lancaster Ave.
Pine Brook, NJ 07058

VIII. SOLICITATION AND VOTING PROCEDURES⁷

On July [], 2009, the Bankruptcy Court entered the Disclosure Statement Order approving the adequacy of the Disclosure Statement and approving procedures for the solicitation of votes on the Joint Plan (the “Solicitation Procedures”). A copy of the Solicitation Procedures is attached as an exhibit to the Disclosure Statement Order. In addition to approving the Solicitation Procedures, the Disclosure Statement Order established certain dates and deadlines, including the date for the Confirmation Hearing, the deadline for parties to object to Confirmation, the Voting Record Date and the Voting Deadline. The Disclosure Statement Order also approved the forms of Ballots and certain Confirmation-related notices. The Disclosure Statement Order and the Solicitation Procedures should be read in conjunction with the Disclosure Statement.

A. Solicitation Package

1. Contents of Solicitation Package

The following materials shall constitute the Solicitation Package:

- Joint Plan;
- Disclosure Statement;
- Disclosure Statement Order;
- Confirmation Hearing Notice;
- appropriate Ballot and voting instructions;
- pre-addressed, postage pre-paid return envelope; and

⁷Capitalized terms used in this Article that are not otherwise defined in the Disclosure Statement or Joint Plan shall have the meanings ascribed to them in the Solicitation Procedures.

- appropriate letter explaining the solicitation process and urging the holders to vote to accept the Joint Plan.

2. **Distribution of Solicitation Package**

The Debtor shall serve, or caused to be served, all of the materials in the Solicitation Package on holders of Class 1 Secured Lender Claims and holders of Class 3 General Unsecured Claims.

The Debtor shall serve, or caused to be served, all of the materials in the Solicitation Package, except Ballots, and the appropriate Notice of Non-Voting Status on holders of Class 2 Other Secured Claims and holders of Class 4 Cancelled Intercompany Claims.

The Debtor shall serve, or cause to be served, the appropriate Notice of Non-Voting Status and the Confirmation Hearing notice on holders of Class 5 Equity Interests.

The Debtor also shall serve, or cause to be served, all of the materials in the Solicitation Package (except Ballots) on (a) the U.S. Trustee for the District of Delaware; (b) counsel to the Committee; (c) counsel to the DIP Agent; (d) counsel to the Prepetition Agent; (e) the Internal Revenue Service; (f) those parties who have Filed and not withdrawn requests for notices under Rule 2002 of the Bankruptcy Rules as of the Voting Record Date.

The Confirmation Hearing Notice shall inform parties that the Joint Plan, the Joint Plan Supplement, the Disclosure Statement, the Disclosure Statement Order and all other Solicitation Package materials (except Ballots) can be obtained by contacting the Debtor's Claims, Noticing and Balloting Agent at the following telephone number: 631.470.5000; or by sending an e-mail to nailite@gardencitygroup.com; or by visiting this website: <http://www.gardencitygroup.com/cases/nai/site%20files/home.php3>.

In addition, the Debtor will mail, or cause to be mailed, the Solicitation Package to any of the persons or entities listed below:

- all persons or entities, as applicable, who, on or before the Voting Record Date, have timely filed a proof of claim (or an untimely proof of claim that has been allowed as timely by the Bankruptcy Court under applicable law on or before the Voting Record Date): (i) that has not been expunged, disallowed, disqualified or suspended prior to the Voting Record Date; and (ii) that is not the subject of a pending objection on the Voting Record Date;
- all persons or entities, as applicable, listed in the Debtor's Schedules as holding a noncontingent, liquidated, undisputed Claim as of the Voting Record Date, except to the extent that such Claim was paid, expunged, disallowed, disqualified or suspended prior to the Voting Record Date;
- all persons or entities, as applicable, that hold Claims pursuant to an agreement or settlement with the Debtor executed prior to the Voting Record Date, as reflected in a court pleading, stipulation, term sheet, agreement or other document Filed with the Bankruptcy Court, in an Order entered by the Bankruptcy Court, or in a

document executed by the Debtor pursuant to authority granted by the Bankruptcy Court, regardless of whether a proof of Claim has been filed;

- the holder of any Disputed Claim that has been temporarily allowed to vote pursuant to a Resolution Event;
- the Securities and Exchange Commission;
- the Internal Revenue Service; and
- the United States Attorney for the District of Delaware.

The Debtor shall make every reasonable effort to ensure that creditors who have more than one Claim in a Class (as defined in the Joint Plan) receive no more than one set of the Solicitation Package materials.

In addition to the above, the Debtor shall, one time after the Disclosure Statement Hearing, publish the Confirmation Notice in the *The Wall Street Journal or the New York Times, and the Miami Herald and Plastics News* to provide notification to those persons who may not receive notice by mail.

B. Voting Instructions And General Tabulation Procedures

1. Record Dates

The Bankruptcy Court has approved [•], 2009, as the Record Date.

2. Voting Deadline

The Bankruptcy Court has approved [•], 2009, at 5:00 p.m., prevailing Eastern Time, as the Voting Deadline. The Debtor may extend the Voting Deadline without further order of the Bankruptcy Court, however, the Debtor will document any such extension in the Voting Report.

For holders of all Claims or Equity Interests, Debtor's Claims, Noticing and Balloting Agent will answer questions regarding the procedures and requirements for voting to accept or reject the Joint Plan and for objecting to the Joint Plan, provide additional copies of all materials and oversee the voting tabulation. The Debtor's Claims, Noticing and Balloting Agent will also process and tabulate ballots for each Class entitled to vote to accept or reject the Joint Plan.

TO BE COUNTED AS VOTES TO ACCEPT OR REJECT THE JOINT PLAN, BALLOTS CAST BY HOLDERS ON BEHALF OF BENEFICIAL HOLDERS IN CLASSES ENTITLED TO VOTE MUST BE RECEIVED BY THE DEBTOR'S CLAIMS, NOTICING AND BALLOTING AGENT BY THE VOTING DEADLINE, AT THE ADDRESS LISTED ON THE APPLICABLE BALLOT, WHETHER BY FIRST CLASS MAIL, OVERNIGHT COURIER OR PERSONAL DELIVERY. THE BALLOTS AND THE PRE-ADDRESSED, POSTAGE PRE-PAID ENVELOPES ACCOMPANYING THE BALLOTS WILL CLEARLY INDICATE WHERE THE BALLOT MUST BE RETURNED.

Ballots must be **actually received** by the Debtor's Claims, Noticing and Balloting Agent **as follows:**

If sent by the envelope provided or otherwise by First Class Mail:

The Garden City Group
Attn: Nailite International, Inc.
PO Box 9348
Dublin, OH 43017-4248

If sent by Overnight Courier or Personal Delivery:

The Garden City Group
Attn: Nailite International, Inc.
5151 Blazer Parkway, Ste. A
Dublin, OH 43017-4248

If you have any questions on the procedures for voting on the Joint Plan, please contact the Debtor's Claims, Noticing and Balloting Agent at the following telephone number: (631) 470-5000 or by sending an e-mail to nailite@gardencitygroup.com.

IT IS IMPORTANT TO FOLLOW THE SPECIFIC INSTRUCTIONS PROVIDED ON THE BALLOT WHEN SUBMITTING A VOTE.

EACH BALLOT WILL CONTAIN A PROVISION STATING THAT A VOTING CREDITOR, BY VOTING, ACKNOWLEDGES HIS, HER OR ITS CONSENT TO THE RELEASE, INDEMNIFICATION, EXCULPATION AND RELEASE PROVISIONS OF THE JOINT PLAN, AS FOLLOWS:

BY VOTING, I FURTHER ACKNOWLEDGE THAT:

(I) A VOTE TO ACCEPT THE JOINT PLAN IS ALSO A VOTE TO ACCEPT THE RELEASE BY THE HOLDER OF THE DEBTOR, OFFICERS AND DIRECTORS OF THE DEBTOR, DIP LENDER, PURCHASER, CREDITORS' COMMITTEE AND MEMBERS THEREOF AND EACH OF THEIR RESPECTIVE REPRESENTATIVES.

(II) I CAN DECLINE TO CONSENT TO THE RELEASE OF THE DEBTOR, OFFICERS AND DIRECTORS OF THE DEBTOR, DIP LENDER, PURCHASER, CREDITORS' COMMITTEE AND MEMBERS THEREOF AND EACH OF THEIR RESPECTIVE REPRESENTATIVES BY NOT VOTING OR VOTING TO REJECT THE JOINT PLAN.

FOR ANSWERS TO ANY QUESTIONS REGARDING SOLICITATION PROCEDURES, PARTIES MAY CALL THE DEBTOR'S CLAIMS, NOTICING AND BALLOTING AGENT AT (631) 470-5000 OR SEND AN E-MAIL TO: nailite@gardencitygroup.com.

To obtain an additional copy of the Joint Plan, the Disclosure Statement, the Joint Plan Supplement or other Solicitation Package materials (except Ballots), please refer to the Debtor's Claims, Noticing and Balloting Agent's website:

<http://www.gardencitygroup.com/cases/nai/site%20files/home.php3>.

Ballots received after the Voting Deadline will not be counted by the Debtor in connection with the Debtor's request for Confirmation. The method of delivery of Ballots to be sent to the Debtor's Claims, Noticing and Balloting Agent is at the election and risk of each Creditor, except as otherwise provided, a Ballot will be deemed delivered only when the Debtor's Claims, Noticing and Balloting Agent actually receives the original executed Ballot. In all cases, sufficient time should be allowed to assure timely delivery. An original executed Ballot is required. Delivery of a Ballot to the Debtor's Claims, Noticing and Balloting Agent as applicable, by facsimile, e-mail or any other electronic means will not be accepted. Ballots should not be sent to the Debtor, the Debtor's agents (other than the G Debtor's Claims, Noticing and Balloting Agent), any Indenture Trustee (unless specifically instructed to do so), or the Debtor's legal advisors, and any Ballots sent to such parties will not be counted. The Debtor expressly reserves the right to amend from time to time the terms of the Joint Plan (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Joint Plan regarding modification).

3. Who May Vote

In general, a holder of a claim or interest may vote to accept or to reject a Joint Plan if no party in interest has objected to such claim or interest, and the claim or interest is impaired by the

Joint Plan but the Joint Plan does not make Distributions on account of such claim or interest. If the holder of an impaired claim or interest will not receive any Distribution under the Joint Plan in respect of such claim or interest, the Bankruptcy Code deems such holder to have rejected the Joint Plan. If the claim or interest is not impaired, the Bankruptcy Code deems that the holder of such claim or interest has accepted the Joint Plan and the Joint Plan proponent need not solicit such holder's vote.

Pursuant to section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be "impaired" under a Joint Plan unless the Joint Plan leaves unaltered the legal, equitable and contractual rights to which such claim or interest entitles the holder thereof, or notwithstanding any legal right to an accelerated payment of such claim or interest, the Joint Plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy), reinstates the maturity of such claim or interest as it existed before the default, compensates the holder of such claim or interest for any damages incurred as a result of reasonable reliance on the holder's legal right to an accelerated payment, and does not otherwise alter the legal, equitable, or contractual rights to which such claim or interest entitles the holder thereof.

Only the following holders of Impaired Claims and Equity Interests in Voting Classes shall be entitled to vote on the Joint Plan with regard to such Claims:

- Holders of Class 1 Secured Lender Claims and Class 3 General Unsecured Claims;
- Holders of Claims in Class 1 or Class 3 for which proofs of Claim have been timely-Filed, as reflected on the Claims Register as of the Voting Record Dates; provided, however, that holders of Claims subject to a pending objection shall not be entitled to vote unless they become eligible through a Resolution Event, as set forth in more detail in the Solicitation Procedures; provided, further, however, that if the Debtor object to a Claim on a reduce and allow basis the Claimant may, absent a Resolution Event, vote such Claim at the amount asserted by the Debtor;
- Holders of Claims in Class 1 or Class 3 that are listed in the Schedules, with the exception of those Claims that are scheduled as contingent, unliquidated or disputed (excluding such scheduled Claims that have been superseded by a timely-Filed proof of Claim);
- Holders whose Claims in Classes 1 or 3 arise pursuant to an agreement or settlement with the Debtor, as reflected in a document Filed with the Bankruptcy Court, in an order of the Bankruptcy Court, or in a document executed by the Debtor pursuant to authority granted by the Bankruptcy Court, in each case regardless of whether a proof of Claim has been Filed;
- the applicable Nominee, as reflected in the relevant records as of the Voting Record Dates or any Beneficial Holder, provided that its Ballot has been prevalidated by a Nominee, if applicable; and

- the assignee of a transferred Claim in Class 1 or 3 (whether a timely-filed or scheduled Claim) shall be permitted to vote such Claim only if the transfer or assignment has been fully effectuated pursuant to the procedures dictated by Bankruptcy Rule 3001(e) and such transfer is reflected on the Claims Register on the Voting Record Dates.

4. **Temporary Allowance of Disputed Claims for Voting Purposes**

The Solicitation Procedures generally provide that holders of Disputed Claims or Disputed Interests will not be entitled to vote unless a Resolution Event occurs, provided, however, that if the claim is objected to on a reduce and allow basis, such person or entity shall receive a ballot and be entitled to vote for the amount asserted by the Debtor. No later than two (2) Business Days after a Resolution Event, the Debtor's Claims, Noticing and Balloting Agent shall distribute a Ballot and a pre-addressed, postage pre-paid envelope to the relevant holder of the Disputed Claim or Disputed Interest, which must be returned to the Debtor's Claims, Noticing and Balloting Agent by no later than the Voting Deadline.

5. **Establishing Claim Amounts**

In tabulating votes, the following hierarchy shall be used to determine the amount of the Claim associated with each vote:

- The Claim amount settled and/or agreed upon by the Debtor, as reflected in a document Filed with the Bankruptcy Court, in an order of the Bankruptcy Court, or in a document executed by the Debtor pursuant to authority granted by the Bankruptcy Court;
- The Claim amount Allowed (temporarily or otherwise) under the procedures set forth herein;
- The Claim amount contained in a proof of Claim that has been timely-Filed by the applicable Bar Date (or deemed timely-Filed by the Bankruptcy Court under applicable law) except for any amounts in such proofs of Claim asserted on account of any interest accrued after the Petition Date; provided, however, that Ballots cast by holders whose Claims are not listed on the Schedules, but who timely File a proof of Claim in an unliquidated or unknown amount that are not the subject of an objection, will count for satisfying the numerosity requirement of section 1126(c) of the Bankruptcy Code, and will count as Ballots for Claims in the amount of \$1.00 solely for the purposes of satisfying the dollar amount provisions of section 1126(c) of the Bankruptcy Code; provided further, however, that to the extent the Claim amount contained in the proof of Claim is different from the Claim amount set forth in a document Filed with the Bankruptcy Court as referenced in the Solicitation Procedures, the Claim amount in the document Filed with the Bankruptcy Court shall supersede the Claim set forth on the respective proof of Claim;
- The Claim amount listed in the Schedules, provided that such Claim is not scheduled as contingent, disputed or unliquidated and has not been paid;

- In the absence of any of the foregoing, zero.

6. **General Ballot Tabulation**

The following voting procedures and standard assumptions shall be used in tabulating ballots:

- Except as otherwise provided herein, unless the Ballot being furnished is timely submitted on or prior to the Voting Deadline, the Debtor shall reject such Ballot as invalid and, therefore, decline to count it in connection with Confirmation;
- The Debtor's Claims, Noticing and Balloting Agent will date and time-stamp all Ballots when received. The Debtor's Claims, Noticing and Balloting Agent shall retain the original Ballots and an electronic copy of the same for a period of one year after the Effective Date of the Joint Plan, unless otherwise ordered by the Bankruptcy Court;
- As soon as reasonably practicable before the Confirmation Hearing, unless such other date is set by the Bankruptcy Court, the Debtor will File the Voting Report with the Bankruptcy Court. The Voting Report shall, among other things, delineate every Irregular Ballot including, but not limited to, those Ballots that are late or (in whole or in material part) illegible, unidentifiable, lacking original signatures or lacking necessary information, received via facsimile or electronic mail, or damaged. The Voting Report shall indicate the Debtor's intentions with regard to such Irregular Ballots;
- The method of delivery of Ballots to be sent to the Debtor's Claims, Noticing and Balloting Agent is at the election and risk of each holder, and except as otherwise provided, a Ballot will be deemed delivered only when the Debtor's Claims, Noticing and Balloting Agent or s special voting agent, if applicable, actually receives the original executed Ballot;
- An original executed Ballot is required to be submitted by the Entity submitting such Ballot. Delivery of a Ballot to the Debtor's Claims, Noticing and Balloting Agent by facsimile, e-mail, or any other electronic means will not be valid;
- No Ballot should be sent to any of the Debtor, the Debtor's agents (other than the Debtor's Claims, Noticing and Balloting Agent), any indenture trustee (unless specifically instructed to do so), or the Debtor's financial or legal advisors, and if so sent will not be counted;
- The Debtor expressly reserve the right to amend from time to time the terms of the Joint Plan in accordance with the terms thereof (subject to compliance with the requirements of section 1127 of the Bankruptcy Code and the terms of the Joint Plan regarding modification);

- If multiple Ballots are received from the same holder with respect to the same Claim prior to the Voting Deadline, the last Ballot timely received will be deemed to reflect that voter's intent and will supersede and revoke any prior Ballot;
- Holders must vote all of their Claims within a particular Class either to accept or reject the Joint Plan and may not split any votes. Accordingly, a Ballot that partially rejects and partially accepts the Joint Plan will not be counted. Further, to the extent there are multiple Claims within the same Class, the Debtor may, in their discretion, aggregate the Claims of any particular holder within a Class for the purpose of counting votes;
- A person signing a Ballot in its capacity as a trustee, executor, administrator, guardian, attorney in fact, officer of a corporation, or otherwise acting in a fiduciary or representative capacity must indicate such capacity when signing and, if required or requested by the applicable Nominee or its agent, the Debtor's Claims, Noticing and Balloting Agent, the Debtor, or the Bankruptcy Court, must submit proper evidence to the requesting party to so act on behalf of such holder or Beneficial Holder;
- The Debtor, subject to contrary order of the Bankruptcy Court, may waive any defects or irregularities as to any particular Ballot at any time, either before or after the close of voting, and any such waivers will be documented in the Voting Report;
- Neither the Debtor nor any other Entity will be under any duty to provide notification of defects or irregularities with respect to delivered Ballots other than as provided in the Voting Report, nor will any of them incur any liability for failure to provide such notification;
- Unless waived or as ordered by the Bankruptcy Court, any defects or irregularities in connection with deliveries of Ballots must be cured prior to the Voting Deadline or such Ballots will not be counted;
- In the event a designation of lack of good faith is requested by a party-in-interest under section 1126(e) of the Bankruptcy Code, the Bankruptcy Court will determine whether any vote to accept and/or reject the Joint Plan cast with respect to that Claim will be counted for purposes of determining whether the Joint Plan has been accepted and/or rejected;
- Subject to any contrary order of the Bankruptcy Court, the Debtor reserves the right to reject any and all Ballots not in proper form, the acceptance of which, in the opinion of the Debtor, would not be in accordance with the provisions of the Bankruptcy Code or the Bankruptcy Rules; provided, however, that any such rejections will be documented in the Voting Report;
- If a Claim has been estimated or otherwise allowed for voting purposes only by an order of the Bankruptcy Court, such Claim shall be temporarily allowed in the

amount so estimated or allowed by the Bankruptcy Court for voting purposes only, and not for purposes of allowance or Distribution;

- If an objection to a Claim is Filed prior to the Voting Record Date, such Claim shall be treated in accordance with the procedures set forth herein; and
- The following Ballots shall not be counted in determining the acceptance or rejection of the Joint Plan: (i) any Ballot that is illegible or contains insufficient information to permit the identification of the Creditor; (ii) any Ballot cast by an Entity that does not hold a Claim in a Class that is entitled to vote on the Joint Plan; (iii) any Ballot cast for a Claim scheduled as unliquidated, contingent, or disputed for which no proof of Claim was timely filed; (iv) any unsigned Ballot or lacking an original signature; (v) any Ballot not marked to accept or reject the Joint Plan, or marked both to accept and reject the Joint Plan; and (vi) any Ballot submitted by any Entity not entitled to vote pursuant to the procedures described herein.

IX. CONFIRMATION PROCEDURES

A. Confirmation Hearing

The Confirmation Hearing will commence on [•], 2009 at [•] prevailing Eastern Time, before the Honorable Mary F. Walrath, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 5th Floor, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

The Joint Plan Objection Deadline is 5:00 p.m. prevailing Eastern Time on [•], 2009.

All Joint Plan Objections must be Filed with the Bankruptcy Court and served on the Debtor and certain other parties in accordance with the Disclosure Statement Order on or before the Joint Plan Objection Deadline.

The proposed schedule will provide Entities sufficient notice of the Joint Plan Objection Deadline, which will be more than the 25 days as required by Bankruptcy Rule 2002(b). The Debtor and the Committee believe that the Joint Plan Objection Deadline will afford the Bankruptcy Court, the Debtor and other parties in interest reasonable time to consider the Joint Plan Objections prior to the Confirmation Hearing.

THE BANKRUPTCY COURT WILL NOT CONSIDER JOINT PLAN OBJECTIONS UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE DISCLOSURE STATEMENT ORDER.

Following the Disclosure Statement Hearing, the Debtor will publish the Solicitation Notice, which will contain, among other things, the Plan Objection Deadline, the Voting Deadline and the date the Confirmation Hearing is first scheduled, in the National Edition of *The Wall Street Journal* on a date no later than 15 days prior to the Voting Deadline to provide notification to those Entities that may not receive notice by mail.

Joint Plan Objections must be served on all of the following parties:

POTTER ANDERSON & CORROON LLP

Steven M. Yoder (De Bar No. 3885)
Etta R. Wolfe (DE Bar No. 4164)
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Thomas A. Pitta, Esq.
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65 Livingston Avenue
Roseland, New Jersey 07068

Co-Counsel to the Committee

CLERK OF THE BANKRUPTCY COURT

United States Bankruptcy Court for the
District of Delaware
824 Market Street, 5th Floor, Courtroom 5
Wilmington, Delaware 19801

UNITED STATES TRUSTEE

Office of the United States Trustee for the
District of Delaware
844 King Street, Room 2207
Lockbox #35
Wilmington, Delaware 19899-0035

B. Statutory Requirements for Confirmation of the Joint Plan

At the Confirmation Hearing, the Bankruptcy Court will determine whether the Joint Plan satisfies the requirements of section 1129 of the Bankruptcy Code. The Debtor and the Committee believe:

- The Joint Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtor and the Committee as the Joint Plan proponents, will have complied with the applicable provisions of the Bankruptcy Code.
- The Joint Plan has been proposed in good faith and not by any means forbidden by law.

- Any payment made or promised under the Joint Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Case, or in connection with the Joint Plan and incident to the case, has been disclosed to the Bankruptcy Court, and any such payment: (1) made before the Confirmation of the Joint Plan is reasonable; or (2) subject to the approval of the Bankruptcy Court as reasonable, if it is to be fixed after Confirmation of the Joint Plan.
- Either each holder of an Impaired Claim has accepted the Joint Plan, or will receive or retain under the Joint Plan on account of such Claim, property of a value, as of the Effective Date of the Joint Plan, that is not less than the amount that such holder would receive or retain if the Debtor were liquidated on that date under chapter 7 of the Bankruptcy Code, including pursuant to section 1129(b) of the Bankruptcy Code for Equity Interests deemed to reject the Joint Plan.
- Each Class of Claims that is entitled to vote on the Joint Plan has either accepted the Joint Plan or is not Impaired under the Joint Plan, or the Joint Plan can be confirmed without the approval of such voting Class pursuant to section 1129(b) of the Bankruptcy Code.
- Except to the extent the holder of a particular Claim will agree to a different treatment of its Claim, the Joint Plan provides that Administrative Claims and Other Priority Claims will be paid in full on the Effective Date, or as soon thereafter as is reasonably practicable.
- At least one Class of Impaired Claims has accepted the Joint Plan, determined without including any acceptance of the Joint Plan by any insider holding a Claim in that Class.
- Confirmation of the Joint Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor or any successors thereto under the Joint Plan.
- The Debtor have paid the required filing fees pursuant to 28 U.S.C. § 1930 to the clerk of the Bankruptcy Court.
- In addition to the filing fees paid to the clerk of the Bankruptcy Court, the Debtor will pay quarterly fees on the last day of the calendar month, following the calendar quarter for which the fee is owed in each of the Debtor's Chapter 11 Cases for each quarter (including any fraction thereof), to the Office of the U.S. Trustee, until the case is converted or dismissed, whichever occurs first.

1. Best Interests of Creditors Test/Liquidation Analysis

Often called the "best interests" test, section 1129(a)(7) of the Bankruptcy Code requires that a bankruptcy court find, as a condition to confirmation, that a chapter 11 Joint Plan provides,

with respect to each class, that each holder of a claim or an equity interest in such class either (a) has accepted the Joint Plan or (b) will receive or retain under the Joint Plan property with a value, as of the effective date of the Joint Plan, that is not less than the amount that such holder would receive or retain if the Debtor liquidated under chapter 7 of the Bankruptcy Code. To make these findings, the bankruptcy court must: (a) estimate the Cash liquidation proceeds that a chapter 7 trustee would generate if each of the Debtor's chapter 11 case was converted to a chapter 7 case and the assets of such Debtor's estate were liquidated; (b) determine the liquidation Distribution that each non-accepting holder of a claim or an equity interest would receive from such liquidation proceeds under the priority scheme dictated in chapter 7; and (c) compare such holder's liquidation Distribution to the Joint Plan Distribution that such holder would receive if the Joint Plan were confirmed.

In chapter 7 cases, unsecured creditors and interest holders of a debtor are paid from available assets generally in the following order, with no junior class receiving any payments until all amounts due to senior classes have been paid fully or any such payment is provided for: (a) holders of secured claims (to the extent of the value of their collateral); (b) holders of priority claims; (c) holders of unsecured claims; (d) holders of debt expressly subordinated by its terms or by order of the bankruptcy court; and (e) holders of equity interests.

The Debtor and the Committee believe that the value of any Distributions if the Chapter 11 Case was converted to a case under chapter 7 of the Bankruptcy Code would be less than the value of Distributions under the Joint Plan because, among other reasons, Distributions in a chapter 7 case may not occur until a later date than Distributions under the Joint Plan would occur, 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 significant period while the chapter 7 trustee and its advisors become knowledgeable about, among other things, the Chapter 11 Case and the Claims against the Debtor. In addition, proceeds received in a chapter 7 liquidation are likely to be significantly discounted because the fees and expenses of a chapter 7 trustee would likely further reduce Cash available for Distribution.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that the Bankruptcy Court find that confirmation is not likely to be followed by the liquidation of the Debtor or the need for further financial reorganization, unless the Joint Plan contemplates such liquidation. Indeed, section 1123(b)(4) of the Bankruptcy Code permits liquidation Joint Plans that "provide for the sale of all or substantially all of the property of the estate, and the Distribution of the proceeds of such sale among holders of claims or interests" in chapter 11 proceedings and, thus, such a Joint Plan does not violate the requirements of section 1129(a). Moreover, when a liquidating Joint Plan of reorganization is tested against section 1129(a)(11), the feasibility standard is greatly simplified. In the context of a liquidating Joint Plan, feasibility is established by demonstrating the Debtor's ability to make the payments anticipated by the Joint Plan and specifying the timing of the Debtor's liquidation. Notably, there is no requirement that such payments will be guaranteed.

The Joint Plan provides for the liquidation of the Debtor by the transfer and sale of property and payment of the debts and by the realization by Secured Lenders of the indubitable equivalent of their secured claim. Further, the Debtor maintains that there is a reasonable

expectation that the payments required to be made during the term of the Joint Plan will, in fact, be made.

3. Acceptance by Impaired Classes

The Bankruptcy Code requires, as a condition to confirmation that, except as described below, each class of claims or equity interests that is impaired under a Joint Plan accept the Joint Plan. A class that is not “impaired” under a Joint Plan is deemed to have accepted the Joint Plan and, therefore, solicitation of acceptances with respect to such class is not required. A class is “impaired” unless the Joint Plan: (a) leaves unaltered the legal, equitable and contractual rights to which the claim or the equity interest entitles the holder of such claim or equity interest; (b) cures any default and reinstates the original terms of such obligation; or (c) provides that, on the consummation date, the holder of such claim or equity interest receives cash equal to the allowed amount of that claim or, with respect to any equity interest, any fixed liquidation preference to which the holder of such equity interest is entitled or any fixed price at which the debtor may redeem the security.

Section 1126(c) of the Bankruptcy Code defines acceptance of a Joint Plan by a class of impaired claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of claims in that class, but for that purpose counts only those who actually vote to accept or to reject the Joint Plan. Thus, a class of claims will have voted to accept the Joint Plan only if two-thirds in amount and a majority in number actually voting cast their ballots in favor of acceptance.

The Claims in Class 2 are not Impaired under the Joint Plan, and, as a result, the holders of such Claims are deemed to have accepted the Joint Plan.

The Voting Classes are Impaired under the Joint Plan, and as a result, the holders of Claims in such Classes are entitled to vote on the Joint Plan. Pursuant to section 1129 of the Bankruptcy Code, the holders of Claims in the Voting Classes must accept the Joint Plan for the Joint Plan to be confirmed without application of the “fair and equitable test” to such Classes, and without considering whether the Joint Plan “discriminates unfairly” with respect to such Classes, as both standards are described herein. As stated above, Classes of Claims will have accepted the Joint Plan if the Joint Plan is accepted by at least two-thirds in amount and a majority in number of the Claims of each such Class (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Joint Plan.

4. Confirmation Without Acceptance by All Impaired Classes

Section 1129(b) of the Bankruptcy Code allows a bankruptcy court to confirm a Joint Plan even if all impaired classes entitled to vote on the Joint Plan have not accepted it; *provided, however*, that the Joint Plan has been accepted by at least one impaired class. Pursuant to section 1129(b) of the Bankruptcy Code, notwithstanding an impaired class’s rejection or deemed rejection of the Joint Plan, such Joint Plan will be confirmed, at the Joint Plan proponent’s request, in a procedure commonly known as a “cram down,” so long as the Joint Plan does not “discriminate unfairly” and is “fair and equitable” with respect to each class of claims or equity interests that is impaired under, and has not accepted, the Joint Plan.

a. No Unfair Discrimination

This test applies to classes of claims or equity interests that are of equal priority and are receiving different treatment under the Joint Plan. The test does not require that the treatment be the same or equivalent, but that such treatment is “fair.” In general, bankruptcy courts consider whether a Joint Plan discriminates unfairly in its treatment of classes of claims of equal rank (e.g., classes of the same legal character). Bankruptcy courts will take into account a number of factors in determining whether a Joint Plan discriminates unfairly, and, accordingly, a Joint Plan could treat two classes of unsecured creditors differently without unfairly discriminating against either class.

b. Fair and Equitable Test

This test applies to classes of different priority and status (e.g., secured versus unsecured) and includes the general requirement that no class of claims receive more than 100% of the amount of the allowed claims in such class. As to the dissenting class, the test sets different standards depending on the type of claims or equity interests in such class.

Secured Claims: The condition that a Joint Plan be “fair and equitable” to a non-accepting class of secured claims includes the requirements that: (1) the holders of such secured claims retain the liens securing such claims to the extent of the allowed amount of the claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the Joint Plan; and (2) each holder of a secured claim in the class receives deferred cash payments totaling at least the allowed amount of such claim with a present value, as of the effective date of the Joint Plan, at least equivalent to the value of the secured claimant’s interest in the Debtor’s property subject to the liens.

Unsecured Claims: The condition that a Joint Plan be “fair and equitable” to a non-accepting class of unsecured claims includes the requirement that either: (1) the Joint Plan provides that each holder of a claim of such class receive or retain on account of such claim property of a value, as of the effective date of the Joint Plan, equal to the allowed amount of such claim; or (2) the holder of any claim or any equity interest that is junior to the claims of such class will not receive or retain under the Joint Plan on account of such junior claim or junior equity interest any property.

Equity Interests: The condition that a Joint Plan be “fair and equitable” to a non-accepting class of equity interests includes the requirement that either: (1) the Joint Plan provides that each holder of an equity interest in that class receives or retains under the Joint Plan on account of that equity interest property of a value, as of the effective date of the Joint Plan, equal to the greater of: (a) the allowed amount of any fixed liquidation preference to which such holder is entitled; (b) any fixed redemption price to which such holder is entitled; or (c) the value of such interest; or (2) if the class does not receive the amount as required under (1) hereof, no class of equity interests junior to the non-accepting class may receive a Distribution under the Joint Plan.

To the extent that any of the Voting Classes vote to reject the Joint Plan, the Debtor further reserve the right to seek (1) Confirmation of the Joint Plan under section 1129(b) of the Bankruptcy Code and/or (2) modify the Joint Plan.

The votes of holders of Class 5 Equity Interests are not being solicited because, under Article III of the Joint Plan, there will be no Distribution to the Holders of Class 5 Equity Interests Claims. All Class 5 Equity Interests will be deemed canceled and will be of no further force and effect, whether surrendered for cancellation or otherwise. Class 5 is, therefore, conclusively deemed to have rejected the Joint Plan pursuant to section 1129(b) of the Bankruptcy Code.

Notwithstanding the deemed rejection by Class 5 and any Class that votes to reject the Joint Plan, the Debtor does not believe that the Joint Plan discriminates unfairly against any Impaired Class of Claims or Equity Interests. The Plan Proponents believe that the Joint Plan and the treatment of all Classes of Claims and Equity Interests under the Joint Plan satisfy the foregoing requirements for nonconsensual confirmation of the Joint Plan.

5. Contact for More Information

Any interested party desiring further information about the Joint Plan may contact legal counsel to (a) the Debtor, by writing to Steven M. Yoder, Esq., Potter Anderson & Corroon LLP, 1313 North Market Street, Wilmington, DE 19801 or (b) the Committee by writing to Sharon L. Levine, Esq. and Thomas A. Pitta, Esq., Lowenstein Sandler, PC, 65 Livingston Avenue, Roseland, NJ 07068.

X. JOINT PLAN-RELATED RISK FACTORS AND ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE JOINT PLAN

PRIOR TO VOTING TO ACCEPT OR REJECT THE JOINT PLAN, ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS THAT ARE IMPAIRED SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH HEREIN, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT.

A. Certain Bankruptcy Law Considerations

1. Parties-in-Interest May Object to the Classification of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a Joint Plan may place a claim or an equity interest in a particular class only if such claim or equity interest is substantially similar to the other claims or equity interests in such class. The Plan Proponents believe that the classification of Claims and Equity Interests under the Joint Plan complies with the requirements set forth in the Bankruptcy Code because the Joint Plan provides for five Classes of Claims and Equity Interests, each encompassing Claims or Equity Interests, as applicable, that are substantially similar to the other Claims and Equity Interests in each such Class. Nevertheless, there can be no assurance the Bankruptcy Court will reach the same conclusion.

2. Failure to Satisfy Vote Requirement

If votes are received in number and amount sufficient to enable the Bankruptcy Court to confirm the Joint Plan, the Plan Proponents intend to seek, as promptly as practicable thereafter, Confirmation of the Joint Plan. In the event that sufficient votes are not received, the Debtor and

the Committee may seek to accomplish an alternative chapter 11 plan. There can be no assurance the terms of any such alternative chapter 11 plan would be similar or as favorable to the holders of Allowed Claims as those proposed in the Joint Plan.

3. Plan Proponents May Not Be Able to Secure Confirmation of the Joint Plan

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a chapter 11 plan, including, among other requirements, a finding by the bankruptcy court that: (a) such plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting classes; (b) confirmation of such plan is not likely to be followed by a liquidation or a need for further financial reorganization unless such liquidation or reorganization is contemplated by the plan; and (c) the value of Distributions to non-accepting holders of claims and equity interests within a particular class under such plan will not be less than the value of Distributions such holders would receive if the Debtor was liquidated under chapter 7 of the Bankruptcy Code.

There can be no assurance the requisite acceptances to confirm the Joint Plan will be received. Even if the requisite acceptances are received, there can be no assurance the Bankruptcy Court will confirm the Joint Plan. A non-accepting Holder of an Allowed Claim might challenge either the adequacy of this Disclosure Statement or whether the balloting procedures and voting results satisfy the requirements of the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court determines that the Disclosure Statement, the balloting procedures and voting results are appropriate, the Bankruptcy Court could still decline to confirm the Joint Plan if it found that any of the statutory requirements for Confirmation had not been met, including the requirement that the terms of the Joint Plan do not "unfairly discriminate" and are "fair and equitable" to non-accepting Classes.

Confirmation of the Joint Plan is also subject to certain conditions as described in the Joint Plan. If the Joint Plan is not confirmed, it is unclear what Distributions, if any, holders of Allowed Claims would receive with respect to their Allowed Claims.

The Plan Proponents, subject to the terms and conditions of the Joint Plan, reserves the right to modify the terms and conditions of the Joint Plan as necessary for Confirmation. Any such modifications could result in a less favorable treatment of any non-accepting Class, as well as of any Classes junior to such non-accepting Class, than the treatment currently provided in the Joint Plan. Such a less favorable treatment could include a Distribution of property to the Class affected by the modification of a lesser value than currently provided in the Joint Plan or no Distribution of property whatsoever under the Joint Plan.

4. Nonconsensual Confirmation

In the event that any impaired class of claims or equity interests does not accept a chapter 11 Joint Plan, a bankruptcy court may nevertheless confirm such a Joint Plan at the proponents' request if at least one impaired class has accepted the Joint Plan (with 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 Joint Plan, the bankruptcy court determines that the Joint Plan "does not discriminate unfairly" and is "fair and equitable" with respect to the dissenting impaired classes. The Plan Proponents believe that the Joint Plan satisfies these requirements

and the Plan Proponents may request such nonconsensual Confirmation in accordance with subsection 1129(b) of the Bankruptcy Code. Nevertheless, there can be no assurance that the Bankruptcy Court will reach this conclusion.

5. Debtor May Object to the Amount or Classification of a Claim

Except as otherwise provided in the Joint Plan, the Debtor reserves the right to object to the amount or classification of any Claim under the Joint Plan. The estimates set forth in this Disclosure Statement cannot be relied on by any Holder of a Claim where such Claim is subject to an objection. Any Holder of a Claim that is subject to an objection thus may not receive its expected share of the estimated Distributions described in this Disclosure Statement.

6. Risk of Non-Occurrence of the Effective Date

Although the Debtor believes that the Effective Date may occur quickly after the Confirmation Date, there can be no assurance as to such timing, or as to whether the Effective Date will, in fact, occur.

7. Contingencies Not to Affect Votes of Impaired Classes to Accept or Reject the Joint Plan

The Distributions available to holders of Allowed Claims under the Joint Plan can be affected by a variety of contingencies, including, without limitation, whether the Bankruptcy Court orders certain Allowed Claims to be subordinated to other Allowed Claims. The occurrence of any and all such contingencies, which could affect Distributions available to holders of Allowed Claims under the Joint Plan, will not affect the validity of the vote taken by the Impaired Classes to accept or reject the Joint Plan or require any sort of revote by the Impaired Classes.

B. Risk Factors That May Affect Distributions Under The Joint Plan

1. Debtor Cannot State with any Degree of Certainty What Recovery Will Be Available to Holders of Allowed Claims in Voting Classes

A number of unknown factors make certainty in creditor recoveries impossible. First, the Debtor cannot know with any certainty, at this time, the number or amount of Claims in Voting Classes that will ultimately be Allowed. Second, the Debtor cannot know with any certainty, at this time, the number or size of Claims senior to the Voting Classes or unclassified Claims that will ultimately be Allowed.

2. Actual Amounts of Allowed Claims May Differ from the Estimated Claims and Adversely Affect the Percentage Recovery on Unsecured Claims

The Claims estimates set forth herein are based on various assumptions. The actual amounts of Allowed Claims may differ significantly from those estimates should one or more underlying assumption proves to be incorrect. Such differences may adversely affect the percentage recovery to holders of such Allowed Claims under the Joint Plan. Additionally, the Debtor has made certain assumptions, as described in the Liquidation Analysis, which should be read carefully.

C. Disclosure Statement Disclaimer

1. Information Contained Herein is for Soliciting Votes

The information contained in this Disclosure Statement is for the purposes of soliciting acceptances of the Joint Plan and may not be relied upon for any other purposes.

2. Disclosure Statement Was Not Approved by the Securities and Exchange Commission

Although a copy of this Disclosure Statement was served on the Securities and Exchange Commission, and the Securities and Exchange Commission was given an opportunity to object to the adequacy of this Disclosure Statement before the Bankruptcy Court approved it, this Disclosure Statement was not Filed with the Securities and Exchange Commission under the Securities Act or applicable state securities laws. Neither the Securities and Exchange Commission nor any state regulatory authority has passed upon the accuracy or adequacy of this Disclosure Statement, or the exhibits or the statements contained herein, and any representation to the contrary is unlawful.

3. Disclosure Statement May Contain Forward Looking Statements

This Disclosure Statement may contain "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may," "expect," "anticipate," "estimate" or "continue" or the negative thereof or other variations thereon or comparable terminology. The reader is cautioned that all forward looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward looking statements. The liquidation analysis, Distribution projections and other information contained herein and attached hereto are estimates only, and the timing and amount of actual Distributions to holders of Allowed Claims may be affected by many factors that cannot be predicted. Therefore, any analyses, estimates or recovery projections may or may not turn out to be accurate.

4. No Legal or Tax Advice Is Provided to You by this Disclosure Statement

This Disclosure Statement is not legal advice to you. The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each Holder of a Claim or an Equity Interest should consult his or her own legal counsel and accountant with regard to any legal, tax and other matters concerning his or her Claim or Equity Interest. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Joint Plan or object to Confirmation of the Joint Plan.

5. No Admissions Made

The information and statements contained in this Disclosure Statement will neither (a) constitute an admission of any fact or liability by any Entity (including, without limitation, the Debtor and the Committee) nor (b) be deemed evidence of the tax or other legal effects of the

Joint Plan on the Debtor, holders of Allowed Claims or Equity Interests or any other parties-in-interest.

6. Failure to Identify Litigation Claims or Projected Objections

No reliance should be placed on the fact that a particular Litigation Claim or projected objection to a particular Claim or Equity Interest is, or is not, identified in this Disclosure Statement. The Debtor may seek to investigate Claims, File and prosecute objections to Claims and Equity Interests, and the Liquidating Trustee may object to Claims or bring Causes of Action after the Confirmation or Effective Date of the Joint Plan irrespective of whether the Disclosure Statement identifies such Claims, Causes of Action or Objections to Claims.

7. No Waiver of Right to Object or Right to Recover Transfers and Assets

The vote by a Holder of an Allowed Claim for or against the Joint Plan does not constitute a waiver or release of any Claims or rights of the Debtor or the Liquidating Trustee to object to that Holder's Allowed Claim, or to bring Causes of Action or recover any preferential, fraudulent or other voidable transfer of assets, regardless of whether any Claims or Causes of Action of the Debtor or their respective Estates are specifically or generally identified herein.

8. Information Was Provided by the Debtor and Was Relied Upon by the Debtor's Advisors

Counsel to and other advisors retained by the Debtor and the Committee have relied upon information provided by the Debtor in connection with the preparation of this Disclosure Statement. Although counsel to and other advisors retained by the Debtor and the Committee have performed certain limited due diligence in connection with the preparation of this Disclosure Statement, they have not verified independently the information contained herein.

9. Potential Exists for Inaccuracies, No Duty to Update

The Plan Proponents make the statements contained in this Disclosure Statement as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has not been a change in the information set forth herein since that date. While the Plan Proponents have used their reasonable business judgment to ensure the accuracy of all of the information provided in this Disclosure Statement and in the Joint Plan, they nonetheless cannot, and do not, confirm the current accuracy of all statements appearing in this Disclosure Statement. Further, although the Plan Proponents may subsequently update the information in this Disclosure Statement, there is no affirmative duty to do so unless ordered to do so by the Bankruptcy Court.

10. No Representations Outside the Disclosure Statement Are Authorized

No representations concerning or relating to the Debtor, the Chapter 11 Case or the Joint Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. In deciding whether to vote to accept or reject the Joint Plan, you should not rely upon any representations or inducements made to secure your acceptance or rejection of the Joint Plan that are other than as contained in, or included with, this Disclosure

Statement, you should promptly report unauthorized representations or inducements to counsel to the Debtor, counsel to the Committee and the U.S. Trustee.

D. Liquidation Under Chapter 7

If the Joint Plan is not Confirmed, the Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtor for Distribution in accordance with the priorities established by the Bankruptcy Code. The Debtor believes that any such conversion would likely eliminate any Distribution to holders of General Unsecured Claims.

XI. CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain United States federal income tax consequences of the Joint Plan to the Debtor and certain holders of Claims. This summary is based on the Internal Revenue Code, Treasury Regulations there under and administrative and judicial interpretations and practice, all as in effect on the date of the Disclosure Statement and all of which are subject to change, with possible retroactive effect. Due to the lack of definitive judicial and administrative authority in a number of areas, substantial uncertainty may exist with respect to some of the tax consequences described below. No opinion of counsel has been obtained and the Debtor does not intend to seek a ruling from the Internal Revenue Service as to any of the tax consequences of the Joint Plan discussed below. There can be no assurance that the Internal Revenue Service will not challenge one or more of the tax consequences of the Joint Plan described below.

This summary does not apply to holders of Claims that are not United States Persons (as such term is defined in the Internal Revenue Code) or that are otherwise subject to special treatment under United States federal income tax law (including, without limitation, banks, governmental authorities or agencies, financial institutions, insurance companies, pass-through Entities, tax-exempt organizations, brokers and dealers in securities, mutual funds, small business investment companies and regulated investment companies). The following discussion assumes that holders of Allowed Claims hold such Claims as "capital assets" within the meaning of section 1221 of the Internal Revenue Code. Moreover, this summary does not purport to cover all aspects of United States federal income taxation that may apply to the Debtor and holders of Allowed Claims based upon their particular circumstances. Additionally, this summary does not discuss any tax consequences that may arise under any laws other than United States federal income tax law, including under state, local or foreign tax law.

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX JOINT PLANNING AND ADVICE BASED UPON THE INDIVIDUAL CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE JOINT PLAN.

INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE INTERNAL REVENUE

SERVICE, ANY TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE. TAX ADVICE CONTAINED IN THIS DISCLOSURE STATEMENT (INCLUDING ANY ATTACHMENTS) IS NOT WRITTEN TO SUPPORT THE PROMOTION, MARKETING OR PROMOTION OF THE TRANSACTIONS OR MATTERS ADDRESSED BY THE DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Certain United States Federal Income Tax Consequences to Holders of Allowed Claims

THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE JOINT PLAN ARE COMPLEX. THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF UNITED STATES FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF A CLAIM IN LIGHT OF SUCH HOLDER'S CIRCUMSTANCES AND INCOME TAX SITUATION. ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR SHOULD CONSULT WITH THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF THE TRANSACTION CONTEMPLATED BY THE RESTRUCTURING, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL OR FOREIGN TAX LAWS, AND OF ANY CHANGE IN APPLICABLE TAX LAWS.

XII. GLOSSARY OF DEFINED TERMS

For purposes herein: (a) in the appropriate context, each term, whether stated in the singular or the plural, will include both the singular and the plural, and pronouns stated in the masculine, feminine or neutral gender will include the masculine, feminine and the neutral gender; (b) any reference herein to a contract, lease, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that the referenced document will be substantially in that form or substantially on those terms and conditions; (c) any reference herein to an existing document or exhibit having been Filed or to be Filed will mean that document or exhibit, as it may thereafter be amended, modified or supplemented; (d) unless otherwise stated, the words "herein," "hereof" and "hereto" refer to the Disclosure Statement in its entirety rather than to a particular portion of the Disclosure Statement; (e) captions and headings to Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation hereof; (f) the rules of construction set forth in section 102 of the Bankruptcy Code will apply; and (g) any term used in capitalized form herein that is not otherwise defined but that is used in the Bankruptcy Code or the Bankruptcy Rules will have the meaning assigned to that term in the Bankruptcy Code or the Bankruptcy Rules, as the case may be.

Unless the context otherwise requires, the following terms shall have the following meanings when used in capitalized form herein:

1. "APA" or "Asset Purchase Agreement" means that certain Asset Purchase Agreement between NAILITE INTERNATIONAL, INC., a Delaware corporation, as debtor

and debtor-in-possession as seller and EXTERIA BUILDING PRODUCTS, LLC f/k/a PREMIER EXTERIORS, LLC, as purchaser.

2. "Accrued Professional Compensation" means, at any given moment, all accrued and/or unpaid fees and expenses (including, without limitation: (a) success fees allowed or awarded by a Final Order of the Bankruptcy Court or any other court of competent jurisdiction); and (b) fees or expenses allowed or awarded by a Final Order of the Bankruptcy Court or any other court of competent jurisdiction) for legal, financial advisory, accounting and other services and reimbursement of expenses that are awardable and allowable under sections 328, 330(a) or 331 of the Bankruptcy Code or otherwise rendered prior to the Effective Date, or thereafter in connection with (x) applications Filed pursuant to section 330 and 331 of the Bankruptcy Code and (y) motions seeking the enforcement of the provisions of the Joint Plan or Confirmation Order, by all Professionals in the Chapter 11 Case that the Bankruptcy Court has not denied by a Final Order, to the extent that any such fees and expenses have not previously been paid regardless of whether a fee application has been Filed for any such amount. To the extent that the Bankruptcy Court or any higher court denies by a Final Order any amount of a Professional's fees or expenses, then those amounts shall no longer be Accrued Professional Compensation.

3. "Administrative Claims" means Claims that have been timely Filed before the Bar Date, pursuant to the deadline and procedure set forth in the Bar Date Order (except as otherwise provided by a separate order of the Bankruptcy Court), for costs and expenses of administration under sections 503(b), 507(b) or 1114(e)(2) of the Bankruptcy Code, including, without limitation: 1. the actual and necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the businesses of the Debtor (such as wages, salaries or commissions for services and payments for goods and other services and leased premises); 2. Accrued Professional Compensation; and (c) all fees and charges assessed against the Estate under chapter 123 of title 28 United States Code, 28 U.S.C. §§ 1911-1930.

4. "Affiliate" has the meaning set forth at section 101(2) of the Bankruptcy Code.

5. "Allowed" means, with respect to any Claim or Equity Interest, except as otherwise provided herein: (a) a Claim or Equity Interest that has been scheduled by the Debtor in their schedules of liabilities as other than disputed, contingent or unliquidated and as to which the Debtor or other parties-in-interest have not Filed an objection by the Claims Objection Bar Date; (b) a Claim or Equity Interest that either is not Disputed or has been allowed by a Final Order; (c) a Claim or Equity Interest that is allowed: (i) in any stipulation of amount and nature of Claim executed prior to the entry of the Confirmation Order and approved by the Bankruptcy Court; (ii) in any stipulation with Debtor of amount and nature of Claim or Equity Interest executed on or after the entry of the Confirmation Order; or (iii) in or pursuant to any contract, instrument, indenture or other agreement entered into or assumed in connection herewith; (d) a Claim or Equity Interest that is allowed pursuant to the terms hereof; or (e) a Disputed Claim as to which a proof of claim has been timely Filed and as to which no objection has been Filed by the Claims Objection Bar Date.

6. "Avoidance Actions" means any and all avoidance, recovery, subordination or other actions or remedies that may be brought on behalf of the Debtor or their Estate under the Bankruptcy Code or applicable non-bankruptcy law, including, without limitation,

actions or remedies under sections 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552, 553(b) and 724(a) of the Bankruptcy Code. All Avoidance Actions, other than those against Insiders, shall be deemed abandoned as of the Effective Date.

7. "Bankruptcy Code" means title 11 of the United States Code, and applicable portions of titles 18 and 28 of the United States Code.

8. "Bankruptcy Court" means the United States District Court for the District of Delaware, having jurisdiction over the Chapter 11 Case and, to the extent of any reference made pursuant to Article 157 of title 28 of the United States Code and/or the General Order of the District Court pursuant to Article 151 of title 28 of the United States Code, the United States Bankruptcy Court for the District of Delaware.

9. "Bankruptcy Rule(s)" means the Federal Rules of Bankruptcy Procedure, promulgated under 28 U.S.C. § 2075, the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, the Local Rules of Civil Practice and Procedure of the United States District Court for the District of Delaware, and general orders and chambers' procedures of the Bankruptcy Court, each as applicable to the Chapter 11 Case and as amended from time to time.

10. "Bar Date Order" means the Motion to Establish Deadline to File Proofs of Claim [Docket Entry No. 109].

11. "General Bar Date" means May 18, 2009, the deadline for filing proofs of claim with respect to General Unsecured and Administrative Claims as established in the Bar Date Order.

12. "Beneficiaries" means holders of Allowed Claims entitled to receive Distributions from the Liquidating Trust Fund under the Joint Plan, whether or not such Claims were Allowed Claims on the Effective Date.

13. "Bid Procedures" means those certain Bid Procedures attached as Exhibit A to the Bid Procedures Order.

14. "Bid Procedures Order" means that certain order entered by the Bankruptcy Court that among other things, approved the Bid Procedures. [Docket Entry No.53].

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

16. "Cash" means legal tender of the United States of America or the equivalent thereof, including bank deposits, checks and readily marketable securities or instruments issued by an Entity, including, without limitation, readily marketable direct obligations of, or obligations guaranteed by, the United States of America, commercial paper of domestic corporations carrying a Moody's rating of "A" or better, or equivalent rating of any other nationally recognized rating service, or interest bearing certificates of deposit or other similar obligations of domestic banks or other financial institutions having a shareholders' equity or capital of not less than one hundred million dollars (\$100,000,000) having maturities of not more than one (1) year, at the then best generally available rates of interest for like amounts and like periods.

17. "Cash Investment Yield" means the net yield earned by the Liquidating Trust from the investment of Cash held pending Distribution in accordance with the provisions of the Joint Plan and the Liquidating Trust Agreement.

18. "Causes of Action" means all claims, actions, Causes of Action, chooses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, remedies, rights of set-off, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims and crossclaims (including, without limitation, all claims and any avoidance, recovery, subordination or other actions against Insiders and/or any other entities under the Bankruptcy Code, including Avoidance Actions) of any of the Debtor, and/or the Estate (including, without limitation, those actions set forth in the Joint Plan Supplement) that are or may be pending on the Effective Date or instituted by the Liquidating Trustee after the Effective Date against any entity, based in law or equity, including, without limitation, under the Bankruptcy Code, whether direct, indirect, derivative or otherwise and whether asserted or unasserted as of the Confirmation Date; provided, however, that such definition shall not include any claims against Purchaser or the DIP Lender, which Causes of Action are being released pursuant to the Joint Plan.

19. "Chapter 11 Case" means the Chapter 11 Case commenced when the Debtor Filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code on the Petition Date.

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

21. "Claims Objection Bar Date" means the bar date for objecting to proofs of claim, which shall be one year after the Effective Date; provided, however, that the Liquidating Trustee may seek additional extensions of this date from the Bankruptcy Court.

22. "Class" means a category of holders of Claims or Equity Interests as set forth in the Joint Plan pursuant to section 1122(a) of the Bankruptcy Code.

23. "Committee" means the official committee of unsecured creditors for the Chapter 11 Case appointed by the U.S. Trustee for the District of Delaware, pursuant to Section 1102 of the Bankruptcy Code, on February 23, 2009. [Docket Entry No. 36].

24. "Creditor Carveout" means cash in the amount of \$250,000.

25. "Confirmation Date" means the date on which the Confirmation Order is entered by the Bankruptcy Court.

26. "Confirmation Order" means the order of the Bankruptcy Court confirming the Joint Plan pursuant to section 1129 of the Bankruptcy Code.

27. "D&O Claims" mean any Claims against any of the Debtor's current or former officers, directors or management.

28. "Debtor" means, Nailite International, Inc.

29. "DIP Credit Agreement" means, as amended, supplemented or modified from time to time, that certain Secured, Super-Priority Debtor-in-Possession Credit Agreement

among the Debtor and the DIP Agent approved by Final Order of the Bankruptcy Court on March 12, 2009 [Docket Entry No. 93].

30. "DIP Facility" means the Debtor's post-petition financing, which the Bankruptcy Court approved pursuant to the Final Post Petition Financing DIP Order. Docket Entry No. 93.

31. "DIP Facility Claims" mean any Claims of the DIP Lender arising out of the DIP Facility or DIP Credit Agreement. The DIP Facility Claims were credit-bid in full on the Closing Date.

32. "DIP Lender" means Premier Exteriors Holdings, L.P., and its Representatives.

33. "Disclosure Statement" means the disclosure statement for the Joint Plan [Docket Entry No. ___], prepared and distributed in accordance with the Bankruptcy Code, Bankruptcy Rules and any other applicable law, as it is amended, supplemented or modified from time to time.

34. "Disputed" means, with respect to any Claim or Equity Interest, any Claim or Equity Interest: (a) listed on the Schedules as unliquidated, disputed or contingent, unless a proof of Claim has been timely Filed; (b) as to which a timely objection or request for estimation in accordance with the Bankruptcy Code and the Bankruptcy Rules has been interposed; or (c) as otherwise disputed in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order.

35. "Disputed Reserve" means the reserve fund created pursuant to Article V.B.1 of the Joint Plan.

36. "Distributions" means the distributions of Cash and beneficial interest in the Liquidating Trust to be made in accordance with the Joint Plan and/or the Liquidating Trust Agreement.

37. "Effective Date" means the date selected by the Debtor and the Committee that is a Business Day after the entry of the Confirmation Order on which: (a) no stay of the Confirmation Order is in effect; and (b) all conditions specified in the Joint Plan have been satisfied or waived.

38. "Encumbered Sale Proceeds" means the Sale Proceeds less the Unencumbered Sale Proceeds.

39. "Entity" means an "entity" (as that term is defined in Section 101(15) of the Bankruptcy Code).

40. "Equity Interest" means any equity interest in a Debtor that existed immediately prior to the Petition Date, including, without limitation: (a) any common equity interest in a Debtor that existed immediately prior to the Petition Date, including, without limitation, all issued, unissued, authorized or outstanding shares of common stock, together with any warrants, options or legal, contractual or equitable rights to purchase or acquire such interests at any time; and (b) any preferred equity interest in a Debtor that existed immediately prior to the Petition Date, including, without limitation, all issued, unissued, authorized or outstanding shares of preferred stock, together with any warrants, options or legal, contractual or equitable rights to purchase or acquire such interests.

41. "Estate" means the estate of the Debtor created on the Petition Date by section 541 of the Bankruptcy Code.

42. "Exculpated Parties" means, collectively, the Debtor, the DIP Lender, the Purchaser, the Committee and the individual members thereof, the Liquidating Trustee, and each of their respective Representatives (each of the foregoing in its individual capacity as such).

43. "File" or "Filed" means, with respect to any pleading, entered on the docket of the Chapter 11 Case and properly served in accordance with the Bankruptcy Rules.

44. "Final Order" means an order or judgment of the Bankruptcy Court, or other court of competent jurisdiction with respect to the subject matter, which has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for certiorari or move for reargument or rehearing has expired and no appeal or petition for certiorari has been timely taken, or as to which any appeal that has been taken or any petition for certiorari that has been or may be Filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought or has otherwise been dismissed with prejudice.

45. "Garden City Group" or "GCG" means the Debtor's Claims, Noticing and Balloting Agent.

46. "General Unsecured Claims" means Claims against any Debtor that are not Administrative Claims, DIP Facility Claims, Priority Tax Claims, Other Priority Claims, Other Secured Claims, Intercompany Claims, Secured Lender Deficiency Claims, Insider Claims or Equity Interests.

47. "Housing Starts" means the category of residential construction monitored by the Department of Commerce.

48. "Impaired" means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, "impaired" within the meaning of Sections 1123(a)(4) and 1124 of the Bankruptcy Code.

49. "Initial Distribution Date" means the date on which the Liquidating Trust shall make its initial Distribution, which shall be a date selected by the Liquidating Trustee.

50. "Insider Claims" means any Claims held by an insider of the Debtor.

51. "Intercompany Claims" means Claims held by a Debtor, Affiliate of the Debtor, against another Debtor or Affiliate of the Debtor.

52. "Joint Plan Supplement" the compilation of documents and forms of documents, schedules and exhibits to the Joint Plan.

53. "Joint Plan" means this joint Joint Plan of liquidation under chapter 11 of the Bankruptcy Code, either in its present form or as it may be altered, amended, modified or supplemented from time to time in accordance with the Bankruptcy Code, the Bankruptcy Rules or herewith, as the case may be, and the Joint Plan Supplement, which is incorporated herein by reference.

54. "Lenders" means, collectively, Prepetition Agent and the Prepetition Secured Lenders.

55. "Liquidating Trust" means the Entity described in Article IV.B that will succeed to all of the assets and liabilities of the Estate, subject to the terms of Joint Plan, as of the Effective Date.

56. "Liquidating Trust Agreement" means that certain agreement establishing and delineating the terms and conditions of the Liquidating Trust, substantially in the form to be Filed as part of the Joint Plan Supplement.

57. "Liquidating Trust Committee" means those individuals appointed in accordance with the Liquidating Trust Agreement with the powers and responsibilities set forth therein. The Liquidating Trust Committee shall consist of three representatives appointed by the Committee.

58. "Liquidating Trust Expenses" means the reasonable expenses of the Liquidating Trustee and the Liquidating Trust Committee.

59. "Liquidating Trust Fund" means the Cash funded by the Prepetition and/or DIP Lenders in the amount needed to fund all Allowed Administrative Claims (including Professional Fee Claims in the aggregate amounts permitted under the Final Post Petition Financing Order), Allowed Priority Tax Claims, Allowed Other Priority Claims, the Committee Carve-Out Cash and an amount to be agreed to by the Prepetition Agent and Lenders and the Committee to be included in the Liquidating Trust Agreement to cover the Liquidating Trust Expenses and the D&O Claims and any proceeds thereof.

60. "Liquidating Trustee" means James Gallagher of Pine Brook Associates, LLC, the person appointed by the Committee in accordance with the Joint Plan to administer the Liquidating Trust.

61. "Non-Acquired Assets" means any property of the Debtor that is not transferred to the Purchaser pursuant to the APA.

62. "Other Priority Claims" means Claims accorded priority in right of payment under Section 507(a) of the Bankruptcy Code, other than Priority Tax Claims.

63. "Other Secured Claims" means Claims against the Debtor (other than the DIP Facility Claims and Secured Lender Claims) that are secured by a lien on property in which the Estate have an interest, which liens are valid, perfected and enforceable under applicable law or by reason of a Final Order, or that are subject to setoff under Section 553 of the Bankruptcy Code, to the extent of the value of the Claim holder's interest in the Estate's interest in such property or to the extent of the amount subject to setoff, as applicable, as determined pursuant to Section 506(a) of the Bankruptcy Code.

64. "Petition Date" means February 13, 2008, the date on which the Debtor Filed the Chapter 11 Case.

65. "Prepetition Agent" means the agent under the Secured Credit Agreement dated as of April 11, 2003.

66. "Prepetition Lenders" means the lenders from time to time party under the Secured Credit Agreement dated as of April 11, 2003.

67. "Priority Tax Claims" means Claims of governmental units of the kind specified in Section 507(a)(8) of the Bankruptcy Code.

68. "Pro Rata" means the ratio of the amount of an Allowed Claim in a particular Class to the aggregate amount of all Allowed Claims in such Class.

69. "Professional" means any person or Entity employed pursuant to a Final Order in accordance with Sections 327, 328 or 1103 of the Bankruptcy Code, and to be compensated for services rendered prior to and including the Effective Date pursuant to Sections 327, 328, 329, 330 or 331 of the Bankruptcy Code.

70. "Purchaser" means EXTERIA BUILDING PRODUCTS, LLC f/k/a PREMIER EXTERIORS, LLC, a Delaware limited liability company and their Representatives.

71. "Quarterly Distribution Date" means the first Business Day after the end of each quarterly calendar period (i.e., March 31, June 30, September 30 and December 31 of each calendar year).

72. "Ratable Proportion" means, with reference to any Distribution on account of any Allowed Claim in any Class, the ratio (expressed as a percentage) that the amount of the Allowed Claim bears to the aggregate amount of all Allowed and Disputed Claims in that Class.

73. "Record Date" means the record date for determining the entitlement of holders of Allowed Claims, to receive Distributions under the Joint Plan on account of Allowed Claims. The Record Date shall be the date on which the Disclosure Statement Order is entered.

74. "Releasees" means, collectively, the Debtor, the Liquidating Trustee, the DIP Lender, the Purchaser, the Committee and each of their respective Representatives (each of the foregoing in its individual capacity as such); provided, however, nothing herein shall be deemed or construed as a release or waiver of any D&O Claims or Avoidance Actions against Insiders.

75. "Releasing Parties" means, collectively, holders of Claims voting to accept the Joint Plan.

76. "Representatives" means, with regard to an Entity, officers, directors, employees, advisors, attorneys, professionals, accountants, investment bankers, financial advisors, consultants, agents and other representatives (including their respective officers, directors, employees, members and professionals).

77. "Sale" means the sale or sales of all or substantially all of the Debtor's assets under the Sale Order.

78. "Sale Order" means the order of the Bankruptcy Court, entered in the Chapter 11 Case, on April 13, 2009 [Docket Entry No. 134], approving the APA and the transactions contemplated thereby.

79. "Sale Proceeds" means the Cash consideration received by the Debtor pursuant to the APA, including all Cash in escrow accounts established pursuant to the terms of the APA.

80. "Schedules" mean the schedules of assets and liabilities, schedules of executory contracts and statements of financial affairs Filed by the Debtor pursuant to Section 521 of the Bankruptcy Code.

81. "Secured Lender Claims" means, together with the DIP Facility Claims, the Claims arising under the Secured Credit Agreement that have been Allowed.

82. "Secured Credit Agreement" means that certain credit agreement, dated as of April 11, 2003 among the Debtor and the Prepetition Agent and the other lenders who from time to time have been lender parties thereto, as lenders.

83. "Secured Lender Deficiency Claim" means the amount, if any, by which the Allowed Secured Lender Claims exceeds the value of the Encumbered Sale Proceeds.

84. "Unimpaired" means, with respect to a Claim, Equity Interest, or Class of Claims or Equity Interests, not "impaired" within the meaning of Sections 1123(a)(4) and 1124 of the Bankruptcy Code.

85. "U.S. Trustee" means the United States Trustee appointed under Article 591 of title 28 of the United States Code to serve in the District of Delaware.

CONCLUSION AND RECOMMENDATION

The Debtor and the Committee believe the Joint Plan is in the best interests of all holders of Claims and Equity Interests and urges all holders of Claims entitled to vote to accept the Joint Plan and to evidence such acceptance by returning their Ballots so they will be received by the Claims, Noticing and Balloting Agent no later than _____, 2009.

Dated: _____, 2009

Respectfully submitted,

By /s/

:

Its: _____