

**UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF NEW YORK**

-----X  
In re Chapter 11  
  
THE FULLER BRUSH COMPANY, INC., Case No. 12-10714 (SHL)  
*et al.*,  
  
(Jointly Administered)  
  
Debtors.  
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**MODIFIED DISCLOSURE STATEMENT WITH RESPECT TO JOINT CHAPTER  
11 PLAN OF THE FULLER BRUSH COMPANY, INC. AND CPAC, INC.**

Dated: February 19, 2013

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**ALL CREDITORS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT, INCLUDING THE FOLLOWING SUMMARY, ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, ANY AND ALL SUPPLEMENTS TO THE PLAN AND THE OTHER EXHIBITS ANNEXED TO THE PLAN AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER SUCH DATE.**

**THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016 OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE LAW. THIS DISCLOSURE STATEMENT HAS NEITHER BEEN APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING CLAIMS SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSES FOR WHICH THEY WERE PREPARED.**

**CERTAIN STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING FORWARD-LOOKING STATEMENTS, ARE BASED ON ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL REFLECT ACTUAL OUTCOMES.**

**THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON OR ENTITY FOR ANY OTHER PURPOSE. THE FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE DESCRIPTION OF THE DEBTORS, THEIR BUSINESS AND EVENTS LEADING TO THE COMMENCEMENT OF THESE CHAPTER 11 CASES, HAS BEEN OBTAINED FROM VARIOUS DOCUMENTS, AGREEMENTS AND OTHER WRITINGS RELATING TO THE DEBTORS. NEITHER THE DEBTORS NOR ANY OTHER PARTY MAKES ANY REPRESENTATION OR WARRANTY REGARDING SUCH INFORMATION.**

**THE TERMS OF THE PLAN GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE SUMMARIES IN THIS DISCLOSURE STATEMENT. ALL EXHIBITS TO THE DISCLOSURE STATEMENT ARE INCORPORATED INTO AND ARE A PART OF THIS DISCLOSURE STATEMENT AS IF SET FORTH IN FULL HEREIN.**

**AS TO CONTESTED MATTERS, EXISTING LITIGATION INVOLVING THE DEBTORS, ADVERSARY PROCEEDINGS, AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE WITHOUT PREJUDICE SOLELY FOR SETTLEMENT PURPOSES, WITH FULL RESERVATION OF RIGHTS, AND IS NOT TO BE USED FOR ANY LITIGATION PURPOSE WHATSOEVER. AS SUCH, THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING INVOLVING THE DEBTORS, OR ANY OTHER PARTY IN INTEREST, NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES, FINANCIAL OR OTHER EFFECTS OF THE REORGANIZATION AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTORS.**

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

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**I.**  
**INTRODUCTION**

On February 21, 2012 (the “Petition Date”), The Fuller Brush Company, Inc. (“Fuller Brush”) and CPAC, Inc. (“CPAC,” and together with Fuller Brush, the “Debtors”) filed petitions for relief under chapter 11 of the title 11 of the United States Code (the “Bankruptcy Code”) with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”). Contemporaneously herewith, the Debtors filed their Joint Chapter 11 Plan of The Fuller Brush Company, Inc. and CPAC, Inc. (as may be further amended, modified or supplemented, the “Plan”), a copy of which is annexed as Exhibit “A”, which sets forth the manner in which Claims against and Equity Interests in the Debtors will be treated. This Disclosure Statement (the “Disclosure Statement”) describes certain aspects of the Plan (including the treatment of creditor Claims under the Plan), the Debtors’ businesses and related matters. Unless otherwise defined, all capitalized terms have the meanings ascribed to them in the Plan.

As discussed more fully below, after a careful review of their businesses, and after extensive negotiations among the Debtors, the Committee and Victory Park, the Debtors, in consultation with their advisors, have concluded that recoveries to creditors will be maximized under the Plan and by the liquidation of the Debtors as contemplated by the Plan, as contrasted with other possible alternatives. **The Committee believes that the settlement embodied in the Plan is in the best interest of the Debtors’ general unsecured creditors. Consequently, the Committee supports the Plan and urges unsecured creditors to vote to accept it.**

This Disclosure Statement is submitted to holders of Claims against the Debtors in connection with (i) the solicitation of acceptances of the Plan and (ii) the hearing to consider

confirmation of the Plan (the “Confirmation Hearing”) presently scheduled for [ ], 2013, at [ ] (Eastern Standard Time).

Attached as Exhibits to this Disclosure Statement are copies of the following:

- The Plan (Exhibit A); and
- Liquidation Analysis (Exhibit B).

In addition, a Ballot for the acceptance or rejection of the Plan is being transmitted with this Disclosure Statement to the holders of Impaired Claims that are entitled to accept or reject the Plan.

The Debtors have moved the Bankruptcy Court for an order, to be entered prior to an order confirming the Plan, approving this Disclosure Statement as containing “adequate information” to enable a hypothetical, reasonable investor typical of the holders of Claims in Classes eligible to vote on the Plan to make an informed judgment as to whether to accept or reject the Plan.

Detailed voting instructions accompany each Ballot. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan, the other Exhibits hereto and the instructions accompanying the Ballot(s) in their entirety before voting. These documents contain, among other things, important information concerning the classification of Claims for voting purposes and the tabulation of votes. No solicitation of a vote to accept the Plan may be made without giving the voter a Disclosure Statement approved by the Bankruptcy Court.

**A. Holders of Claims and Equity Interests Entitled to Vote**

Only impaired holders of Allowed Claims or Interests are entitled to vote to accept or reject a proposed chapter 11 plan. Unimpaired Classes are deemed to have accepted the Plan and are not entitled to vote. Classes of Claims or Interests that will not receive any distribution under a reorganization plan are deemed to have rejected such plan and also are not entitled to vote.

Under the Plan, Class 2 (Victory Park Secured Claim) and Class 3 (General Unsecured Claims) are impaired and entitled to vote on the Plan. Class 4 (Subordinated Claims) and Class 5 (Equity Interests) will receive no distributions under the Plan and are therefore deemed to have rejected the Plan. Class 1 (Priority Non-Tax Claims) is unimpaired and conclusively deemed to have accepted the Plan.

The Bankruptcy Code defines “acceptance” of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that vote for acceptance or rejection of the plan. For a more detailed description of the requirements for confirmation of the Plan, see Article VII, “Confirmation Procedures.”

**B. Voting Procedures**

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for that purpose. If you hold a Claim or an Interest in more than one Class and you are entitled to vote in more than one Class, you will receive separate Ballots that must be used for each separate Class.

Please vote and return your Ballot(s) directly to the following address: (1) if delivered by U.S. Postal Service, to Fuller Brush Ballot Processing, c/o GCG, P.O. Box 9874, Dublin, Ohio 43017-5774; or (2) if delivered by hand or overnight delivery, to Fuller Brush Ballot Processing, c/o CGC, 5151 Blazer Parkway, Suite A, Dublin, Ohio 43017.

**DO NOT RETURN ANY OTHER INSTRUMENTS OR AGREEMENTS WITH YOUR BALLOT. TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED NO LATER THAN 5:00 P.M., DAYLIGHT SAVINGS TIME, ON [ ], 2013.**

Each holder of an Allowed Claim in an impaired Class which receives or retains property under the Plan shall be entitled to vote separately to accept or reject the Plan and indicate such

vote on a duly executed and delivered Ballot as provided in such order as is entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan, or any other controlling order or orders of the Bankruptcy Court.

If you are a holder of a Claim entitled to vote on the Plan and you did not receive a Ballot, received a damaged Ballot or lost your Ballot, or if you have any questions concerning the procedures for voting on the Plan, please call GCG at (888) 421-9899.

**C. Confirmation Hearing**

The Confirmation Hearing will be held on [ ], 2013 at [ ], Eastern Standard Time, before the Honorable Sean H. Lane, United States Bankruptcy Judge, One Bowling Green, New York, New York 10004. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received on or before [ ], at 5:00 p.m., New York Time. Service of any objection to confirmation must be served upon (i) counsel for the Debtors, Herrick, Feinstein LLP, 2 Park Avenue, New York, New York 10016, Attn: Andrew Gold; Esq.(ii) counsel for the Official Committee of Unsecured Creditors, Kelley Drye & Warren LLP, Attn: Eric R. Wilson, Esq. and Kristin S. Elliott, Esq.; (iii) counsel for the Debtors' pre-petition senior secured lender, Katten Muchin Rosenman LLP, Attn: Peter Siddiqui, Esq.; (iv) and the Office of the United States Trustee, 33 Whitehall Street, 21st Floor, New York, New York 10004 Attn: Serene Nakano, Esq., Trial Attorney (the foregoing, collectively, the "Notice Parties"). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THE DEBTORS TO  
MAXIMIZE RECOVERIES TO THEIR CREDITORS AND ACCOMPLISH THE



OBJECTIVES OF CHAPTER 11. THE DEBTORS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS AND THEIR CREDITORS. THE DEBTORS URGE CREDITORS TO VOTE TO ACCEPT THE PLAN.

**II.  
SUMMARY OF THE TREATMENT OF CLAIMS AND INTERESTS**

The table below briefly summarizes the specific classification and treatment of Claims and Equity Interests under the Plan. As provided in the Plan, Administrative Expense Claims, Priority Tax Claims, and Professional Fee Claims have not been classified and are excluded from the following Classes in accordance with section 1123(a)(1) of the Bankruptcy Code:

<u>Class</u>	<u>Type of Claim or Equity Interest</u>	<u>Treatment</u>	<u>Estimated Claim Amount (By Class)</u>	<u>Estimated Recovery</u>
1	Priority Non-Tax Claims	Unimpaired. To the extent not previously paid, on the later to occur of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date on which a Priority Non-Tax Claim shall become Allowed, the Liquidating Trustee (at the direction and with the consent of Victory Park), in full and final satisfaction of such Priority Non-Tax Claim, will (i) pay to each Holder of an Allowed Priority Non-Tax Claim, in cash, the full amount of such Allowed Priority Non-Tax Claim from the Administrative Expense Reserve, or (ii) satisfy and discharge such Allowed Priority Non-Tax Claim on such other terms and conditions as may be agreed between the Holder of such Allowed Priority Non-Tax Claim, on the one hand, and Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park), on the other hand.	\$202,000	100%
2	Victory Park Secured Claim	Impaired. The Victory Park Secured Claim is deemed Allowed in full under the Plan. The Holder of the Victory Park Secured Claim shall receive, in full and final satisfaction of such Victory Park Secured Claim: (i) the proceeds of the ILS Sale, free and clear of all Liens, Claims, encumbrances, and interests, of which \$8,050,000 was received by Victory Park on or about December 6, 2012, pursuant to the ILS Proceeds Release Order; (ii) the VPC Purchased Assets, free and clear of all Liens, Claims, encumbrances and interests, which Victory Park received on the VPC Closing Date; (iii) either	\$15,500,000	94%

(a) the proceeds of the sale(s) of the Non-Fuller Assets, if the purchaser(s) of such assets is a party other than Victory Park or a designee of Victory Park, upon the closing of such sale(s), or (b) the Non-Fuller Assets, if Victory Park or a designee of Victory Park is the purchaser of such Non-Fuller Assets, upon the closing of such sale(s), in each case, free and clear of all Liens, Claims, encumbrances, and interests; and (iv) any amounts remaining in the Administrative Expense Reserve following the payment, satisfaction, or resolution of all Allowed Administrative Expenses, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims.

3	General Unsecured Claims	<p>Impaired. Class 3 is composed of General Unsecured Claims, including the Victory Park Deficiency Claim. On the later to occur of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date on which a General Unsecured Claim shall become Allowed, the Liquidating Trustee, in full and final satisfaction of such General Unsecured Claims, will pay to each Holder of an Allowed General Unsecured Claim, in cash, the Pro Rata amount of such Allowed General Unsecured Claim from the Settlement Sum, the Causes of Action and the proceeds thereof in accordance with the Liquidating Trust Agreement, unless such Holder consents to other treatment; <u>provided, however,</u> that the first \$100,000 of any Trust Assets (other than the Administrative Expense Reserve and/or the Non-Fuller Assets) (the “<u>First Dollars Distribution</u>”) distributed to Holders of Allowed General Unsecured Claims pursuant to the Liquidating Trust Agreement will be distributed Pro Rata among such Holders as if the Victory Park Deficiency Claim was Allowed for \$0; <u>provided, further,</u> that the Victory Park Deficiency Claim shall share in all distributions to Holders of Allowed General Unsecured Claims, other than the First Dollars Distribution, such that its participation shall be shared with the other Holders of Allowed General Unsecured Claim on a 60-40 basis, with 60% distributed to Victory Park on account of the Victory Park Deficiency Claim and 40% distributed to non-Victory Park Holders of Allowed General Unsecured Claims.</p>	\$16 million	1%-10%
4	Subordinated Claims	<p>Impaired. On the Effective Date, the Subordinated Claims shall be disallowed and expunged in their entirety and with prejudice. Subordinated Claims shall not receive or retain anything under the Plan</p>	N/A	0%
5	Intercompany Claims	<p>Impaired. On the Effective Date, Intercompany Claims shall be disallowed and expunged in their entirety and with prejudice. Intercompany Claims</p>	N/A	0%

shall not receive or retain anything under the Plan.

6	Equity Interests	Impaired. On the Effective Date, the Equity Interests shall be cancelled and extinguished and Holders of Equity Interests shall not receive or retain anything under the Plan.	N/A	0%
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### **III. OVERVIEW OF CHAPTER 11**

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

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession." The consummation of a plan of reorganization is the principal objective of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against and interests in the debtor. Confirmation of a plan by the bankruptcy court makes the plan binding upon a debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the confirmation order discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan.

After a plan has been filed, the holders of claims against or interests in a debtor are generally permitted to vote to accept or reject the plan. Before soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a

disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment about the plan. The Debtors are submitting this Disclosure Statement to Holders of Claims against or Equity Interests in the Debtors to satisfy the requirements of section 1125 of the Bankruptcy Code.

#### **IV. DESCRIPTION OF THE DEBTORS' BUSINESSES**

##### **A. Background**

Established in 1969, CPAC is a New York corporation that acquired Fuller Brush in October 1994. Fuller Brush remains a wholly-owned subsidiary of CPAC. CPAC's corporate headquarters are located in Leicester, New York. CPAC is also the 100% owner of various non-debtor subsidiaries, including CPAC Asia Imaging Products, Ltd. ("CPAC Asia") and CPAC Equipment, Inc. ("CPAC Equipment").

Fuller Brush is a leading provider and producer of cleaning solutions and commercial and consumer hard-goods products, with over 100 years of experience in the consumer and commercial cleaning industry. These products are sold under various trademarked brands, including Fuller Brush, Stanley Home Products, Fuller Commercial, Franklin, and Masury lines of cleaning products. Since its founding in 1906, Fuller Brush has grown from traditional door-to-door sales of custom-made brushes to a full collection of home and business cleaning and personal care products, the majority of which are manufactured at Fuller Brush's manufacturing facility in Great Bend, Kansas.

The Fuller Brush business has two distinct components, the "Consumer Business" and the "Non-Consumer Business". The Consumer Business division consists of a variety of household cleaning and personal care products under the Fuller Brush and Stanley Home Products brands. In connection with the Consumer Business, Fuller Brush sells and distributes

hard good and chemical cleaning products directly to consumers, including through its independent sales representatives, or through retail consumer channels, including retail, internet, consumer targeted catalogs and home shopping networks and channels.

The Non-Consumer Business consists of Fuller Brush's commercial sales and marketing arm and its custom commercial brush business. In connection with the Non-Consumer Business, Fuller Brush manufactures and sells (i) hard good and chemical cleaning products directly to commercial or institutional customers, including janitorial supply and distribution companies, retailers (other than resale to consumers), restaurants, manufacturing companies, and service companies; and (ii) custom designed and engineered brushes and chemical cleaning products for sale to, among others, industrial and manufacturing businesses and on a private label basis for other cleaning supply companies.

**B. Prepetition Debt Structure**

CPAC was acquired in 2007 by Buckingham CPAC, Inc., and the acquisition was originally financed by LaSalle Bank from a secured first priority facility, and significant mezzanine junior debt from Fifth Street Capital. Within months of closing on the transaction, however, Bank of America ("BoA") acquired LaSalle Bank, and BoA immediately restricted the Debtors' cash usage. With worsening economic conditions in 2008 dampening sales, and restrictions on cash preventing Fuller Brush from purchasing sufficient levels of inventory, the Debtors defaulted under the BoA facility and the companies were placed in BoA's troubled/liquidation group.

Eventually, after reducing operating expenses and dismantling CPAC's non-debtor affiliated domestic and overseas imaging operations, the Debtors were able to secure refinancing of the BoA debt with Victory Park Credit Opportunities, L.P., as lender, and Victory Park Management, LLC, as agent (collectively, "Victory Park") under a \$15,000,000 term loan to the

Debtors evidenced by that certain Senior Secured Term Note, dated as of March 31, 2010 (the “Victory Park Loan,” and the documents in connection therewith, the “VP Loan Documents”). The Victory Park Loan is secured by first priority liens on substantially all of the Debtors’ assets<sup>1</sup> pursuant to a Pledge and Security Agreement, dated as of March 31, 2010.<sup>2</sup>

Unfortunately, economic conditions did not improve and Fuller Brush’s sales continued to weaken. By the fall of 2010, the Debtors incurred significant fees and interest payments resulting from covenant defaults under the VP Loan Documents. By September 2011, the Debtors defaulted on virtually all financial covenants under the VP Loan Documents and stopped making interest payments to Victory Park. The Victory Park Loan is due and payable on March 31, 2012. With the accrual and non-payment of significant portions of interest, the Debtors’ obligations under the Victory Park Loan documents as of the Petition Date have grown to over \$22 million.<sup>3</sup>

## V. THE CHAPTER 11 CASES

### A. Motions and Orders

*First Day Motions.* Immediately upon the commencement of the Debtors’ bankruptcy cases (the “Chapter 11 Cases”), the Debtors filed the following “first day” motions: (i) motion for joint administration; (ii) motion for authorization to pay pre-petition claims of certain

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<sup>1</sup> As discussed below, the Committee disputes that substantially all of the Debtors’ assets secure the Victory Park Loan and believes that assets totaling at least \$500,000 (excluding Causes of Action) are not subject to Victory Park’s liens. Victory Park disagrees with the Committee’s assertions. The settlement embodied in the Plan resolves any disputes regarding this issue.

<sup>2</sup> The Debtors are also borrowers under certain subordinated notes in favor of the Subordinated Creditors. Pursuant to an intercreditor agreement between Victory Park and the Subordinated Creditors, the Subordinated Creditors cannot receive any payment under the subordinated notes until Victory Park is paid in full.

<sup>3</sup> The Committee believes the outstanding amount of the Victory Park Loan must be reduced by \$1.4 million, which is the amount of a “Make Whole Payment” imposed under the loan documents governing the Victory Park Loan. The Committee believes this fee is subject to challenge under applicable law. Victory Park disagrees and asserts that this amount is enforceable. The settlement embodied in the Plan resolves any disputes regarding this issue.

“critical vendors”; (iii) motion to obtain post-petition financing from Victory Park; (iv) motion for authorization to maintain the Debtors’ pre-petition cash management system; (v) motion to pay the pre-petition wages of the Debtors’ employees; (vi) motion to pay pre-petition claims of the Debtors’ independent contractors (consisting mostly of the Debtors’ sales representatives and independent distributors); (vii) motion to pay sales taxes; (viii) motion to continue the Debtors’ pre-petition insurance programs; and (ix) motion to pay the pre-petition claims of the Debtors’ common carriers. Each of the Debtors’ first day motions was granted by the Bankruptcy Court.

*DIP Motion.* As part of their first day motions, the Debtors sought approval of a post-petition debtor-in-possession lending facility for up to \$5 million (the “DIP Loan”) with Victory Park and authorization to use cash collateral. The DIP Loan was critical to the Debtors’ ability to operate in bankruptcy. The terms of the DIP Loan were essentially a continuation of the pre-petition lending arrangement with Victory Park.

*Retention of Professionals.* The Debtors retained Herrick, Feinstein LLP as principal bankruptcy counsel, and Lawrence R Perkins, Jr. of Conway MacKenzie Management Services, LLC as the Debtors’ Chief Restructuring Officer. In addition, the Debtors retained Garden City GCG, Inc. as claims and noticing agent, and Foulston Siefkin LLP as special intellectual property counsel. In contemplation of a sale of substantially all of the assets of Fuller Brush, the Debtors retained FocalPoint Securities LLC (“FocalPoint”) as the Debtors’ investment banker. Following the appointment of the Committee, the Committee retained Kelley Drye & Warren LLP as counsel and CBIZ MHM, LLC as the Committee’s financial advisors. The Bankruptcy Court entered orders authorizing the retention of the foregoing estate professionals. During the pendency of these Chapter 11 Cases, the professionals have been paid 80% of their fees and

100% of their expenses on a monthly basis pursuant to the monthly compensation order entered by the Bankruptcy Court on May 4, 2012.

*Bar Date Order.* On May 10, 2012, the Bankruptcy Court entered an order establishing a bar date of June 12, 2012 for creditors to file proofs of claim against the Debtors, and August 20, 2012 for governmental units to file proofs of claim against the Debtors.

**B. Appointment of Official Committee of Unsecured Creditors**

On March 12, 2012, the United States Trustee (the "U.S. Trustee") appointed an Official Committee of Unsecured Creditors (the "Committee"). On March 23, 2012, the U.S. Trustee appointed two additional members to serve on the Committee.

**C. Sale of Substantially All of the Assets of Fuller Brush**

On August 24, 2012, the Debtors filed a motion seeking approval of bidding procedures in connection with an auction sale of substantially all the assets of Fuller Brush (the "Sale"). On September 17, 2012, the Bankruptcy Court entered an order approving certain bidding procedures governing the auction scheduled for October 16, 2012. The assets to be sold were divided into two asset lots--the assets related to Fuller Brush's Consumer Business and the assets related to Fuller Brush's Non-Consumer Business. Victory Park submitted an \$18 million credit bid, with \$13 million allocated to the Non-Consumer Business assets<sup>4</sup> and \$5 million allocated to the Consumer Business assets, and was named the stalking horse bidder for the auction.

FocalPoint, in consultation with the Debtors and their professionals and the Committee and its professionals, managed the sale process and successfully obtained a new stalking horse

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<sup>4</sup> As detailed below, the Non-Consumer Business was ultimately sold to ILS for approximately \$12 million, or approximately \$1 million less than the value of Victory Park's credit bid for the Non-Consumer Business. The Committee believes that unsecured creditors should not bear the negative economic impact of the lower ILS purchase price. The Committee believes that Victory Park's Deficiency Claim should be reduced by the difference between the ILS sale price and Victory Park's credit bid for the Non-Consumer Business. Victory Park disagrees, and asserts that the value to the estate of the ILS bid was equal to or exceeded Victory Park's credit bid. The settlement embodied in the Plan resolves any disputes regarding this issue.



bid from Innovative Livestock Services, Inc. (together with any of its affiliates and designees, “ILS”) with respect to the Non-Consumer Business assets, which new stalking horse bid was approved by the Committee and Victory Park. Following the auction, ILS was designated the successful bidder on the Non-Consumer Business assets and Victory Park was designated the successful bidder on the Consumer Business assets. The Non-Consumer Business assets were sold to ILS for \$12 million (plus the assumption of certain liabilities) and the Consumer Business assets were sold to VPC Fuller Brush Operating Corp. (“VPC Fuller Brush,” a designee of Victory Park) for \$5 million (plus the assumption of certain liabilities).

Following the hearing to approve the Sale, on October 19, 2012, the Bankruptcy Court entered separate orders approving the sale of the Non-Consumer Business assets to ILS and the sale of the Consumer Business assets to VPC Fuller Brush.

**D. The CPAC Sale Transactions**

CPAC has executed, or shortly will execute, agreements in connection with the sale of certain assets of CPAC. CPAC is the owner of 99.9% of the shares of the common stock of CPAC Asia. Pursuant to a Stock Purchase Agreement with Stanley Henry Gulbin, CPAC will sell its shares in CPAC Asia for the purchase price of \$1 million, 55% of the purchase price payable at closing, 20% on or before six months after the closing, and the remaining 25% on or before one year from the closing. CPAC is also the owner of all the shares of capital stock of CPAC Equipment, a New York corporation that operates a sterilizer and silver recovery equipment manufacturing business, as well as certain real estate in Leicester, New York. Pursuant to a Stock and Asset Purchase Agreement with Integrated Medical Technologies, Inc. (“IMT”), CPAC will sell its shares in CPAC Equipment and the real estate in Leicester for the purchase price of \$650,000, payable at closing.

The Debtors consulted Victory Park and the Committee on the sales of CPAC Asia and CPAC Equipment, and will seek Bankruptcy Court approval of the sale transactions.

**E. The Committee's Investigation and Claims Resulting Therefrom**

Upon its appointment, the Committee investigated the amount of the Victory Park Prepetition Claim and the extent, validity and priority of Victory Park's prepetition Liens against the Debtors' assets securing the Victory Park Loan. As a result of its investigation, the Committee identified various challenges and objections to the Victory Park Prepetition Claim, the Liens securing the Victory Park Loan and the proper allocation of unencumbered value in these Cases. Victory Park vigorously disputes each of the Committee's claims and challenges described below.

First, the Committee believes the Victory Park Prepetition Claim is overstated by at least \$1.4 million. This amount relates to a "Make Whole" fee included in the loan documents governing the Victory Park Loan. The Committee believes this fee is subject to challenge under applicable law and that the Victory Park Prepetition Claim should be reduced by this amount.

Second, the Committee identified several assets that are not encumbered by the Victory Park Loan, including: (i) various motor vehicles, (ii) foreign intellectual property, (iii) cash in certain unencumbered bank accounts on the Petition Date, and (iv) one-third of the value of CPAC's foreign subsidiaries, including CPAC Asia. The Committee believes the value of these unencumbered assets is at least \$500,000.

Third, the Committee believes that the value of these unencumbered assets should be allocated to unsecured creditors. While these assets previously secured the DIP Claim, pursuant to the ILS Proceeds Release Order, Victory Park has received \$8.05 million in proceeds from the ILS Sale. The Committee believes this amount satisfied the first-priority DIP Claim, leaving the

value of the prepetition unencumbered assets the Committee has identified available for distribution to unsecured creditors.

As noted above, Victory Park disagrees with each of the Committee's conclusions and believes the Committee has not provided adequate support for any of the conclusions the Committee asserts above.

The Committee and Victory Park engaged in arms'-length and, at times, adversarial negotiations during the Chapter 11 Cases over the Committee's asserted claims and challenges. After those extensive negotiations, the Committee and Victory Park ultimately were able to reach a global resolution of the Chapter 11 Cases on the terms set forth in the Plan, which include, among other things: (i) the provision of a \$100,000 Settlement Sum for the benefit of non-Victory Park general unsecured creditors, (ii) an agreement by Victory Park to forgo any distribution from the first \$100,000 distributed to Holders of Allowed General Unsecured Claims from the Liquidating Trust, (iii) an agreement by Victory Park to share in any additional distributions to Holders of Allowed General Unsecured Claims on a 60-40 basis, and (iv) an agreement by the Committee's Professionals to limit their right of payment on account of their Allowed Professional Fee Claims to \$450,000 in the aggregate.

Given the costs, uncertainty and delay of litigating any or all of the Committee's claims and challenges, each of the Debtors, Victory Park and the Committee believes that the settlement embodied in the Plan is fair and a reasonable resolution of these Cases.

**F. Disclosure Statement/Plan Confirmation Hearings**

The Debtors have moved the Bankruptcy Court for an order approving this Disclosure Statement as containing "adequate information" to enable a hypothetical, reasonable investor typical of the Holders of Claims in classes eligible to vote on the Plan to make an informed judgment as to whether to accept or reject the Plan. A hearing to consider the adequacy of the

Disclosure Statement is scheduled for February 20, 2013. A hearing to consider confirmation of the Plan is scheduled for [ ], 2013.

## VI.

### SUMMARY OF THE PLAN OF REORGANIZATION

#### A. Introduction

The Debtors believe that confirmation of the Plan provides the best opportunity for maximizing recoveries for the Debtors' creditors. The Plan provides that Victory Park will carve out from its collateral the Administrative Expense Reserve (from which Allowed Administrative Expenses, including Allowed Professional Fees, and Allowed Priority Claims will be paid), and provide the Settlement Sum (which consists of a carve-out of \$100,000 from Victory Park's liens and which will constitute a portion of the Trust Assets to be distributed to Holders of Allowed General Unsecured Claims).<sup>5</sup> Under the Plan, a Liquidating Trust will be established to make distributions to creditors.

Victory Park and the Debtors believe that, absent such funding from Victory Park, there would be no cash or other assets of the Debtors to make distributions to creditors other than to Victory Park. The Debtors believe they will demonstrate to the Bankruptcy Court, that the Debtors' creditors will receive substantially less in a hypothetical liquidation under chapter 7 of the Bankruptcy Code than they would under the Plan. The following is a summary of the Plan. The Plan is attached as Exhibit A to this Disclosure Statement. The terms of the Plan govern in the event of any discrepancies with the following discussion.

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<sup>5</sup> Although the Committee disputes that the Settlement Sum represents a carve out from Victory Park's liens, it believes that the Settlement Sum and First Funds Distribution provide the best outcome for general unsecured creditors under the circumstances of these Cases.

**B. Classification and Treatment of Administrative Expense Claims, Claims and Equity Interests Under the Plan**

Only administrative expenses, claims and equity interests that are “allowed” may receive distributions under a chapter 11 plan. An “allowed” administrative expense, claim or equity interest simply means that a debtor agrees, or in the event of a dispute, that the court determines, that the administrative expense, claim or equity interest, including the amount, is in fact a valid obligation of, or interest in, a debtor. Section 502(a) of the Bankruptcy Code provides that a timely-filed administrative expense, claim or equity interest is automatically “allowed” unless a debtor or another party in interest objects.

The Bankruptcy Code also requires that, for purposes of treatment and voting, a chapter 11 plan divide the different claims against, and equity interests in a debtor, into separate classes based upon the legal rights and obligations attached to the claim or interest. Substantially similar claims are usually but not necessarily, classified together, as are equity interests of a substantially similar legal nature. Because an entity may hold multiple claims and/or equity interests which give rise to different legal rights, the holders of such claims and/or equity interests may find themselves members of multiple classes of claims and/or equity interests. As a result, under the Plan, for example, a creditor that holds a Claim based on an unsecured Claim as well as equity in the Debtors would have its Claim classified in Class 3 and its Equity Interest classified in Class 5. To the extent of this holder’s Claim, the holder would be entitled to the voting and treatment rights that the Plan provides with respect to Class 3 and, to the extent of the holder’s Equity Interest, the voting and treatment rights that the Plan provides with respect to Class 5.

Under a chapter 11 plan, the separate classes of claims and equity interests must be designated either as “impaired” (altered by the plan in any way) or “unimpaired” (unaltered by the plan). If a class of claims is “impaired,” the Bankruptcy Code affords certain rights to the

holders of such claims, such as the right to vote on the plan (unless the plan provides for no distribution to the holder, in which case, the holder is deemed to reject the plan), and the right to receive an amount under the chapter 11 plan that is not less than the value that the holder would receive if the debtor were liquidated under chapter 7.

Under section 1124 of the Bankruptcy Code, a class of claims or interests is “impaired” unless, with respect to each claim or interest of such class, the plan (i) does not alter the legal, equitable and contractual rights of the holders of such claims or interests or; (ii) irrespective of the holder’s right to receive accelerated payment of such claims or interests after the occurrence of a default, cures all defaults (other than those arising from, among other things, the debtor’s insolvency or the commencement of a bankruptcy case), reinstates the maturity of the claims or interests in the class, compensates the holders of such claims or interests for any damages incurred as a result of their reasonable reliance upon any acceleration rights and does not otherwise alter their legal, equitable or contractual rights. Typically, this means that the holder of an unimpaired claim will receive on the later of the effective date of the plan of reorganization or the date on which amounts owing are due and payable, payment in full, in cash, with post-petition interest to the extent permitted and provided under the governing agreement between the parties (or, if there is no agreement, under applicable non-bankruptcy law), and the remainder of the debtor’s obligations, if any, will be performed as they come due in accordance with their terms. Thus, other than its right to accelerate the debtor’s obligations, the holder of an unimpaired claim will be placed in the position it would have been in had the debtor’s case not been commenced.

Consistent with these requirements, the Plan divides the Claims against, and Equity Interests in, the Debtors into the following Classes:

Unclassified	Administrative Expense Claims	Paid in full
Unclassified	Priority Tax Claims	Paid in full
Class 1	Priority Non-Tax Claims	Unimpaired
Class 2	Victory Park Secured Claim	Impaired
Class 3	General Unsecured Claims	Impaired
Class 4	Subordinated Claims	Deemed to Reject
Class 5	Intercompany Claims	Deemed to Reject
Class 6	Equity Interests	Deemed to Reject

For purposes of computing Distributions under the Plan, Allowed Claims do not include post-petition interest unless otherwise specified in the Plan.

**1. Unclassified—Administrative Expense Claims**

Administrative Expense Claims are Claims constituting costs or expenses of administration of the Chapter 11 Cases. Such Claims include any actual and necessary costs and expenses of preserving the Debtors’ estates, any indebtedness or obligations incurred or assumed by the Debtors in connection with the conduct of their business, all compensation and reimbursement of expenses to the extent Allowed by the Bankruptcy Court under the Bankruptcy Code and any fees or charges assessed against the Debtors’ estate owed to the office of the U.S. Trustee.

Pursuant to the Plan, to the extent not previously paid, all Administrative Expense Requests for Administrative Claims (other than with respect to Professional Fee Claims) accruing through the Effective Date and not otherwise paid in the ordinary course of business shall be filed with the Bankruptcy Court by no later than [\_\_\_\_\_] (the “Administrative Expense Bar Date”), and objections (if any) to such Administrative Expense Requests will be filed no

later than forty-two (42) days after the Administrative Expense Bar Date. Notwithstanding anything to the contrary in the Plan, only Victory Park and the Liquidating Trustee (at the direction and with the consent of Victory Park) shall have the right and standing to administer, object to, settle, compromise, and/or resolve Administrative Expense Requests. Any Holder of an Administrative Expense Claim (other than Professional Fee Claims) who fails to file a timely Administrative Expense Request that is required to be filed on or before the Administrative Expense Bar Date: (a) shall be forever barred, estopped and enjoined from asserting such Administrative Expense Claim against the Debtors, the Debtors' estates, ILS, VPC Fuller Brush, the Victory Park Releasees, the Liquidating Trust, or the Trust Assets (or filing a request for the allowance thereof), and the Debtors, the Debtors' estates, ILS, VPC Fuller Brush, the Victory Park Releasees, the Liquidating Trust, and the Trust Assets shall be forever discharged from any and all indebtedness or liability with respect to such Administrative Expense Claim; and (b) such Holder shall not be permitted to participate in any distribution under the Plan on account of such Administrative Expense Claim.

To the extent not previously paid, on the later to occur of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date on which a Administrative Expense Claim shall become Allowed, the Liquidating Trustee (at the direction and with the consent of Victory Park), in full and final satisfaction of such Administrative Expense Claim, will (i) pay to each Holder of an Allowed Administrative Expense Claim, in cash, the full amount of such Allowed Administrative Expense Claim from the Administrative Expense Reserve, or (ii) satisfy and discharge such Allowed Administrative Expense Claim on such other terms and conditions as may be agreed between the Holder of such Allowed Administrative Expense Claim, on the one hand, and Victory Park and/or the Liquidating Trustee (at the direction and with the consent



of Victory Park), on the other hand. Notwithstanding anything to the contrary in the Plan, only Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park) shall have the right and standing to administer, object to, settle, compromise, and/or resolve Administrative Expense Claims.

## **2. Unclassified—Priority Tax Claims**

Priority Tax Claims are Claims for taxes against the Debtors entitled to priority in payment pursuant to sections 502(i) or 507(a)(8) of the Bankruptcy Code. Except as provided otherwise in the Plan, to the extent not previously paid, on the later to occur of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date on which a Priority Tax Claim shall become Allowed, the Liquidating Trustee (at the direction and with the prior consent of Victory Park), in full and final satisfaction of such Priority Tax Claim, will (i) pay to each Holder of an Allowed Priority Tax Claim, in cash, the full amount of such Allowed Priority Tax Claim from the Administrative Expense Reserve, or (ii) satisfy and discharge such Allowed Priority Tax Claim on such other terms and conditions as may be agreed between the Holder of such Priority Tax Claim, on the one hand, and Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park), on the other hand. Notwithstanding anything to the contrary in the Plan, only Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park) shall have the right and standing to administer, object to, settle, compromise, and/or resolve Priority Tax Claims.

## **3. Unclassified-- Professional Fee Claims**

Professionals are Persons employed pursuant to an order of the Bankruptcy Court in accordance with sections 327, 328, or 1103 of the Bankruptcy Code or otherwise and to be compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329, 330, 331, 503 or 1103 of the Bankruptcy Code.

Pursuant to the Plan, all Professional Fee Applications for Professional Fees through the Effective Date, for Allowance on a final basis, shall be filed on or before the date that is thirty (30) days after the Effective Date.

To the extent not previously paid, Allowed Professional Fees will be paid from the Administrative Expense Reserve in accordance with an order of the Bankruptcy Court allowing such Professional Fees. Notwithstanding the foregoing, pursuant to the terms of the settlement among the Debtors, Victory Park and the Committee embodied in the Plan, any Professional Fees payable to the Professionals retained by the Committee shall not exceed an aggregate amount of \$450,000. The Debtors and Victory Park believe the Committee's Professionals' agreement to limit payment of their Allowed Professional Fees to \$450,000 in the aggregate fairly resolves any objections such parties may have to the final approval and allowance of the Committee's Professionals' fees. Victory Park and the Debtors also agree and acknowledge that the Committee's Professionals' agreement to limit their fees is a material component of the settlement embodied in the Plan and the settlement, as a whole, aids in the confirmation of the Plan. The United States Trustee has reserved her right to review and object to the fees of the Committee's counsel until the final fee period.

#### **4. Class 1—Priority Non-Tax Claims**

Other Priority Claims consist of Claims against the Debtors entitled to priority in payment under section 507(a) of the Bankruptcy Code, other than an Administrative Expense Claim, Professional Fees or Priority Tax Claim.

Under the Plan, to the extent not previously paid, on the later to occur of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date on which a Priority Non-Tax Claim shall become Allowed, the Liquidating Trustee (at the direction and with the prior consent of Victory Park), in full and final satisfaction of such Priority Non-Tax Claim, will (i)

pay to each Holder of an Allowed Priority Non-Tax Claim, in cash, the full amount of such Allowed Priority Non-Tax Claim from the Administrative Expense Reserve, or (ii) satisfy and discharge such Allowed Priority Non-Tax Claim on such other terms and conditions as may be agreed between the Holder of such Priority Non-Tax Claim, on the one hand, and Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park), on the other hand. Notwithstanding anything to the contrary in the Plan, only Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park) shall have the right and standing to administer, object to, settle, compromise, and/or resolve Priority Non-Tax Claims.

**5. Class 2—Victory Park Secured Claim**

The Victory Park Secured Claim is the Victory Park Prepetition Secured Claim plus Victory Park's DIP Claim.

Under the Plan, the Victory Park Secured Claim is deemed Allowed in full under the Plan. The Holder of the Victory Park Secured Claim shall receive, in full and final satisfaction of such Victory Park Secured Claim: (i) the proceeds of the ILS Sale, free and clear of all Liens, Claims, encumbrances, and interests, of which \$8,050,000 was received by Victory Park on or about December 6, 2012, pursuant to the ILS Proceeds Release Order; (ii) the VPC Purchased Assets, free and clear of all Liens, Claims, encumbrances and interests, which Victory Park received on the VPC Closing Date; (iii) either (a) the proceeds of the sale(s) of the Non-Fuller Assets, if the purchaser(s) of such assets is a party other than Victory Park or a designee of Victory Park, upon the closing of such sale(s), or (b) the Non-Fuller Assets, if Victory Park or a designee of Victory Park is the purchaser of such Non-Fuller Assets, upon the closing of such sale(s), in each case, free and clear of all Liens, Claims, encumbrances, and interests; and (iv) any amounts remaining in the Administrative Expense Reserve following the payment,

satisfaction, or resolution of all Allowed Administrative Expenses, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims.

**6. Class 3—General Unsecured Claims**

On the later to occur of (a) the Effective Date (or as soon as reasonably practicable thereafter) and (b) the date on which a General Unsecured Claim shall become Allowed, the Liquidating Trustee, in full and final satisfaction of such General Unsecured Claims, will pay to each Holder of an Allowed General Unsecured Claim, in cash, the Pro Rata amount of such Allowed General Unsecured Claim from the Settlement Sum, the Causes of Action and the proceeds thereof in accordance with the Liquidating Trust Agreement, unless such Holder consents to other treatment; provided, however, that the first \$100,000 of any Trust Assets (other than the Administrative Expense Reserve and/or the Non-Fuller Assets) (the “First Dollars Distribution”) distributed to Holders of Allowed General Unsecured Claims pursuant to the Liquidating Trust Agreement will be distributed Pro Rata among such Holders as if the Victory Park Deficiency Claim was Allowed for \$0; provided, further, that the Victory Park Deficiency Claim shall share in all distributions to Holders of Allowed General Unsecured Claims, other than the First Dollars Distribution, such that its participation shall be shared with the other Holders of Allowed General Unsecured Claim on a 60-40 basis, with 60% distributed to Victory Park on account of the Victory Park Deficiency Claim and 40% distributed to non-Victory Park Holders of Allowed General Unsecured Claims.

**7. Class 4—Subordinated Claims**

Subordinated Claims are (a) the claims arising under the Debtors’ pre-petition subordinated notes in favor of the Debtors’ equity holders, Buckingham Capital Partners II, L.P. and Buckingham CPAC Bridge LLC, (b) any claims arising under that certain engagement letter between CPAC and Burnham Securities Inc., dated as of February 24, 2011, regarding the

marketing and/or sale of certain CPAC assets, or (c) other claims asserted against the Debtors on behalf of an Insider of the Debtors.

Under the Plan, on the Effective Date, the Subordinated Claims shall be disallowed and expunged in their entirety and with prejudice. Subordinated Claims shall not receive or retain anything under the Plan.

**8. Class 5—Intercompany Claims**

Intercompany Claims are (a) any account reflecting intercompany book entries by one Debtor with respect to the other Debtor, (b) any Claim that is not reflected in such book entries and is held by one Debtor against the other Debtor, or (c) any Claim held by an affiliate of a Debtor against a Debtor.

Under the Plan, on the Effective Date, Intercompany Claims shall be disallowed and expunged in their entirety and with prejudice. Intercompany Claims shall not receive or retain anything under the Plan.

**9. Class 6—Equity Interests**

Equity Interests consist of the legal, equitable, contractual or other rights of any Entity with respect to any capital stock, membership interest or other ownership interest in any of the Debtors, whether or not transferable, and any option, warrant or right to purchase, sell, subscribe for, or otherwise acquire or receive an ownership interest or other equity security in any of the Debtors.

Under the Plan, on the Effective Date, the Equity Interests shall be cancelled and extinguished and Holders of Equity Interests shall not receive or retain anything under the Plan.

**C. Provisions for Implementation of the Plan**

**1. Sales of Substantially All of the Debtors' Assets.** On the ILS Closing Date, Fuller Brush, on the one hand, and ILS on the other hand, consummated the ILS Sale in

accordance with the ILS Sale Order. Pursuant to the ILS APA, Fuller Brush transferred the ILS Purchased Assets to ILS for the aggregate cash consideration of \$12,000,000, plus the assumption by ILS of the ILS Assumed Liabilities. Upon consummation of the ILS Sale, the ILS Assumed Liabilities became obligations of ILS and, from and after the ILS Closing Date, are no longer obligations of the Debtors or their Estates, and any Holder of any Claim with respect thereto shall have no recourse on account of such Claim against the Debtors, the Estates, VPC Fuller Brush, the Victory Park Releasees or any other party, except ILS. On the VPC Closing Date, Fuller Brush, on the one hand, and VPC Fuller Brush on the other hand, consummated the VPC Sale in accordance with the VPC Sale Order. Pursuant to the VPC APA, Fuller Brush transferred the VPC Purchased Assets to VPC Fuller Brush pursuant to a credit bid comprised of a portion of the Victory Park Secured Claim equal to \$5,000,000, plus the assumption by VPC Fuller Brush of the VPC Assumed Liabilities. Upon consummation of the VPC Sale, the VPC Assumed Liabilities became obligations of VPC Fuller Brush and, from and after the Closing Date, are no longer obligations of the Debtors or their Estates, and any Holder of any Claim with respect thereto shall have no recourse on account of such Claim against the Debtors or the Estates. The Non-Fuller Assets shall be sold, via one or more transactions, to (i) Victory Park or a designee of Victory Park, pursuant to a credit bid comprised of a portion of the Victory Park Secured Claim, or (ii) a purchaser other than Victory Park or a designee of Victory Park for a cash amount acceptable to Victory Park, in which case the full amount of the sale proceeds shall be paid directly to Victory Park upon the closing of such sale without further order of the Bankruptcy Court.

**2. Substantive Consolidation.** Except as expressly provided in the Plan, each Debtor shall continue to maintain its separate corporate existence for all purposes other than

the treatment of Claims under the Plan. Except as expressly provided in the Plan, on the Effective Date: (i) all assets (and all proceeds thereof) and liabilities of the Debtors shall be deemed merged or treated as though they were merged into and with the assets and liabilities of each other, (ii) no distributions shall be made under the Plan on account of Intercompany Claims among the Debtors and all such Claims shall be eliminated and extinguished, (iii) all guaranties of the Debtors of the obligations of any other Debtor shall be deemed eliminated and extinguished so that any Claim against any Debtor and any guarantee thereof executed by any Debtor and any joint or several liability of any of the Debtors shall be deemed to be one obligation of the consolidated Debtors, (iv) each and every Claim filed or to be filed in any of the Chapter 11 Cases shall be deemed filed against the consolidated Debtors, and shall be deemed one Claim against and obligation of the consolidated Debtors, and (v) for purposes of determining the availability of the right of set off under section 553 of the Bankruptcy Code, the Debtors shall be treated as one entity so that, subject to the other provisions of section 553 of the Bankruptcy Code, debts due to any of the Debtors may be set off against the debts of any of the other Debtors. Such substantive consolidation shall not (other than for purposes relating to the Plan) affect the legal and corporate structures of the reorganized Debtors. Notwithstanding anything in this section to the contrary, all post-Effective Date fees payable to the United States Trustee pursuant to 28 U.S.C. § 1930, if any, shall be calculated on a separate legal entity basis for each Debtor.

**3. Establishment of Liquidating Trust.** The Debtors, in consultation with the Committee and with the consent of Victory Park, shall appoint an entity to be the Liquidating Trustee. The Debtors shall designate the Liquidating Trustee in a Plan Supplement filed no later than fourteen (14) days before the Confirmation Hearing. On the Effective Date, the Debtors

and the Liquidating Trustee shall execute the Liquidating Trust Agreement and take all other steps necessary to establish, in accordance with the Plan the Liquidating Trust for the benefit of the Liquidating Trust Beneficiaries. On the Effective Date, the Liquidating Trust shall be irrevocably funded with the Trust Assets for the benefit of the Liquidating Trust Beneficiaries pursuant to the Plan and the Liquidation Trust Agreement. The Liquidating Trust shall be funded with assets (collectively, the “Trust Assets”) consisting of (i) the Causes of Action, (ii) the Settlement Sum; (iii) the Administrative Expense Reserve; and (iv) to the extent not sold or otherwise transferred prior to the Effective Date, the Non-Fuller Assets; provided, however, for the avoidance of doubt, the Trust Assets shall not include any cause of action released by the Plan, the DIP Order, the Confirmation Order, or any other order entered by the Bankruptcy Court. The Liquidating Trustee shall have the rights and powers set forth in the Liquidating Trust Agreement, without supervision, application to, or approval of the Bankruptcy Court, which rights and powers include, but are not limited to, the following, in each case, subject to and consistent with this Plan and the implementation hereof:

- (a) To exercise all power and authority that may be or could have been exercised, commence all proceedings that may be or could have been commenced and take all actions that may be or could have been taken by any officer, director or shareholder of the Debtors with like effect as if authorized, exercised and taken by unanimous action of such officers, directors and shareholders;
- (b) To establish and maintain accounts, invest cash, make distributions and take other actions consistent with the Plan and the implementation hereof, including the establishment, re-evaluation, adjustment and maintenance of appropriate reserves, in the name of the Liquidating Trust or the Liquidating Trustee;
- (c) Subject to the applicable provisions of the Plan, to liquidate the Trust Assets;
- (d) To object to any General Unsecured Claims or Subordinated Claims and to compromise or settle any such Claims prior to and after objection, without further Bankruptcy Court approval and



subject only to those restrictions expressly imposed by the Plan or the Confirmation Order;

- (e) To seek estimation of any Claim;
- (f) To make decisions regarding the retention or engagement of professionals, employees and consultants by the Liquidating Trustee and to pay the reasonable fees and charges incurred by the Liquidating Trustee on or after the Effective Date for reasonable fees of professionals, disbursements, expenses or related support services relating to the winding down of the Debtors and implementation of the Plan, all without Bankruptcy Court approval;
- (g) To pay liquidation expenses, including, without limitation, the costs of holding, maintaining, preserving and liquidating any Trust Assets, rent, wages and professionals' fees;
- (h) To seek a determination of tax liability under sections 346, 505 and 1146 of the Bankruptcy Code and to prepare, sign and file tax returns and pay taxes, if any;
- (i) To make distributions to Liquidating Trust Beneficiaries, as provided for or contemplated by the Plan;
- (j) To enter into any agreement or execute any document required by or consistent with the Plan;
- (k) To abandon in any commercially reasonable manner, including abandonment or donation to a charitable organization of the Liquidating Trustee's choice, any Trust Assets if such assets are burdensome or of inconsequential value;
- (l) To purchase or create and carry all insurance policies and pay all insurance premiums and costs it deems necessary or advisable;
- (m) To pursue and/or settle the Causes of Action and objections to General Unsecured Claims and Subordinated Claims without further Bankruptcy Court approval;
- (n) To implement and/or enforce all provisions of the Plan;
- (o) To seek entry of one or more Final Decrees closing the Chapter 11 Cases;
- (p) To take all other actions not inconsistent with the provisions of the Plan that the Liquidating Trustee deems reasonably necessary or desirable with respect to administering the Trust Assets; and

- (q) To maintain records of the Chapter 11 Cases and the Liquidating Trust, including the right to enforce any provision regarding access to records in any Final Order of the Bankruptcy Court.

Notwithstanding anything to the contrary in the Plan, neither the Liquidating Trust nor the Liquidating Trustee shall have any right or standing to administer, object to, settle, compromise or resolve any Administrative Expense, Priority Tax Claim, Priority Non-Tax Claim or Secured Claim, without the prior written consent of Victory Park.

Notwithstanding any prohibition of assignability under applicable non-bankruptcy law, on the Effective Date and periodically thereafter if additional Trust Assets become available, the Debtors shall be deemed to have automatically transferred to the Liquidating Trust all of their right, title and interest in and to the Trust Assets, and in accordance with section 1141 of the Bankruptcy Code, all such assets shall automatically irrevocably vest in the Liquidating Trust free and clear of all Claims and Liens, subject only to the rights of the Liquidating Trust Beneficiaries, as set forth in Article IV of the Plan, and the reasonable fees and expenses of administering the Liquidating Trust, including, without limitation, the reasonable fees and expenses of the Liquidating Trustee, as provided in the Liquidating Trust Agreement. Thereupon, neither the Debtors nor any entity other than the Liquidating Trust Beneficiaries shall have any interest in or with respect to such Trust Assets or any additional assets thereafter transferred or the Liquidating Trust.

Notwithstanding anything to the contrary in the Plan, (i) the Administrative Expense Reserve shall be deposited and held in a segregated account, and (ii) the proceeds of the Administrative Expense Reserve shall be used solely for the payment of Allowed Administrative Expenses, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims, in each case as directed by Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park).

Notwithstanding anything to the contrary in the Plan, if the Liquidating Trustee and Victory Park disagree about any issue or action requiring Victory Park's consent, the Liquidating Trustee shall have the right and authority to submit such dispute to the Bankruptcy Court for final determination.

The Liquidating Trust shall be established for the primary purpose of liquidating its assets, in accordance with Treasury Regulations § 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Accordingly, the Liquidating Trustee shall in an expeditious, but orderly manner, liquidate and convert to cash the Trust Assets, including, without limitation, the Causes of Action, make timely distributions of the proceeds therefrom to the Liquidating Trust Beneficiaries and not unduly prolong their duration. The Liquidating Trust shall not be deemed a successor-in-interest of the Debtors for any purpose other than as specifically set forth herein or in the Liquidating Trust Agreement.

The Liquidating Trust is intended to qualify as a "grantor trust" for federal income tax purposes with the Liquidating Trust Beneficiaries treated as grantors and owners of the Liquidating Trust. For all federal income tax purposes, all parties (including, without limitation, the Debtors, the Liquidating Trustee, and the Liquidating Trust Beneficiaries) shall treat the transfer of the Trust Assets by the Debtors to the Liquidating Trust, as set forth in the Liquidating Trust Agreement, as a transfer of such assets by the Debtors to the Liquidating Trust Beneficiaries entitled to distributions from the Trust Assets, followed by a transfer by such beneficiaries to the Liquidating Trust. Thus, the Liquidating Trust Beneficiaries shall be treated as the grantors and owners of a grantor trust for federal income tax purposes. Consequently, the Liquidating Trust Beneficiaries may be required to identify themselves to the Liquidating

Trustee in order to receive distributions and allocable tax information from the Liquidating Trustee.

As soon as practicable after the Effective Date, the Liquidating Trustee shall value the Trust Assets in the Liquidating Trust for which he or she serves as Liquidating Trustee, based on the good faith determination of such Liquidating Trustee, and shall apprise the Liquidating Trust Beneficiaries of such valuations. The valuations shall be used consistently by all parties (including the Debtors, the Liquidating Trustee, and the Liquidating Trust Beneficiaries) for all federal income tax purposes. The Bankruptcy Court shall resolve any dispute regarding the valuation of the Trust Assets.

Subject to the provisions of Article IV of the Plan, the Liquidating Trustee shall distribute to the Liquidating Trust Beneficiaries all net cash income plus all net cash proceeds from the liquidation of the respective Trust Assets (including as cash for this purpose, all cash equivalents) at such time intervals as decided by the Liquidating Trustee.

The duties, responsibilities and powers of the Liquidating Trustee shall terminate in accordance with the terms of the Liquidating Trust Agreement. The Liquidating Trustee is permitted to settle any Cause of Action without further approval of the Bankruptcy Court where the amount in controversy in the Cause of Action is less than \$100,000. Any settlement of a Cause of Action involving a claim in excess of \$50,000 shall require the prior written consent of Victory Park.

**4. Dismissal of Officers and Directors and Dissolution of the Boards.**

Upon the Effective Date, (i) the existing board of directors of each of the Debtors and any remaining officer of the Debtors shall be dismissed, each in accordance with the law of the applicable jurisdiction of incorporation, and (ii) each of the Debtors shall be deemed dissolved

without any further action required on the part of the Debtors or their shareholders, officers, or directors, each in accordance with the law of the applicable jurisdiction of incorporation.

**D. Executory Contracts and Unexpired Leases**

Any executory contracts or unexpired leases that have not expired by their own terms on or prior to the Effective Date, (i) which the Debtors have not assumed and assigned or rejected with the approval of the Bankruptcy Court (whether as part of the ILS Sale or VPC Sale or otherwise), or (ii) that are not the subject of a motion to assume the same pending as of the Effective Date, will be deemed rejected by the Debtors on the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court will constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code, except to the extent that the Debtors identify any executory contracts or unexpired leases on a list filed with the Bankruptcy Court on or before 10 days before the Confirmation Hearing which the Debtors do not intend to reject.

If the rejection of an executory contract or unexpired lease results in damages to the other party or parties to such contract or lease, any Claim for such damages, if not heretofore evidenced by a Proof of Claim that has been timely Filed, shall be forever barred and shall not be enforceable against the Debtors, the Liquidating Trust, or their properties, successors or assigns, unless a Proof of Claim therefore is timely Filed with the Bankruptcy Court and served upon (i) the Liquidating Trustee, and (ii) any counsel for the Liquidating Trustee, on or before (x) thirty (30) days after the later to occur of (i) notice of the Effective Date and (ii) the date of entry of an order by the Bankruptcy Court authorizing rejection of a particular executory contract or unexpired lease, or (y) such other date as may be ordered by the Bankruptcy Court.

**E. Distributions Under the Plan**

**1. Administrative Expense Reserve.** From and after the Effective Date, the Liquidating Trustee will establish and maintain a segregated reserve account solely for the payment of Allowed Administrative Expenses, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims, in each case as directed by Victory Park (the “Administrative Expense Reserve”). On the Effective Date, the amount deposited into the Administrative Expense Reserve shall be [\$\_\_\_\_\_]. Following the payment, satisfaction or resolution of all Allowed Administrative Expenses, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims, any amounts remaining in the Administrative Expense Reserve shall be promptly transferred to Victory Park.

**2. Time and Method of Distributions.** On the Effective Date, or as soon as reasonably practicable thereafter, Holders of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims shall be paid in full in cash in accordance with the Plan. The Liquidating Trustee, on behalf of the Liquidating Trust, or such other Entity as may be designated in accordance with the Liquidating Trust Agreement, shall make the distributions to the Liquidating Trust Beneficiaries required under the Plan in accordance with the Liquidating Trust Agreement and the priorities set forth therein and in the Plan. Except with respect to Allowed Administrative Expenses, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims, the Liquidating Trustee shall have the authority to make distributions as provided for under the Plan and administer and liquidate any of its Trust Assets remaining as of the Effective Date.

**3. Disputed Claims Reserve.** From and after the Effective Date, and until such time as all Disputed General Unsecured Claims have been compromised, settled or determined by Final Order, the Liquidating Trustee, in accordance with the Liquidating Trust

Agreement, shall establish and maintain from funds in the Trust Assets a reserve account (the “Unsecured Claims Reserve”) necessary to ensure that each Holder of a Disputed General Unsecured Claim shall receive payment of its Pro Rata amount in accordance with the provisions of the Plan in the event such Claim is Allowed in the maximum amount claimed. Following the payment, satisfaction or resolution of all Disputed General Unsecured Claims, any amounts remaining in the Unsecured Claims Reserve shall be transferred to the Liquidating Trust and considered a Trust Asset.

**4. Manner of Distribution Under Plan and Liquidating Trust.** Any distribution in cash to be issued under the Plan or the Liquidating Trust Agreement shall be made by check drawn on a domestic bank unless the Holder of the applicable Claim or Equity Interest shall have provided the Liquidating Trustee with wire transfer instructions at least three (3) business days in advance of the distribution date, in which case the distribution to such Holder shall be by wire transfer from a domestic bank per the said wire transfer instructions. Any fees, costs or other expenses associated with the distribution by wire transfer to any Holder shall be deducted from and paid out of such Holder’s distribution. If the distribution to be made to such Holder is insufficient to pay any fee, cost or other expense of making a wire transfer, the Liquidating Trustee shall be authorized to make the distribution by check.

**5. Delivery of Distributions.** Subject to the provisions of Bankruptcy Rule 2002(g), and except as otherwise provided herein, distributions and deliveries to Holders of record of Allowed Claims shall be made at the address of each such Holder set forth on the Debtors’ books and records unless superseded by the address set forth on Proofs of Claim filed by any such Holders. The Liquidating Trustee shall be permitted, in its discretion, to withhold distributions from any beneficiary of the Liquidating Trust until it shall have received a tax

identification number and such other tax withholding forms as it may reasonably require to comply with applicable federal, state, or local laws.

**6. Undeliverable Distributions.** If any distribution to the Holder of an Allowed Claim under the Plan or Liquidating Trust Agreement is returned as undeliverable, no further distributions shall be made to such Holder unless and until the issuer of the distribution is notified in writing of such Holder's then-current address. Any Holder ultimately receiving a distribution that was returned as undeliverable shall not be entitled to any interest or other accruals of any kind on such distribution. Nothing contained in the Plan or the Liquidating Trust Agreement shall require the issuer of any distribution to attempt to locate any Holder of an Allowed Claim. Any Holder of an Allowed Claim or Equity Interest that does not assert its rights pursuant to the Plan or Liquidating Trust Agreement to receive a distribution within ninety (90) days from and after the date such distribution is returned as undeliverable shall have such Claim or Equity Interest for such undeliverable distribution discharged and, except for distributions to be made after the Holders provide the Liquidating Trustee their proper address, shall be forever barred from asserting any such Claim against or Equity Interests in the Debtors, the Liquidating Trust, the Liquidating Trustee, their respective professionals, the Claims Reserves or the Trust Assets. In such case, any consideration held for distribution on account of such Claim or Equity Interest shall belong to the Liquidating Trust for distribution by it to the Liquidating Trust Beneficiaries. After final distributions have been made in accordance with the terms of the Plan or Liquidating Trust Agreement, if the amount of undeliverable cash remaining is less than \$10,000, the Liquidating Trustee, in his or her sole discretion, may donate such amount to a charity.



**7. Time Bar to Payments.** Checks issued on account of Allowed Claims or Equity Interests shall be null and void if not negotiated within ninety (90) days from and after the date of issuance thereof. Requests for reissuance of any check shall be made directly to the issuer of the check by the Holder of the Allowed Claim or Equity Interests with respect to which such check originally was issued. Any request by a Holder of a Claim or Equity Interest in respect of such a voided check shall be made within 180 days from and after the date of issuance of such voided check. After such date, all Claims or Equity Interests in respect of voided checks shall be discharged and forever barred, and the Liquidating Trust shall be entitled to retain all monies related thereto for distribution to the Liquidating Trust Beneficiaries in accordance with the terms of the Plan and the Liquidating Trust Agreement.

**8. Distributions After Effective Date.** Distributions made after the Effective Date to Holders of Claims that are not Allowed as of the Effective Date, but which later become Allowed, shall be deemed to have been made on the Effective Date.

**9. Fractional Dollars; De Minimis Distributions.** Notwithstanding anything contained herein to the contrary, payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan or Liquidating Trust would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down. No payment shall be made on account of any distribution less than twenty-five dollars (\$25) with respect to any Allowed Claim unless a request therefor is made in writing to the issuer of such payment on or before ninety (90) days after the Effective Date.

**10. Setoffs/Recoupment.** Except as stated in the last sentence of this subparagraph, notwithstanding anything contained herein to the contrary, the Liquidating Trustee

may, pursuant to sections 502(d) or 553 of the Bankruptcy Code or applicable nonbankruptcy law, setoff or exercise recoupment against any Allowed Claim or Allowed Administrative Expense and the distributions to be made pursuant to the Liquidating Trust Agreement on account thereof (before any distribution is made on account of such Claim or Administrative Expense), on account of the claims, rights and Causes of Action of any nature related to the Claim or Administrative Expense that it may hold against the Holder of such Allowed Claim or Allowed Administrative Expense; provided, however, that neither the failure to effect such a setoff or recoupment nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claims, rights and Causes of Action that the Liquidating Trust may possess against such Holder.

**11. Preservation of Subordination Rights.** Except as otherwise provided herein, all subordination rights and claims relating to the subordination by the Debtors or their successors of any Allowed Claim or Equity Interest shall remain valid, enforceable and unimpaired in accordance with section 510 of the Bankruptcy Code or otherwise.

**12. Waiver by Creditors of All Subordination Rights.** Subject to the terms of Article IX of the Plan, except as otherwise ordered by the Bankruptcy Court, each Holder shall be deemed to have waived all contractual, legal and equitable subordination rights that they may have, whether arising under general principles of equitable subordination, section 510(c) of the Bankruptcy Code or otherwise, with respect to any and all distributions to be made under the Plan, and all such contractual, legal or equitable subordination rights that each Holder has individually and collectively with respect to any such distribution made pursuant to the Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination

rights will be permanently enjoined unless such rights have been asserted prior to the Effective Date.

**F. Procedures for Resolution of Disputed, Contingent and Unliquidated Claims**

**1. Prosecution of Objections to Disputed Claims.** Upon the Effective Date, the Liquidating Trustee shall (i) solely be responsible for pursuing any objection to the allowance of all Disputed Claims (excluding Administrative Expenses, Priority Tax Claims, and Priority Non-Tax Claims for which Victory Park's prior written consent shall be required) and (ii) receive all rights of setoff and recoupment and other defenses that any of the Debtors or their Estates may have with respect to any such Disputed Claim. Upon the Effective Date, the Liquidating Trustee shall solely have the authority to file, settle, compromise or withdraw any objections to any Disputed Claims (excluding Administrative Expenses, Priority Tax Claims, and Priority Non-Tax Claims for which Victory Park's prior written consent shall be required), within any parameters as may be established by the Liquidating Trust Agreement, without approval of the Bankruptcy Court. Unless otherwise provided herein or ordered by the Bankruptcy Court, all objections to Disputed Claims shall be served and filed not later than one-hundred-eighty (180) days after the Effective Date; provided, however, that this deadline may be extended upon motion by the Liquidating Trustee, without notice to Holders of Disputed Claims. Notwithstanding anything to the contrary in the Plan, only Victory Park and/or the Liquidating Trustee (at the direction and with the consent of Victory Park) shall have the right and standing to administer, object to, settle, compromise and/or resolve any Disputed Administrative Expenses, Disputed Priority Tax Claims and/or Disputed Priority Non-Tax Claims.

**2. Estimation of Claims.** Upon and following the Effective Date, the Liquidating Trustee may at any time request that the Bankruptcy Court estimate any contingent or unliquidated Claim (except for Administrative Expenses, Priority Tax Claims, and Priority

Non-Tax Claims for which Victory Park's prior written consent shall be required) pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the Liquidating Trustee previously have objected to such Claim or whether the Bankruptcy Court has ruled on any such objection. The Bankruptcy Court shall retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. Subject to the provisions of section 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, the amount so estimated shall constitute the maximum allowed amount of such Claim. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Liquidating Trustee may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be 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, including the Claim resolution procedures established under the Liquidating Trust Agreement and approved by the Bankruptcy Court in the Confirmation Order.

**3. Payments and Distributions on Disputed Claims.** Notwithstanding any provision hereof to the contrary, any issuer of a distribution hereunder may, in its discretion, pay the undisputed portion of a Disputed Claim.

**G. Conditions Precedent to Confirmation and Effective Date of the Plan**

**1. Conditions Precedent to Confirmation.** The following are conditions precedent to Confirmation of the Plan that must be (i) satisfied or (ii) waived in accordance with Article VIII.C of the Plan: (i) a Final Order finding that the Disclosure Statement contains adequate information pursuant to section 1125 of the Bankruptcy Code shall have been entered

by the Bankruptcy Court; (ii) the entry of the Confirmation Order in form and substance reasonably satisfactory to the Debtors and Victory Park; and (iii) the Plan Supplement, including the Liquidating Trust Agreement and all of the schedules, documents, and exhibits contained therein, shall have been filed in form and substance reasonably acceptable to the Debtors and Victory Park.

**2. Conditions Precedent to Effective Date of Plan.** The following are conditions precedent to the Effective Date of the Plan that must be (i) satisfied or (ii) waived in accordance with Article VIII.C of the Plan: (i) confirmation shall have occurred and the Confirmation Order shall have been entered by the Bankruptcy Court; (ii) the Confirmation Order shall have become a Final Order; (iii) there shall not be in effect on the Effective Date any (a) Order entered by a U.S. court, (b) order, opinion, ruling or other decision entered by any other court or governmental entity or (c) United States or other applicable law staying, restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by the Plan; (iv) all other actions and documents necessary to implement the Plan shall have been effected or executed, including execution of the Liquidating Trust Agreement in form and substance satisfactory to the Debtors and Victory Park; and (v) the Liquidating Trust Agreement shall have been fully executed and the Trust Assets shall have been transferred to the Liquidating Trust.

**3. Waiver of Conditions Precedent.** Each of the conditions listed in Article VIII.A and B of the Plan may be waived by the Debtors with the Committee's consent, which consent shall not be unreasonable withheld.

**4. Effect of Occurrence of Effective Date.** If the conditions listed in Article VIII.A and B of the Plan are not satisfied or waived in accordance with Article VIII of

the Plan, the Plan shall be null and void in all respects and nothing contained in the Plan or the Disclosure Statement shall: (1) constitute a waiver or release of any Claims by or against or any Equity Interests in the Debtor entities; (2) prejudice in any manner the rights of the Debtors or any other party or (3) constitute an admission, acknowledgment, offer or undertaking by the Debtors.

**H. Release, Exculpation, Injunctive and Related Provisions**

1. **Plan Related Releases.** *The Debtors, the Committee, the members of the Committee, and the Victory Park Releasees, and any of such parties' respective current and/or post-Petition Date and pre-Effective Date affiliates, members, officers, directors, employees, counsel, advisors or agents, and any of such parties' successors and assigns (expressly excluding any of the Subordinated Creditors and any of their officers, directors, affiliates, insiders, counsel, advisors or agents), shall not have or incur, and are hereby released from, any claim, obligation, cause of action, or liability to one another or to any Holder of any Claim or Interest, or any other party-in-interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Cases, the negotiation and Filing of the Plan, the Filing of the Cases, the settlement of Claims or rejection of executory contracts and leases, the pursuit of confirmation of the Plan, the consummation of the Plan, or the administration of the Plan or the property to be distributed under the Plan, except for their fraud, willful misconduct or gross negligence or any obligations that they have under or in connection with the Plan or the transactions contemplated in the Plan, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to their duties and responsibilities under the Plan. Nothing herein shall abrogate the enforcement of any applicable professional disciplinary rules.*

2. **Victory Park Releases.** *In consideration for Victory Park's provision of (a) the Settlement Sum, and (b) use of cash collateral sufficient to satisfy Administrative Expenses and Priority Claims as provided in Articles II and III of the Plan, which provisions are critical to the Debtors' ability to obtain confirmation of the Plan and to effectuate distributions to Holders of Allowed General Unsecured Claims, each of (a) the Debtors, on behalf of themselves and their respective estates and their respective affiliates, members, officers, directors, and employees, and any person claiming by or through them, (b) the Committee, on behalf of itself and its affiliates, members, officers, directors, and employees, (c) the Holders of Claims, Administrative Expenses, Liquidating Trust Interests and/or Equity Interests, and (d) any other third party shall be deemed to completely, irrevocably and forever release, waive, disclaim and discharge each of the Victory Park Releasees of and from any and all claims, counterclaims, rights, actions, causes of action, lawsuits, remedies, proceedings, adjustments, offsets, contracts, obligations, liabilities, damages, demands, controversies, costs, expenses, attorneys' fees and losses whatsoever, whether in law, in admiralty, in bankruptcy, in equity or otherwise, and whether based on any federal law, state law, foreign law, common law or otherwise, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued, direct or indirect, fixed or contingent, in any way based upon, related to or arising from, in whole or in part, any act, omission, conduct, transaction, occurrence or other matter occurring on or prior to the Effective Date and based on, related to or arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the business or contractual arrangements between any Debtor and any Victory Park Releasee, the negotiation, formulation or preparation of the Plan and Disclosure Statement, or related agreements, instruments or other documents, the purchase, sale or rescission of the purchase*

*or sale of any security of the Debtors, the subject matter of, or the transactions or events giving rise to, any Claim or Equity Interest that is treated in the Plan, the restructuring of Claims and Equity Interests prior to or in the Chapter 11 Cases. Notwithstanding the foregoing, nothing herein shall release any entity from any claims, obligations, rights, causes of action or liabilities arising out of such entity's fraud, gross negligence or willful misconduct, or abrogate the enforcement of any applicable professional disciplinary rules.*

3. **Exculpation.** *The Debtors, the Estates, the Victory Park Releasees, the Committee, the members of the Committee, the Liquidating Trust, and the Liquidating Trustee and the Debtors' officers and directors (and each of their respective successors, predecessors, control persons, members, agents, employees, attorneys, financial advisors, investment bankers, accountants, and other professionals retained by such persons) shall neither have nor incur any liability to any Person or Entity (including any holder of a Claim or Equity Interest) for any prepetition or postpetition act taken or omitted to be taken in connection with or related to the formulation, negotiation, preparation, dissemination, implementation, administration, confirmation or occurrence of the Effective Date of the Plan, the disclosure statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other prepetition or postpetition act taken or omitted to be taken in connection with, or in contemplation of, restructuring of the Debtors. Notwithstanding the foregoing, such exculpations provided for in Article IX of the Plan shall not extend to any damages, losses or claims arising from acts of fraud, gross negligence or willful misconduct, or abrogate the enforcement of any applicable professional disciplinary rules.*



**I. Retention and Preservation of Causes of Action**

**1. Retention of Causes of Action.** Except as otherwise provided in the Plan, the VPC Sale Order and ILS Sale Order, all Causes of Action shall, on the Effective Date, automatically and irrevocably vest in the Liquidating Trust free and clear of liens, claims, encumbrances and interests; provided, however, that, the automatic vesting in the Liquidating Trust of any Cause of Action pursuant to the provisions hereof shall only occur to the extent that the vesting of such Cause of Action in the Liquidating Trust will not materially impair the Liquidating Trustee's ability under applicable law (notwithstanding the operation of section 1141 of the Bankruptcy Code) to assert such Cause of Action for the benefit of the Liquidating Trust Beneficiaries; provided further that, in the event any Cause of Action does not automatically vest in the Liquidating Trust in accordance with the foregoing proviso, such Cause of Action shall be liquidated, monetized or otherwise disposed of by the Debtors or the Liquidating Trustee. The Liquidating Trustee, on behalf of the Liquidating Trust, shall have the exclusive right, authority, and discretion to institute, commence, pursue, prosecute, abandon, settle, or compromise any and all such Causes of Action (under any theory of law, including, without limitation, the Bankruptcy Code, and in any court or other tribunal) without the consent or approval of any third party and without any further order of the Bankruptcy Court, except as otherwise provided herein or in the Liquidating Trust Agreement. From and after the Effective Date, the Liquidating Trustee, in accordance with section 1123(b)(3) of the Bankruptcy Code, and on behalf of the Liquidating Trust, shall serve as a representative of the Debtors' Estate and shall retain and possess the sole and exclusive right to commence, pursue, settle, compromise or abandon, as appropriate, any and all Causes of Action, whether arising before or after the Petition Date, in any court or other tribunal in accordance with the terms of the Liquidating Trust Agreement and the Plan.

**2. Preservation of Causes of Action.** Except as otherwise provided in the Plan, the Debtors and, after the Effective Date, the Liquidating Trustee, on behalf of the Liquidating Trust, reserve all rights to pursue any and all Causes of Action, and the Debtors hereby reserve the right of the Liquidating Trust and the Liquidating Trustee, on behalf of the Liquidating Trust, to pursue, administer, settle, litigate, enforce and liquidate all Causes of Action consistent with the terms and conditions of the Plan and the Liquidating Trust Agreement. Except as otherwise provided in the Plan, the Debtors (before the Effective Date) and the Liquidating Trustee, on behalf of the Liquidating Trust (upon and following the Effective Date), expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine or other rule of law, including, without limitation, any statute of limitations or the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches, shall apply to such Causes of Action upon, after or as a result of the Confirmation or Effective Date of the Plan, or the Confirmation Order. In addition, the Debtors and the Liquidating Trustee, on behalf of the Liquidating Trust and any successors-in-interest thereto, expressly reserve the right to pursue or adopt any Causes of Action not so waived, relinquished, released, compromised or settled that are alleged in any lawsuit in which the Debtors are a defendant or an interested party, against any Entity including, without limitation, the plaintiffs and co-defendants in such lawsuits.

## **VII. CONFIRMATION PROCEDURE**

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

### **A. Solicitation of Votes**

In accordance with sections 1126 and 1129 of the Bankruptcy Code, the Claims in Classes 2 and 3 of the Plan are impaired and are entitled to vote to accept or reject the Plan.

Claims in Class 1 are unimpaired. The holders of Allowed Claims in such Class are conclusively presumed to have accepted the Plan and the solicitation of acceptances with respect to such Class therefore is not required under section 1126(f) of the Bankruptcy Code. Holders of Interests in Classes 4, 5 and 6 will not receive or retain any property under the Plan and are deemed to have rejected the Plan. Chapter 11 of the Bankruptcy Code provides that, in order for the Bankruptcy Court to confirm the Plan as a consensual plan, the holders of Impaired Claims against, and Impaired Interests in, the Debtors that are entitled to vote must accept the Plan.

An Impaired Class of Claims will have accepted the Plan if (i) the holders of at least two-thirds in amount of the Allowed Claims actually voting in the Class have voted to accept the Plan and (ii) the holders of more than one-half in number of the Allowed Claims actually voting in the Class have voted to accept the Plan, not counting the vote of any holder designated under section 1126(e) of the Bankruptcy Code or any insider.

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

Any creditor in an impaired Class (i) whose Claim has been listed by the Debtors in the Debtors' Schedules filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated) or (ii) who filed a proof of Claim on or before the Bar Date (or, if not filed by such date, any proof of Claim filed within any other applicable period of limitations or with leave of the Bankruptcy Court), which Claim is not the subject of an objection or request for estimation, is entitled to vote.

**B. The Confirmation Hearing**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for [ ], 2013, at [

] Eastern Standard Time, before the Honorable Sean H. Lane, at the Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, NY 10004-1408. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing. Any objection to Confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim or number of shares of common stock of the Debtors held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the Bankruptcy Court and the following parties on or before [ ], 2013 at 5:00 p.m. New York Time:

Herrick, Feinstein LLP  
2 Park Avenue  
New York, NY 10016  
Attn.: Andrew C. Gold, Esq.  
Hanh V. Huynh, Esq.

-and-

Kelley Drye & Warren LLP  
101 Park Avenue  
New York, NY 10178  
Attn: Eric R. Wilson, Esq.  
Kristin S. Elliott, Esq.

-and-

Katten Muchin Rosenman LLP  
525 W. Monroe Street  
Chicago, IL 60661  
Attn: Peter A. Siddiqui, Esq.

-and-

Serene Nakano, Esq.  
Office of the United States Trustee  
33 Whitehall Street, 21st Floor  
New York, NY 10004

Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014 and orders of the Bankruptcy Court.

**C. Confirmation**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of the Plan are that the Plan is (i) accepted by all impaired Classes of Claims and Equity Interests or, if rejected by an impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) feasible and (iii) in the “best interests” of creditors and stockholders that are impaired under the Plan.

**1. Acceptance**

Classes 2 and 3 of the Plan are impaired under the Plan. Classes 4, 5 and 6 are presumed to have rejected the Plan. Class 1 of the Plan is unimpaired and, therefore, is conclusively presumed to have voted to accept the Plan.

**2. Feasibility**

The Bankruptcy Code requires a plan proponent to demonstrate that confirmation of a plan of reorganization is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor unless so provided by the plan of reorganization. Here, the Plan contemplates the liquidation and dissolution of the Debtors. In order to accomplish such liquidation and dissolution, the Plan requires Victory Park to fund the Administrative Expense Reserve to pay all Allowed Administrative Expense Claims, and to provide the Settlement Sum for distribution to Holders of Allowed General Unsecured Claims. Under the Plan, a Liquidating Trust will be established to make these distributions to creditors.

### **3. Best Interests Test**

With respect to each impaired Class of Claims and Equity Interests, confirmation of the Plan requires that each holder of an Allowed Claim or Equity Interest either (i) accept the Plan or (ii) receive or retain under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. To determine what holders of Claims and Equity Interests of each impaired Class would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtors' assets and properties in the context of a chapter 7 liquidation case. The cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the unencumbered assets and properties of the Debtors, augmented by the unencumbered cash held by the Debtors at the time of the commencement of the liquidation case. Such cash amount would be reduced by the amount of the costs and expenses of the liquidation and by such additional administrative expense and priority claims that might result from the termination of the Debtors' businesses and the use of chapter 7 for the purposes of liquidation.

The Debtors' costs of liquidation under chapter 7 would include the fees payable to a chapter 7 trustee, as well as those fees that might be payable to attorneys and other professionals that such a trustee might engage. In addition, claims would arise by reason of the breach or rejection of obligations incurred and leases and executory contracts assumed or entered into by the Debtors during the pendency of the Chapter 11 Cases. The foregoing types of claims and other claims that might arise in a liquidation case or result from the pending Chapter 11 Cases, including any unpaid expenses incurred by the Debtors during the Chapter 11 Cases such as

compensation for attorneys, would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay pre-petition Claims.

To determine if the Plan is in the best interests of each impaired Class, the present value of the distributions from the proceeds of a liquidation of the Debtors' unencumbered assets and properties, after subtracting the amounts attributable to the foregoing Claims, are then compared with the value of the property offered to such Classes of Claims and Equity Interests under the Plan.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee, (ii) the erosion in value of assets in a chapter 7 case in the context of the expeditious liquidation required under chapter 7 and the "forced sale" atmosphere that would prevail and (iii) the substantial increases in Claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Cases, the Debtors have determined that confirmation of the Plan will provide each holder of an Allowed Claim or Equity Interest with a recovery that is not less than such holder would receive pursuant to liquidation of the Debtors under chapter 7. The Debtors also believe that the value of any distributions to each Class of Allowed Claims would be less than under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time.

A Liquidation Analysis of the Debtors, prepared by the Debtors and their advisors, is attached hereto as Exhibit "B". The information set forth in Exhibit B provides a summary of the liquidation values of the Debtors' assets, assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtors' estates.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtors, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtors. The Liquidation Analysis is also based on assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected might not be realized if the Debtors were, in fact, to undergo such a liquidation.

As set forth in the Liquidation Analysis, other than the Victory Park Secured Claim, the Debtors believe that no other creditors would likely receive a distribution if the Debtors' assets were liquidated in a hypothetical chapter 7 case.

### **VIII. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed and consummated, the alternatives to the Plan include (i) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (ii) an alternative plan of reorganization.

#### **A. Liquidation Under Chapter 7**

If no plan is confirmed, the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be selected to liquidate the Debtors' remaining assets for distribution in accordance with the priorities established by chapter 7. As discussed above, the Debtors believe that liquidation under chapter 7 would result in smaller distributions being made to creditors than those provided for in the Plan because there would not be sufficient recoveries to make any distributions to creditors after distributions are made on account of the Victory Park Secured Claim.



**B. Alternative Plan of Reorganization**

If the Plan is not confirmed, the Debtors (or if the Debtors' exclusive period in which to file a plan of reorganization has expired, any other party in interest) could attempt to formulate a different plan. Such a plan might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of their assets. However, no party has expressed an interest in proposing an alternate plan of reorganization.

**IX.  
CERTAIN RISK FACTORS TO BE CONSIDERED**

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

**A. Certain Bankruptcy Law Considerations**

**1. Risk of Non-Confirmation of the Plan**

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

**2. Risk of Non-Occurrence of the Effective Date**

Although the Debtors believe that all of the conditions to the Effective Date will occur after the entry of the Confirmation Order, there can be no assurance as to the timing of the Effective Date or that such conditions will ever occur.

**B. Certain Tax Matters**

For a summary of certain federal income tax consequences of the Plan to holders of Claims and to the Debtor, see Article XI , “Certain Federal Income Tax Consequences Of The Plan.”

**C. Additional Factors to be Considered**

**1. The Debtors Have No Duty to Update**

The statements contained in this Disclosure Statement are made by the Debtors 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 been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

**2. No Representations Outside This Disclosure Settlement  
Are Authorized**

No representations concerning or related to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

**3. No Legal or Tax Advice is Provided to You By This Disclosure Statement**

The contents of this Disclosure Statement should not be construed as legal, business or tax advice. Each holder of a Claim or Equity Interest should consult his, her, or its own legal counsel and accountant as to legal, tax and other matters concerning his, her, or its Claim or Equity Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

**4. No Admission Made**

Prior to the approval of this Disclosure Statement, nothing contained herein shall constitute an admission of, or be deemed evidence of, the tax or other legal effects of the Plan on the Debtors or on holders of Claims or Equity Interests; provided, however, that upon approval of this Disclosure Statement, nothing contained herein shall constitute an admission in any proceeding other than the Chapter 11 Cases.

**X.  
SECURITIES LAWS MATTERS**

The Plan does not contemplate the issuance of any securities.

**XI.  
CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The following discussion summarizes certain U.S. federal income tax consequences of the implementation of the Plan to the Debtors and holders of certain claims against the Debtors. This discussion does not address the U.S. federal income tax consequences of the implementation of the Plan to holders of claims that are entitled to reinstatement, unimpaired or otherwise entitled to payment in full in cash under the Plan.

The discussion of U.S. federal income tax consequences set forth below is based on the Internal Revenue Code of 1986, as amended (the "Tax Code"), U.S. Department of Treasury regulations promulgated or proposed thereunder, judicial authorities, published positions of the Internal Revenue Service ("IRS") and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). The U.S. federal income tax consequences of the contemplated transactions are complex and are subject to significant uncertainties. The Debtors have not requested a ruling from the IRS or any other tax authority, or an opinion of counsel, with respect to any of the tax aspects of the contemplated transactions, and the discussion below is not binding upon the IRS or such other authorities. Thus, no assurance can be given that the IRS or such other authorities would not assert, or that a court would not sustain, a different position from any discussed herein.

Except as specifically stated otherwise, this summary assumes that a holder holds a claim or an existing Equity Interest as a capital asset for U.S. federal income tax purposes. This summary does not address foreign, state or local tax consequences of the contemplated transactions, nor does it purport to address the U.S. federal income tax consequences of the transactions to special classes of taxpayers (*e.g.*, foreign persons or entities, small business investment companies, regulated investment companies, real estate investment trusts, banks and certain other financial institutions, insurance companies, tax-exempt organizations, holders that are, or hold claims or existing Equity Interests through, pass-through entities, persons whose functional currency is not the U.S. dollar, dealers in securities or foreign currency, and persons holding claims or existing Equity Interests as a hedge against, or that is hedged against, currency risk or as part of a straddle, constructive sale or conversion transaction).

The discussion does not address U.S. federal taxes other than income taxes, nor does it apply to any person that acquires any of the consideration issued pursuant to the Plan through means other than directly participating in the exchange. If a partnership (or another entity that is treated as a partnership for U.S. federal income tax purposes) holds claims or existing Equity Interests, the tax treatment of a partner (or other equity owner) generally will depend upon the status of such partner (or other owner) and upon the activities of the partnership (or other entity). This discussion is based on currently available information regarding the Plan terms and may not reflect the actual terms of the Plan upon its implementation. The following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a holder of claims or existing Equity Interests.

**IRS Circular 230 Notice:** To ensure compliance with IRS Circular 230, holders of Claims and existing Equity Interests are hereby notified that: (A) any discussion of U.S. federal tax issues contained or referred to in this Disclosure Statement is not intended or written to be used, and cannot be used, by such holders for the purpose of avoiding penalties that may be imposed on them under the Tax Code; (B) such discussion is written in connection with the promotion or marketing by the Debtor of the transactions or matters addressed herein; and (C) such holders should seek advice based on their particular circumstances from independent tax advisors.

**A. Consequences to the Debtors**

The Plan, as currently contemplated, may result in U.S. federal income tax consequences to the Debtors. The Plan, as currently contemplated, may result in income tax consequences to the Debtors' Equity Interest Holder(s) in connection with the liquidation of the Debtors.

**B. Consequences to Claim Holders**

A Claim holder that receives money or other property in discharge of a Claim for interest accrued during the period the holder owned such Claim and not previously included in such holder's income will be required to recognize ordinary income equal to the amount of such money and the fair market value of such property received in respect of such Claim. A holder generally may claim an ordinary deduction (or, possibly, a write-off against a reserve for bad debts) to the extent of any Claim for accrued interest that was previously included in such holder's taxable income and which will not be paid in full by the Debtors under the Plan (after allocating any payment to be made by the Debtors between principal and accrued interest), even if the underlying Claim is held as a capital asset. The tax basis of any property received in exchange for a Claim for accrued interest under the Plan will equal the fair market value of such property on the Effective Date, and the holding period for such property will begin on the day following the Effective Date.

The extent to which consideration distributable under the Plan is allocable to interest is unknown. Holders of Claims are advised to consult their own tax advisers to determine the amount, if any, of consideration received under the Plan that is allocable to interest.

**THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY. ALL HOLDERS OF CLAIMS OR EXISTING EQUITY INTERESTS PARTICIPATING IN THE EXCHANGE UNDER THE PLAN ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES APPLICABLE TO THEM.**

**XII.**

**RECOMMENDATION AND CONCLUSION**

For all of the reasons set forth in the Disclosure Statement, the Debtors believe that confirmation and consummation of the Plan is preferable to all other alternatives. Consequently, the Debtors urge all eligible holders of Impaired Claims and Interests to vote to **accept** the Plan, and to complete and return their ballots so that they will be **received** by GCG, the Debtors' claims agent, on or before 5:00 p.m. (Eastern Time) on [ ].

Dated: February 19, 2013

**DEBTORS**

**THE FULLER BRUSH COMPANY, INC.  
CPAC, INC.**

By: \_\_\_\_\_ /s/ *Lawrence Perkins*

Name: Lawrence Perkins

Title: Chief Restructuring Officer