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

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:	§	**CASE NO. 12-33832-HDH-11**
	§	
XTREME IRON HOLDINGS, LLC, and XTREME IRON, LLC,	§	**(Jointly Administered)**
	§	
	§	
Debtors.	§	
	§	

DISCLOSURE STATEMENT TO JOINT PLAN OF LIQUIDATION UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

Dated: August 26, 2013

AREYA HOLDER, CHAPTER 11 TRUSTEE

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TABLE OF CONTENTS

Page

Page

ARTICLE I
INTRODUCTION

Areya Holder, the duly appointed and acting Chapter 11 Trustee for the estates of Xtreme Iron Holdings, LLC and Xtreme Iron, LLC (the "Chapter 11 Trustee" or the "Proponent") proposes this Disclosure Statement to the Chapter 11 Plan of Liquidation pursuant to section 1125 of chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq*. (the "Bankruptcy Code"). This Disclosure Statement is provided to the Debtor's known creditors entitled to receive the Disclosure Statement in an attempt to disclose information deemed to be material and necessary for the Debtor's creditors to arrive at a reasonably informed decision in exercising their right to accept or reject the Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code (the "Plan").[1]

Also accompanying the Plan and this Disclosure Statement is a creditor's ballot (the "Ballot") for acceptance or rejection of the Plan. The Bankruptcy Court has set November 12, 2013], at 11:00 a.m. (prevailing Central time) as the date for the hearing on confirmation of the Plan (the "Confirmation Hearing"). The Confirmation Hearing will be held before the Honorable Harlin D. Hale, United States Bankruptcy Judge, 1100 Commerce Street, Room 1421, Dallas, Texas 75242.

The Bankruptcy has fixed November 5, 2013, at 4:00 p.m. (prevailing Central time) as the deadline by which objections to the Plan must be filed with the Bankruptcy Court and served on the Chapter 11 Trustee and his counsel. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjourned date made on the Bankruptcy Court's docket or at the Confirmation Hearing or at any subsequent adjourned date for the Confirmation Hearing.

[The Bankruptcy Court has approved this Disclosure Statement as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of creditors or interest holders to make an informed decided about whether to accept or reject the Plan. That approval is evidence by this Court's entry of the *Order Approving Disclosure Statement to Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code* [Docket No. _____].]

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE AN ENDORSEMENT OF THIS DISCLOSURE STATEMENT BY THE BANKRUPTCY COURT OR A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

1.01 Bankruptcy Entry and Exit

The Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code on June 13, 2012, (Xtreme Iron Holdings, LLC), and July 11, 2012, (Xtreme Iron, LLC). The two cases were authorized to be jointly administered by order of the Bankruptcy Court on November 13, 2012, and the Chapter 11 Cases are now pending under Case No. 12-33832.

[1] Capitalized terms not defined herein shall be given the meaning ascribed to them in the Plan.

On September 14, 2012, the Bankruptcy Court appointed the Chapter 11 Trustee to administer these Chapter 11 Cases. Since then, the Chapter 11 Trustee has (a) investigated the Debtors' assets, and financial affairs, (b) analyzed various transactions entered into by the Debtors, (c) stabilized the Debtors' business, and (d) focused on marketing, selling, and maximizing the value of the Estates' assets for sale or restructure. Overall, the Chapter 11 Trustee focused on a strategy to maximize value for the Creditors.

As part of that strategy, on August 26, 2013, the Chapter 11 Trustee filed the Plan [Docket No. 488]. As described below, the Plan is a liquidating plan and contemplates the (a) transfer or liquidation of all of the Assets in an orderly fashion and (b) substantive consolidation of the Debtors and their assets and liabilities.

Proceeds from the liquidation of the Assets will be distributed to Creditors according to the terms of the Plan.

This Disclosure Statement describes the Debtors, their assets and history, certain aspects of the Plan, significant events occurring in the Chapter 11 Cases, and related matters. It also contains information about how to vote on the Plan and how Claims are classified and will be treated under the Plan. Attached as Exhibits to this Disclosure Statement are copies of the following documents:

- Exhibit A – Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code
- Exhibit B – Liquidation Analysis
- Exhibit C – Notice of Confirmation Hearing and Balloting Procedures
- Exhibit D – Ballots
- Exhibit E – List of Causes of Action Assigned to the Liquidating Trust

1.02 Purpose of the Plan

The following is a brief summary of the Plan's general terms and does not form a part of the Plan. This summary is qualified in its entirety by reference to the provisions of the Plan. Capitalized terms used in this summary are defined in Article XIV of the Plan.

The Plan operates as a motion to approve substantive consolidation of the Debtors. (An explanation of the justification for substantive consolidation is found in Section 1.03 in this Disclosure Statement. In addition, the Plan resolves, settles, and compromises all Claims against the Debtors or property of their Estates of whatever character, whether Disputed, Contingent, or Unliquidated, or whether Allowed by the Bankruptcy Court pursuant to section 502(a) of the Bankruptcy Code. Prior to the filing of the Plan, the Chapter 11 Trustee liquidated substantially all of the Estates' Assets. Pursuant to the terms of the Plan, Chapter 11 Trustee shall transfer all of the Estates' Assets, including the proceeds from her earlier liquidation, to the Liquidating Trust. The Liquidating Trustee shall liquidate the Liquidating Trust Assets and distribute the net

proceeds of that liquidation to creditors holding Allowed Claims pursuant to the terms and provisions of the Plan and Liquidating Trust Agreement, substantially similar to the form attached to the Plan as Exhibit A.

1.03 Substantive Consolidation of the Estates

As stated above**,** the Plan operates as a motion to approve substantive consolidation of the Debtors. The Plan proposes, and its terms embody, that the liabilities and assets of the Debtors should be substantively consolidated for the purposes of distributions under the Plan. The substantive-consolidation doctrine refers to the equitable power of a bankruptcy court to consolidated assets of separate but related entities. When a bankruptcy court orders substantive consolidation, it treats the combined assets and liabilities of the consolidated entities as though they were held and incurred by a single entity.

Authority for substantive consolidation: Although substantive consolidation is not specifically addressed in the Bankruptcy Code or the Bankruptcy Rules, courts have found equitable authority for substantive consolidation under §§ 105(a), 302(b) and 1123(a)(5)(C) of the Bankruptcy Code. Section 105(a) provides that "[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of this title." 11 U.S.C. § 105(a). This has been interpreted to grant bankruptcy courts the power to substantively consolidate the assets and liabilities of one debtor with another. *See S.I. Acquisition, Inc. v. Eastway Delivery Serv., Inc.*, 817 F.2d 1142, 1145 n.2 (5th Cir. 1987); *In re DRW Property Co.*, 54 B.R. 489, 494 (Bankr. N.D. Tex. 1985); *In re Permian Producers Drilling, Inc.*, 263 B.R. 510, 517 (W.D. Tex. 2000); *In re E'Lite Eyewear Holdings, Inc.*, 2009 Bankr. LEXIS 297, *5 (Bankr. E.D. Tex. Feb. 5, 2009). The determination of whether substantive consolidation should be granted is a "highly fact specific analysis that must be made on [a] case-by-case basis." *Permian Producers*, 263 B.R. at 517.

The Fifth Circuit and its lower courts have not adopted a uniform standard to determine whether to grant a request for substantive consolidation. *Id.* However, among the factors that courts have considered when ruling on a request for substantive consolidation include:

- degree of difficulty in segregating and ascertaining individual assets and liabilities;
- presence or absence of consolidated financial statements;
- commingling of assets and business functions;
- unity of interests and ownership between the various corporate entities;
- existence of parent and inter-corporate guarantees on loans;

- the transfer of assets without formal observance of corporate formalities;

- economic prejudice resulting from the separate treatment of the various debtors;

- economic prejudice resulting from the substantive consolidation of the various debtors;

- whether creditors dealt with the entities as a single economic unit and relied on their separate identity to extend credit; and

- whether the affairs of the debtors are so entangled that consolidation will benefit all creditors.

See *E'Lite Eyewear*, 2009 Bankr. LEXIS 297, *8; *In re Vecco Const. Indus., Inc.*, 4 B.R. 407, 410 (Bankr. E.D. Va. 1980); *see also Permian Producers*, 263 B.R. at 517-18; *In re Snider Bros., Inc.*, 18 B.R. 230, 234 (Bankr. D. Mass. 1982); *United Savings Bank v. Augie/Restivo Baking Co. (In re Augie/Restivo Baking Co.)*, 860 F.2d 515, 518 (2nd Cir. 1988); *In re Owens Corning*, 419 F.3d 195, 211 (3rd Cir. 2005). An analysis of these factors supports the substantive consolidation of the Debtors.

In these Cases, the Cash to be distributed under this Plan derives from (a) rental proceeds primarily related to certain heavy equipment purchased from CAT Financial and (b) litigation between the Estates and CAT Financial. Based on the books and records of the Debtors, it is unclear which Debtor owns/owned the heavy equipment on the Petition Date or the settled causes of action against CAT Financial for the following reasons:

- The Schedules and Statements of Financial Affairs filed by the Debtors reflect ownership of the heavy equipment

- The heavy equipment at issue was purchased under a document executed by and between CAT Financial and Xtreme Iron Holdings.

- According to the Debtors, this purchase was made by Xtreme Iron Holdings and not Xtreme Iron at the direction of CAT Financial.

- According to the Debtors, however, all parties intended for Xtreme Iron to be the ultimate owner of this heavy equipment.

- As a result, according to the Debtors, Xtreme Iron guaranteed the obligations of Xtreme Iron Holdings under this purchase-and-sale transaction.

- Also, an operating lease was executed by and between the Debtors under which Xtreme Iron leased the heavy equipment to end users.

- There is an internal memorandum of the Debtors that says the heavy equipment was contributed to Xtreme Iron as part of the year-end 2010 financial close.

- According to the Debtors, CAT Financial later acknowledged and consented to this transaction.

- The 2010 consolidated financial statements show ownership of the heavy equipment at Xtreme Iron and debt for that purchase transaction at Xtreme Iron Holdings.

- There also appears to have been – at least as it relates to the heavy equipment at issue – a commingling of assets or business functions by the Debtors.

Based on the foregoing, the Chapter 11 Trustee has determined that substantive consolidation of the Estates is fair and equitable under the circumstances. In making that determination, the Chapter 11 Trustee analyzed a number of factors, including (a) the economic prejudice resulting from substantive consolidation, (b) whether the creditors dealt with the Debtors as a single business enterprise or economic unit, (c) whether the affairs of the Debtors are so entangled that consolidation will benefit the creditors, (d) the costs associated with forensically determining with reasonable certainty ownership of the heavy equipment at issue and the settled causes of action, and (e) the economic prejudice resulting from the substantive consolidation of the Debtors.

Effect of substantive consolidation: The effect of substantive consolidation is that, on and after the Effective Date, (a) all assets and liabilities of the Debtors shall be deemed merged so that all assets of the Debtors shall be available to pay all of the liabilities under the Plan as if it were one company, (b) no distributions shall be made under the Plan on account of Intercompany Claims, (c) no distributions will be made under the Plan on account of any Equity Interests, (d) all guarantees of the Debtors of the obligations of any other Debtor shall be deemed eliminated so that any claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be deemed to be one obligation of the consolidated Debtors, (e) every Claim filed or to be filed in the Chapter 11 Cases against any Debtor shall be deemed filed against the consolidated Debtors, and shall be deemed one Claim against and obligation of the consolidated Debtors, and all duplicate proofs of Claim for the same

Claim filed against more than one Debtor shall be deemed expunged; (f) unless otherwise provided in the Plan, all Equity Interests in any Debtor shall be deemed extinguished for purposes of distributions under this Plan, and no distributions under this Plan shall be made on account of any such Equity Interests; and (g) for purposes of determining the availability of the right of setoff under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one consolidated entity so that, subject to other provisions of Section 553 of the Bankruptcy Code, debts due to any Debtor may be set off against the debts of any other Debtor.

Substantive consolidation will not (a) with respect to any plan, create a claim in a class different from the class in which a claim would have been placed in the absence of substantive consolidation, (b) change the priority or nature of a claim in a manner difference from the priority or nature of such claim in the absence of substantive consolidation, (c) affect any preserved causes of action, including avoidance actions, of each Debtor, (d) affect the legal the legal or organizational structure of the Debtors, or (e) affect the defenses to any causes of action.

1.04 Executive Summary of the Plan

The following is a brief summary of the Plan's general terms and does not form a part of the Plan. This summary is qualified in its entirety by reference to the provisions of the Plan. Capitalized terms used in this summary are defined in Article XIV of the Plan.

The Plan resolves, settles, and compromises all Claims against the Debtors or property of their Estates of whatever character, whether Disputed, Contingent, or Unliquidated, or whether Allowed by the Bankruptcy Court pursuant to section 502(a) of the Bankruptcy Code. Prior to the filing of the Plan, the Chapter 11 Trustee liquidated substantially all of the Estates' Assets. Pursuant to the terms of the Plan, Chapter 11 Trustee shall transfer all of the Estates' Assets, including the proceeds from her earlier liquidation, to the Liquidating Trust. The Liquidating Trustee shall liquidate the Liquidating Trust Assets and distribute the net proceeds of that liquidation to creditors holding Allowed Claims pursuant to the terms and provisions of the Plan and Liquidating Trust Agreement, substantially similar to the form attached to the Plan as Exhibit A.

A detailed list of Liquidating Trust Assets, estimated values, projected allowed creditor claims and the projected dividend available to general unsecured creditors is attached hereto as **Exhibit B** (the "**Liquidation Analysis**"). The Liquidation Analysis contains estimates only. Actual recoveries on assets and actual allowed claims could vary materially from those shown in the analysis.

Creditors holding Allowed Claims shall receive the following treatment under the Plan:

CLASS	CLAIMANT	TREATMENT	STATUS
1.	**ALLOWED PRIORITY NON-TAX CLAIMS**	Shall receive Cash in an amount equal to the Allowed amount of such Priority Non-Tax Claim no later than the Distribution Date.	Unimpaired. Deemed to Accept the Plan.

CLASS	CLAIMANT	TREATMENT	STATUS
	(Est. Amt. of Claims: $.000)	(Est. Recovery: 100%)	
2.	**ALLOWED SECURED TAX CLAIMS** (Est. Amt. of Claims: $.000)	Shall be satisfied at the Liquidating Trustee's option by (i) return of the Collateral to the Creditor in full and final satisfaction of the Allowed Class 2 Claim, or (ii) payment of the proceeds upon liquidation of the Collateral, less any expenses incurred in the liquidation. Any Deficiency Claim shall be treated as a Class 8 General Unsecured Claim or a Priority Tax, as determined by the Bankruptcy Court or agreed between the holder of such Claim, on the one hand, and the Liquidating Trustee, on the other hand. (Est. Recovery: 100%)	Unimpaired. Deemed to accept the Plan.
3.	**ALLOWED SECURED CLAIMS OF CATERPILLAR FINANCIAL SERVICES CORPORATION** (Est. Amt. of Claim: $3.291 million)	Pursuant to the CAT Financial Settlement, CAT Financial was awarded an Allowed Secured Claim equal to approximately $8,200,000.00. On account of such Allowed Class 3 Claim, and in full satisfaction, release, and discharge of and exchange for such Claim, and the release of all Liens against the Estates' assets, as well as additional consideration, CAT Financial received $3,291,500.00 in Cash from the Chapter 11 Trustee on or around May 20, 2013. Pursuant to the CAT Financial Settlement, CAT Financial retained an Allowed Subordinated Claim equal to approximately $8,100,000.00. (Est. Recovery: 100%)	Impaired. Entitled to Vote.
4.	***Intentionally Omitted***	***Intentionally Omitted***	***Intentionally Omitted***

CLASS	CLAIMANT	TREATMENT	STATUS
5.	**ALLOWED SECURED CLAIMS OF ASSOCIATED AUCTION SERVICES** (Est. Amount of Claim: $0.0 million)	Shall be satisfied at the Liquidating Trustee's option by (i) return of the Collateral in full and final satisfaction of the Allowed Class 5 Claim, or (ii) payment of the net proceeds from the liquidation of the Collateral, after the payment of any senior liens and interests on the Collateral and any expenses incurred in the liquidation thereof. Associated Auction Service's Deficiency Claim shall be treated as a Class 7 General Unsecured Claim. (Est. Recovery: 100%)	Impaired. Entitled to Vote.
6.	**OTHER SECURED CLAIMS** (Est. Amt. of Claims: $0.00)	Shall be satisfied at the Liquidating Trustee's option by (i) return of the Collateral to the Creditor in full and final satisfaction of the Allowed Class 6 Claim, or (ii) payment of the net proceeds from the liquidation of their Collateral, after the payment of any senior liens and interests on the Collateral and any expenses incurred in the liquidation thereof. Any Deficiency Claim shall be treated as a Class 7 General Unsecured Claim. (Est. Recovery: 100%)	Impaired. Entitled to Vote.
7.	**ALLOWED GENERAL UNSECURED CLAIMS** (Est. Amt. of Claims: $8.0 to $10.0 million)	Allowed Claims in Classes 7 shall receive a Pro Rata share of Distributions from the Trust Assets after liquidation and payment in full of Claims in Classes 1 through 6. (Est. Recovery: 20% to 40%)	Impaired. Entitled to Vote.
8.	**ALLOWED SUBORDINATED CLAIMS** (Est. Amt. of Claims: $8.100 million)	Shall receive a Pro Rata Share of Distributions from the Liquidating Trust Assets after liquidation and payment in full of Claims in Classes 1 through 7. (Est. Recovery: 0%)	Impaired. Entitled to Vote.

CLASS	CLAIMANT	TREATMENT	STATUS
9.	**ALLOWED EQUITY INTERESTS AND EQUITY SECURITIES CLAIMS** (Est. Amount of Interests: $0.00)	All Equity Interests shall be cancelled and terminated as of the Effective Date. Pursuant to the Plan and Section 510 of the Bankruptcy Code, all Equity Securities Claims shall be subordinated, for distribution and all other purposes, to the Claims of all other Creditors. Allowed Equity Interests and Allowed Securities Claims shall not receive or retain any property under the Plan. Class 8 is impaired by the Plan and is deemed to have rejected the Plan. (Est. Recovery: 0%)	Impaired. Deemed to reject the Plan.

The Chapter 11 Trustee not yet finalized the claims-investigation and reconciliation process. That process will be completed after the Confirmation Date. All rights of the Estates to object to, challenge, defend, or prosecute any position of the Estate on claims asserted against or by the Estate are hereby reserved under this Disclosure Statement and the Plan.

ARTICLE II
DISCLAIMER

ALL HOLDERS OF CLAIMS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ALL SUMMARIES OF THE PLAN AND OTHER STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN, ANY SUPPLEMENT TO THE PLAN, AND THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF. HOLDERS OF CLAIMS SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN SINCE THE DATE HEREOF. MOREOVER, THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS NOT BEEN SUBJECT TO A

CERTIFIED AUDIT. ACCORDINGLY, ALTHOUGH THE PROPONENT HAS USED THE PROPONENT'S BEST EFFORTS TO SET FORTH STATEMENTS, INFORMATION, AND DISCLOSURES THAT ARE CORRECT AND COMPLETE, THEY ARE UNABLE TO WARRANT OR REPRESENT THAT THE STATEMENTS, INFORMATION, AND DISCLOSURES ARE ACCURATE AND COMPLETE IN ALL RESPECTS. IN FACT, THERE MAY BE ERRORS IN THE STATEMENTS OR FINANCIAL INFORMATION CONTAINED HEREIN OR ASSUMPTIONS UNDERLYING SUCH STATEMENTS OR FINANCIAL INFORMATION. THE PROPONENT AND THE PROPONENT'S RESPECTIVE ADVISORS EXPRESSLY DISCLAIM ANY OBLIGATION TO UPDATE OR CORRECT ANY SUCH FINANCIAL INFORMATION OR ASSUMPTIONS.

[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 AND THE PLAN DESCRIBED HEREIN HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS PASSED ON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN.]

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

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN AND MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN.

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Disclosure Statement includes information regarding the Chapter 11 Cases and the Liquidating Trust and certain other "forward-looking statements" within the meaning of Section

27A of the 1933 Act and Section 21E of the Exchange Act, all of which are based on various estimates and assumptions that the Proponent believes to be reasonable as of the date hereof. These statements involve risks and uncertainties that could cause the Debtors' or Liquidating Trust's actual future outcomes to differ materially from those set forth in this Disclosure Statement. Such risks and uncertainties include, without limitation, the following:

- the Chapter 11 Trustee's ability to effectuate her proposed chapter 11 plan, or any other chapter 11 acceptable to the Chapter 11 Trustee;
- the Liquidating Trustee's ability to liquidate the Liquidating Trust Assets and prosecute any Causes of Action;
- litigation risks and uncertainties;
- general economic and capital-market conditions;
- difficulty in managing the operation of existing entities;
- difficulty in obtaining the cooperation of the Debtors' former principals; and
- necessary capital expenditures.

You should understand that the foregoing as well as other risk factors discussed in this Disclosure Statement could cause future outcomes to differ materially from those expressed in such forward-looking statements. Given the uncertainties, you are cautioned not to place undue reliance on any forward-looking statements in determining whether to vote in favor of the Plan or to take any other action. The Proponent undertakes no obligation to publicly update or revise information concerning the any forward-looking statements to reflect events or circumstances that may arise after the date of this Disclosure Statement, except as required by law.

2.01 Considerations in Preparation of the Disclosure Statement and Plan; Disclaimers

BECAUSE ACCEPTANCE OF THE PLAN WILL CONSTITUTE ACCEPTANCE OF ALL THE PROVISIONS IN THE PLAN, HOLDERS OF CLAIMS ARE URGED TO CONSIDER CAREFULLY THE INFORMATION REGARDING TREATMENT OF THEIR CLAIM CONTAINED IN THIS DISCLOSURE STATEMENT.

THE CONFIRMATION AND EFFECTIVENESS OF THE PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT. THERE CAN BE NO ASSURANCE THAT THOSE CONDITIONS WILL BE SATISFIED.

THE PROPONENT PRESENTLY INTENDS TO SEEK TO CONSUMMATE THE PLAN AND TO CAUSE THE EFFECTIVE DATE TO OCCUR PROMPTLY AFTER CONFIRMATION OF THE PLAN. HOWEVER, THERE CAN BE NO ASSURANCE AS TO

WHEN AND WHETHER CONFIRMATION OF THE PLAN AND THE EFFECTIVE DATE WILL ACTUALLY OCCUR.

TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED, AND ACTUALLY RECEIVED BY THE VOTING DEADLINE. HOLDERS OF CLAIMS ARE ENCOURAGED TO READ AND CONSIDER CAREFULLY THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN.

*****

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, ANTICIPATED EVENTS IN THE BANKRUPTCY CASE, AND FINANCIAL INFORMATION. ALTHOUGH THE PROPONENT BELIEVES THAT THE SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE PLAN OR CERTAIN DOCUMENTS (AND HOLDERS OF CLAIMS SHOULD REFER TO THE PLAN AND SPECIFIED DOCUMENTS IN THEIR ENTIRETY AS ATTACHED HERETO), STATUTORY PROVISIONS, EVENTS, OR INFORMATION. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE CHAPTER 11 TRUSTEE, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. HOLDERS OF CLAIMS ARE URGED TO REVIEW THE ENTIRE PLAN. IN THE EVENT ANY PROVISION OF THIS DISCLOSURE STATEMENT IS FOUND TO BE INCONSISTENT WITH A PROVISION OF THE PLAN, THE PROVISION OF THE PLAN SHALL CONTROL.

IN DETERMINING WHETHER TO VOTE TO ACCEPT THE PLAN, HOLDERS OF CLAIMS MUST RELY ON THEIR OWN EXAMINATION OF THE DEBTORS AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

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EXCEPT AS SET FORTH HEREIN, NO PERSON HAS BEEN AUTHORIZED BY THE PROPONENT IN CONNECTION WITH THE PLAN OR THE SOLICITATION TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN AS CONTAINED IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS ATTACHED HERETO OR INCORPORATED BY REFERENCE OR REFERRED TO HEREIN. IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED ON AS HAVING BEEN AUTHORIZED BY THE PROPONENT.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS AS OF THE DATE HEREOF, UNLESS OTHERWISE STATED HEREIN, AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR THE DISTRIBUTION OF ANY SECURITIES PURSUANT TO THE PLAN WILL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF, OR SUCH OTHER DATE AS DESCRIBED HEREIN. ANY ESTIMATES OF CLAIMS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS DETERMINED BY THE PROPONENT OR ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT, AND AN ESTIMATE SHALL NOT BE CONSTRUED AS AN ADMISSION OF THE AMOUNT OF SUCH CLAIM.

INFORMATION INCORPORATED BY REFERENCE INTO THIS DISCLOSURE STATEMENT SPEAKS AS OF THE DATE OF SUCH INFORMATION OR THE DATE OF THE REPORT OR DOCUMENT IN WHICH SUCH INFORMATION IS CONTAINED OR AS OF A PRIOR DATE AS MAY BE SPECIFIED IN SUCH REPORT OR DOCUMENT. ANY STATEMENT CONTAINED IN A DOCUMENT INCORPORATED BY REFERENCE HEREIN SHALL BE DEEMED TO BE MODIFIED OR SUPERSEDED FOR ALL PURPOSES TO THE EXTENT THAT A STATEMENT CONTAINED IN THIS DISCLOSURE STATEMENT OR IN ANY OTHER SUBSEQUENTLY FILED DOCUMENT WHICH IS ALSO INCORPORATED OR DEEMED TO BE INCORPORATED BY REFERENCE, MODIFIES OR SUPERSEDES SUCH STATEMENT. ANY STATEMENT SO MODIFIED OR SUPERSEDED SHALL NOT BE DEEMED, EXCEPT AS SO MODIFIED OR SUPERSEDED, TO CONSTITUTE A PART OF THIS DISCLOSURE STATEMENT.

2.02 Disclosure Statement; Construction

This Disclosure Statement has been prepared to comply with section 1125 of the Bankruptcy Code and is hereby transmitted by the Proponent to holders of Claims for use in the solicitation of acceptances of the Plan from such holders.

For purposes of this Disclosure Statement: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural, (b) any reference in this Disclosure Statement to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such agreement or document will be substantially in such form or substantially on such terms and conditions, (c) any reference in this Disclosure Statement to an existing document or exhibit filed or to be filed means such document or exhibit, as it may have been or may be amended, modified or supplemented, (d) unless otherwise specified, all references in this Disclosure Statement to sections, articles and exhibits are references to sections, articles and exhibits of or to this Disclosure Statement, and (e) the rules of construction enumerated in section 102 of the Bankruptcy Code shall apply to this Disclosure Statement as if fully set forth herein.

The purpose of this Disclosure Statement is to provide "adequate information" to holders of Claims to enable them to make an informed decision before exercising their right to vote to accept or reject the Plan. By the *[Order Approving Disclosure Statement to Joint Plan of Liquidation Under Chapter 11 of the Bankruptcy Code]* [Docket No. ___] (the "Disclosure Statement Order" or "Solicitation Order"), this Disclosure Statement was approved and held to contain adequate information.

THE APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT BY THE BANKRUPTCY COURT OF THE PLAN OR A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE MATERIAL CONTAINED HEREIN IS INTENDED SOLELY FOR THE USE BY HOLDERS OF CLAIMS IN EVALUATING THE PLAN AND BY HOLDERS OF CLAIMS IN VOTING TO ACCEPT OR REJECT THE PLAN; ACCORDINGLY, THEY MAY NOT BE RELIED ON FOR ANY PURPOSE OTHER THAN THE DETERMINATION OF HOW TO VOTE ON THE PLAN. THE PLAN IS SUBJECT TO NUMEROUS CONDITIONS AND VARIABLES, AND THERE CAN BE NO ASSURANCE THAT THE PLAN WILL BE EFFECTUATED.

2.03 Solicitation Package

For the purpose of soliciting votes on the Plan, accompanying this Disclosure Statement are copies of (a) the notice of, among other things, the time for submitting Ballots to accept or reject the Plan, the date, time, and place of the hearing to consider the confirmation of the Plan and related matters, and the time for filing objections to the confirmation of the Plan, and (b) a Ballot or Ballots (and return envelope(s)) that you must use in voting to accept or to reject the Plan, or a notice of non-voting status, as applicable. If you did not receive a Ballot and believe that you should have, please contact Gardere at the address or telephone number set forth below.

2.04 Voting Procedures, Ballots, and Voting Deadline

After carefully reviewing the Plan and this Disclosure Statement, and the exhibits thereto, and the detailed instructions accompanying your Ballot, holders of Claims in Classes 3 through 8 should indicate their acceptance or rejection of the Plan by voting for or against the Plan on the enclosed Ballot. Such holders should complete and sign their Ballot and return it in the envelope provided so that it is RECEIVED by the Voting Deadline.

Each Ballot has been coded to reflect the Class of Claims it represents. Accordingly, in voting to accept or reject the Plan, you must use only the coded Ballot or Ballots sent to you with this Disclosure Statement.

If you have any questions about the procedure for voting your Claim or with respect to the packet of materials that you have received, please contact Gardere (a) telephonically or (b) in writing by (i) hand delivery, (ii) overnight mail or (iii) first-class mail using the information below:

Gardere Wynne Sewell LLP
Attn: Karen Oliver
koliver@gardere.com
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
Telephone: 214.999.3000
Facsimile: 214.999.4667

GARDERE MUST RECEIVE ORIGINAL BALLOTS ON OR BEFORE THE VOTING DEADLINE AT THE APPLICABLE ADDRESS ABOVE. EXCEPT TO THE EXTENT ALLOWED BY THE BANKRUPTCY COURT, BALLOTS RECEIVED AFTER THE VOTING DEADLINE WILL NOT BE ACCEPTED OR USED IN CONNECTION WITH THE PROPONENT'S REQUEST FOR CONFIRMATION OF THE PLAN OR ANY MODIFICATION THEREOF.

The Proponent reserves the right to amend the Plan. Amendments to the Plan that do not materially and adversely affect the treatment of Claims may be approved by the Bankruptcy Court at the Confirmation Hearing without the necessity of re-soliciting votes. If re-solicitation is required, the Proponent will furnish new solicitation packets that will include new ballots to be used to vote to accept or reject the Plan, as amended.

2.05 The Confirmation Hearing and Objection Deadline

THE BANKRUPTCY COURT HAS SET NOVEMBER 12, 2013, AT 11:00 A.M., (PREVAILING CENTRAL TIME) AS THE DATE AND TIME FOR THE HEARING ON CONFIRMATION OF THE PLAN AND TO CONSIDER ANY OBJECTIONS TO THE PLAN. THE CONFIRMATION HEARING WILL BE HELD IN THE COURTROOM OF THE HONORABLE HARLIN D. HALE AT THE UNITED STATES BANKRUPTCY COURT, 1100 COMMERCE STREET, ROOM 1421, DALLAS, TEXAS 75242. THE PROPONENT WILL REQUEST CONFIRMATION OF THE PLAN AT THE CONFIRMATION HEARING.

THE BANKRUPTCY COURT HAS FURTHER FIXED NOVEMBER 5. 2013, AT 4:00 P.M. (PREVAILING CENTRAL TIME), AS THE DEADLINE TO FILE AN OBJECTION TO CONFIRMATION OF THE PLAN WITH THE BANKRUPTCY COURT. OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE RECEIVED BY THE FOLLOWING PARTIES ON OR BEFORE THE OBJECTION DEADLINE:

Counsel to the Chapter 11 Trustee:

Marcus A. Helt
mhelt@gardere.com
Rachael L. Smiley
rsmiley@gardere.com
GARDERE WYNNE SEWELL LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
Telephone: 214.999.3000
Facsimile: 214.999.4667

United States Trustee:

Erin Marie Schmidt
1100 Commerce Street, Room 976
Dallas, Texas 75242
Telephone: 214.767.8967

ANY OBJECTION TO CONFIRMATION OF THE PLAN MUST BE IN WRITING AND (A) MUST STATE THE NAME AND ADDRESS OF THE OBJECTING PARTY AND THE AMOUNT OF ITS CLAIM, AND (B) MUST STATE WITH PARTICULARITY THE NATURE OF ITS OBJECTION. ANY CONFIRMATION OBJECTION NOT TIMELY FILED AND SERVED AS SET FORTH HEREIN SHALL BE DEEMED WAIVED AND SHALL NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

ARTICLE III
GENERAL INFORMATION REGARDING THE DEBTOR

3.01 Background

According to the Debtors, they are Delaware limited liability companies that operated a business of buying, selling, and leasing heavy equipment. According to the Debtors, Xtreme Holdings functioned primarily as a holding company and holds all the stock of Xtreme Iron and several related entities. According to the Debtors, Xtreme Iron functioned as an operating company that bought, sold, and leased heavy construction equipment.

3.02 Events Leading to Chapter 11

According to the Debtors, prior to the Petition Date, the Debtors fell behind or were in default with respect to obligations to a number of their lenders, including CAT Financial, Iron Planet, Inc., and Associated Auction Services. These lenders began to take action to exercise their legal remedies (or threatened to do so) against the Debtors, necessitating the Debtors need to seek relief under chapter 11 of the Bankruptcy Code.

On June 13, 2012, Xtreme Iron Holdings, LLC filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code. On July 11, 2012, Xtreme Iron, LLC filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code with the Bankruptcy Court.

ARTICLE IV
EVENTS DURING THE CHAPTER 11 CASE

4.01 Commencement of the Chapter 11 Case and Appointment of Chapter 11 Trustee

From the Petition Date to September 14, 2012, the Debtors operated their businesses as debtors-in-possession. On August 2, 2012, the Office of the United States Trustee filed the *United States Trustee's Motion for Appointment of Chapter 11 Trustee Under 11 U.S.C. § 1104 or, in the Alternative, Conversion to Chapter 7 Under 11 U.S.C. § 1112(b)* [Docket No. 63] (the "**Trustee Motion**"). In the Trustee Motion, the United States Trustee argued that cause, including fraud, dishonesty, incompetence, or gross mismanagement of the affairs of the debtor by current management existed to grant the relief requested.

On September 10, 2012, the Bankruptcy Court found that cause existed to appoint a trustee and granted the United States Trustee's motion [Docket No. 93]. Shortly thereafter, the United States Trustee appointed Aryea Holder as the chapter 11 trustee for both of the Debtors bankruptcy Estates [Docket No. 96 in Case No. 12-33832 and Docket No. 104 in Case No. 12-34540]. The Chapter 11 Trustee took over management of the Debtors and retained Gardere Wynne Sewell LLP as her counsel. The Bankruptcy Court approved the retention of Gardere on November 15, 2012 [Docket No. 143].

4.02 Bankruptcy Schedules and Statements of Financial Affairs

On July 11, 2012, Xtreme Iron Holdings, LLC filed its Schedules and Statements of Financial Affairs with the Bankruptcy Court, and thereafter amended the Schedules and SOFA on July 16, 2012. On August 8, 2012, Xtreme Iron, LLC filed its Schedules and Statements of Financial Affairs with the Bankruptcy Court, and thereafter amended the Schedules and SOFA on August 19, 2012. These schedules are a detailed listing of all the assets and liabilities of the Debtors as of Petition Date. The statements of financial affairs include information, among other things, such as prior income, current or potential litigation, identities of insiders, transfers of property that could be preferential or fraudulent, and location of financial records. The schedules and statements of financial affairs are incorporated herein by reference. The Chapter 11 Trustee has had difficulty gathering all information necessary to determine the accuracy of the schedules and statements of financial affairs. Therefore, the Chapter 11 Trustee cannot and does not represent that the schedules and statements of financial affairs are completely accurate.

4.03 Operating Reports

As required by the United States Trustee, monthly operating reports for Xtreme Iron Holdings, LLC for the months of June 2012 through June 2013, and monthly operating reports for Xtreme Iron, LLC for the months of July 2012 through June 2013, were filed with the Clerk of the Court. These reports are incorporated herein by reference.

4.04 Claims Process

The deadline for non-Governmental Units to file a proof of Claim against the Estates was October 15, 2012 for the Xtreme Iron Holdings, LLC and November 19, 2012 for Xtreme Iron, LLC.

The deadline for Governmental Units to file a proof of Claim against the Estates was December 10, 2012, for Xtreme Iron Holdings, LLC and January 7, 2013, for Xtreme Iron, LLC.

On June 4, 2013, the Bankruptcy Court entered its *Order Setting an Administrative Expense and Priority Claim Bar Date and Approving Form and Manner of Notice* [Docket No. 445], setting a deadline of July 9, 2013, to file administrative and priority Claims against both Estates.

As of July 31, 2013, approximately 27 Proofs of Claim have been filed against both Estates, asserting approximately $44,155,622.74 against the Debtors. Of that amount, (a) approximately $24,488,341.94 is claimed to be secured, (b) approximately $68,464.98 is claimed to be administrative or priority, and (c) approximately $19,598,815.82 is claimed to be unsecured. Of those amounts, approximately $20,944,565.00 of the total amount of Claims asserted against the Debtors appear to be disallowable duplicate Proofs of Claim filed against both Estates for the same Claim. Additionally, other Claims asserted against the Debtors have been or will be reduced due to settlement or subordination agreements with the Chapter 11 Trustee. The Chapter 11 Trustee has not completed her analysis of the Claims asserted against or by the Estates. She expects that process to be completed after the Confirmation Hearing. The Plan reserves all rights of the Estates' and the Chapter 11 Trustee's/Liquidating Trustee's rights to challenge, dispute, or otherwise object to all claims asserted against the Estates and prosecute claims asserted by the Estates. The Chapter 11 Trustee expects that the Claims pool will be reduced based on the review and reconciliation of Claims. An estimate of the potential claims to share in the proceeds of the Estates is found on the Liquidation Analysis attached as Exhibit B.

Proofs of Claim not filed by the deadlines established by the Bankruptcy Court or the Bankruptcy Rules shall be forever barred and unenforceable against the Debtors, their Estates, and properties or agents, successors, or assigns of the same, including the Liquidating Trust.

4.05 Settlement with CAT Financial

Throughout most the Chapter 11 Cases, the Debtors/Chapter 11 Trustee and CAT Financial fought over, among other things, (a) how the Estates' interests in certain heavy equipment should be monetized, (b) the total amount due and owing to CAT Financial by the Debtors, and (c) whether CAT Financial was obligated to the Estates under various avoidable-transfer/obligation causes of action that were the subject of the Chapter 11 Trustee's *Original Complaint and Objection to Claim*, filed on February 17, 2013, and asserting causes of action against CAT Financial under §§ 502(d), 510(c), 544, and 548 of the Bankruptcy Code (together, the "CAT Financial Disputes")

The Chapter 11 Trustee and CAT Financial agreed to resolve the CAT Financial Disputes, and the Chapter 11 Trustee filed the *Motion for Approval of Compromise and Settlement Pursuant to Bankruptcy Rule 9019* [Docket No. 324] and *Motion to Approve Sale of Assets Under 11 U.S.C. § 363 to CAT Financial Services Corporation Free and Clear of All Liens, Claims, Encumbrances and Interests, and Subject to Higher and Better Offers* [Docket No. 325] on March 18, 2013, proposing a settlement with CAT Financial under the following general terms:

a. The Chapter 11 Trustee would sell certain pieces of the Debtors' equipment at an unreserved, public auction free and clear of all liens, claims, interests, and encumbrances (the "Auctioned Equipment").

b. The Chapter 11 Trustee would sell other pieces of equipment to CAT Financial, payable by full and final satisfaction of the portion of CAT Financial's Allowed Secured Claim used to credit bid to purchase/acquire the equipment (the "Non-Auctioned Equipment").

c. CAT Financial would have an Allowed Secured Claim against the Estates in the amount equal to (i) 100% of the net sale proceeds of the Auctioned Equipment plus (ii) 100% of the value of the Non-Auctioned Equipment.

d. CAT Financial would have an Allowed Subordinated, Unsecured claim in an amount equal to $12,000,000.00.

e. CAT Financial agreed to "carve-out" from the CAT Financial from its liens the sum of (a) 50% of the net sale proceeds of the Auctioned Equipment, (b) 100% of the value of the cash received or to be received by the Chapter 11 Trustee from property of the Estates, (c) 100% of the value of all accounts receivable of the Debtors/Estates generated from the use of the Debtors' equipment or from leases of the equipment, and (d) 100% of the value of all other assets of the Debtors/Estates subject to the CAT Financial's lien, other than the Non-auctioned Equipment and the (other) 50% of the net sale proceeds of the Auctioned Equipment.

f. CAT Financial and the Trustee would release each other from any and all causes of action and claims.

The Bankruptcy Court approved the CAT Financial Settlement and the sale of the Non-Auctioned Equipment to CAT Financial in its *Order Approving Motion for Approval of Compromise and Settlement Pursuant to Bankruptcy Rule 9019* [Docket No. 353] and *Order Authorizing Motion to Approve Sale of Assets Under 11 U.S.C. § 363 to CAT Financial Services*

Corporation Free and Clear of All Liens, Claims, Encumbrances and Interests, and Subject to Higher and Better Offers [Docket No. 354] on March 28, 2013.

4.06 Sale and Auction of the Debtors' Equipment

On March 18, 2013, the Chapter 11 Trustee sought the Bankruptcy Court's Authority to sell substantially all of the Estates' equipment (63 pieces, the "Auctioned Equipment") at an unreserved public auction to be conducted by Ritchie Bros. Auctioneers through her *Chapter 11 Trustee's Motion to Approve Sale of Assets Under 11 U.S.C. § 363 Free and Clear of All Liens, Claims, Encumbrances and Interests* [Docket No. 322] and *Application to Employ Ritchie Bros. Auctioneers as Auctioneer* [Docket No. 323]. The Court entered orders approving the sale and the employment of Ritchie Bros. on March 28, 2013 [Docket Nos. 351 and 352]. An auction of the Debtors' equipment was held on May 8, 2013, resulting in net proceeds of approximately $6.6 million for the Estates. *See* Reports of Sale [Docket No. 433].

4.07 Settlement with the Core Iron Parties

Early in her appointment, the Chapter 11 Trustee learned that the Debtors' principals had all left the Debtors and started Core Iron Equipment, LLC ("Core Iron") using former employees of the Debtors. Through her investigation of the Debtors' and their business affairs, the Chapter 11 Trustee also learned that Core Iron has received and deposited cash payments from rental customers of the Estates' property in violation of an order by the Bankruptcy Court. The Chapter 11 Trustee demanded repayment of that cash, but Core Iron has refused that request, instead arguing offset rights against such money because it believes it is owed money by the Estates.

For approximately six months of the Chapter 11 Cases, the Chapter 11 Trustee and Core Iron, along with the Debtors' former principals and affiliates (together the "Core Iron Parties"), were at odds on these issues. The Chapter 11 Trustee believed that some of the Core Iron Parties had breached their fiduciary duties to the Debtors, misappropriated money from the Estates, competed with the Debtors to the detriment of the Estates, and otherwise hindered the Chapter 11 Trustee in the fulfillment of her statutory duties. As a result, the Chapter 11 Trustee sued these parties (the "Core Iron Adversary Proceeding") and filed motions in the Bankruptcy Court. The Core Iron Parties disagreed with the Chapter 11 Trustee and believed that the Estates owed them hundreds of thousands of dollars. As a result, the Core Iron Parties filed a motion to dismiss the Chapter 11 Trustee's lawsuit and filed other motions and responses in this Court.

After many weeks of negotiation and depositions of the Core Iron Parties, the Chapter 11 Trustee and Core Iron Parties ultimately decided to settle their disputes, and the Chapter 11 Trustee filed the *Motion for Approval of Compromise and Settlement Pursuant to Bankruptcy Rule 9019* [Docket No. 434] on May 23, 2013, proposing a settlement with the Core Iron Parties (the "Core Iron Settlement Agreement") under the following general terms:

a. On or before sixty (60) days following entry of an order dismissing the Core Iron Adversary Proceeding, the Core

Iron Parties would pay to the Chapter 11 Trustee/Estates $250,000.00.

b. To secure payment of the settlement payment, the Core Iron Parties agreed to an "agreed judgment" in the amount of $400,000.00 against several of the Core Iron Parties.

c. The Chapter 11 Trustee and Core Iron Parties would withdraw certain motions pending against one another.

d. The Chapter 11 Trustee would sell all of her rights in certain raw steel inventory to Core Iron. The Chapter 11 Trustee would retain a first-priority security interest and lien in such steel.

e. The Chapter 11 Trustee would sell all of her rights in certain office furniture and office-lease deposits to Core Iron.

f. The Chapter 11 Trustee would transfer her rights in a certain mortgage in Mexico to Tri-Core Leasing, LLC, one of the Core Iron Parties.

g. The Chapter 11 Trustee and the Core Iron Parties would release each other from any and all causes of action and claims.

The Bankruptcy Court approved the Core Iron Settlement Agreement in its *Order Approving Motion for Approval of Compromise and Settlement Pursuant to Bankruptcy Rule 9019* [Docket No. 465] on July 8, 2013. The Settlement Agreement and Order is incorporated by reference into the Plan.

ARTICLE V
CHAPTER 11 BANKRUPTCY AND PLAN OVERVIEW

5.01 Introduction to Chapter 11 of the Bankruptcy Code

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor-in-possession or a chapter 11 trustee is authorized to reorganize a business for the benefit of itself, its creditors, and its shareholders. In addition to permitting rehabilitation of the debtor, chapter 11 promotes equality of treatment of creditors who hold substantially similar claims against the debtor and its assets. In furtherance of these two goals, the filing of a petition for relief under chapter 11 creates an estate comprising all the legal and equitable interests of a debtor in property as of the date such petition was filed. Upon the filing of a petition for relief under chapter 11, an automatic stay is imposed stopping substantially all

existing acts and preventing future acts the Debtor and its property to collect on claims or enforce liens that arose prior to the commencement of the bankruptcy case.

The formulation and consummation of a chapter 11 plan – liquidating or reorganizing – is typically the principal objective of a chapter 11 case. A chapter 11 sets forth the means for satisfying claims against a debtor. Confirmation of a chapter 11 plan by the bankruptcy court makes the plan binding on the debtor, any entity acquiring property under the plan, and any creditor of the debtor, whether or not such creditor (a) is impaired under or has accepted the plan or (b) receives or retains any property under the plan. Subject to certain limited exceptions and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date the chapter 11 plan is confirmed, and substitutes therefor the obligations specified under the confirmed plan.

This Disclosure Statement sets forth certain information regarding the Debtors' history and significant events expected to occur during the Chapter 11 Cases. This Disclosure Statement also describes the Plan, alternatives to the Plan, effects of confirmation of the Plan, and the manner in which distributions will be made under the Plan. In addition, this Disclosure Statement discusses the confirmation process and the voting procedures that holders of Claims must follow for their votes to be counted.

THE REMAINDER OF THIS SECTION PROVIDES A SUMMARY OF THE PLAN, AND OF THE CLASSIFICATION AND TREATMENT OF CLAIMS UNDER THE PLAN. IT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN, AS WELL AS THE EXHIBITS ATTACHED THERETO AND DEFINITIONS THEREIN.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN CONTROL THE ACTUAL TREATMENT OF CLAIMS AGAINST THE DEBTOR UNDER THE PLAN AND WILL, UPON OCCURRENCE OF THE EFFECTIVE DATE, BE BINDING ON ALL HOLDERS OF CLAIMS AGAINST THE DEBTOR, THE ESTATE, THE REORGANIZED DEBTOR, LIQUIDATING TRUSTEE, ALL PARTIES RECEIVING PROPERTY UNDER THE PLAN, AND OTHER PARTIES-IN-INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT, ON THE ONE HAND, AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, ON THE OTHER HAND, THE TERMS OF THE PLAN OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

ARTICLE VI
SUMMARY OF CERTAIN CHAPTER 11 PLAN PROVISIONS

6.01 Means for Implementation of the Plan

a) Substantive Consolidation. The Plan is predicated on substantive consolidation of the Debtors into a single entity for purpose of all actions under the Plan. Entry of the Confirmation Order shall constitute approval, pursuant to Section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Chapter 11 Cases for all purposes related to the Plan, including, without limitation, for purposes of voting,

confirmation and distribution. As a result of the substantive consolidation of the Assets and Liabilities of the Debtors, on and after the Effective Date, (a) all assets and liabilities of the Debtors shall be deemed merged so that all assets of the Debtors shall be available to pay all of the liabilities under the Plan as if it were one company, (b) no distributions shall be made under the Plan on account of Intercompany Claims, (c) no distributions will be made under the Plan on account of any Equity Interests, (d) all guarantees of the Debtors of the obligations of any other Debtor shall be deemed eliminated so that any claim against any Debtor and any guarantee thereof executed by any other Debtor and any joint or several liability of the Debtors shall be deemed to be one obligation of the consolidated Debtors, (e) every Claim filed or to be filed in the Chapter 11 Cases against any Debtor shall be deemed filed against the consolidated Debtors, and shall be deemed one Claim against and obligation of the consolidated Debtors, and all duplicate proofs of Claim for the same Claim filed against more than one Debtor shall be deemed expunged; (f) unless otherwise provided in the Plan, all Equity Interests in any Debtor shall be deemed extinguished for purposes of distributions under this Plan, and no distributions under this Plan shall be made on account of any such Equity Interests; and (g) for purposes of determining the availability of the right of setoff under Section 553 of the Bankruptcy Code, the Debtors shall be treated as one consolidated entity so that, subject to other provisions of Section 553 of the Bankruptcy Code, debts due to any Debtor may be set off against the debts of any other Debtor.

b) Settlement of all Claims and Equity Interests in the Debtors. Pursuant to Bankruptcy Rule 9019, and in consideration for the classification, distribution, releases, and other benefits provided under the Plan, upon the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims or controversies resolved pursuant to the Plan. All distributions made under a Plan Document to Creditors holding Allowed Claims in any Class are intended to be and shall be final, and no such distribution to the holder of a Claim in one Class shall be subject to being shared with or reallocated to the holders of any Claim in another Class by virtue of any prepetition collateral-trust agreement, shared-collateral agreement, subordination agreement, or other similar inter-creditor arrangement.

c) Plan Funding. The Cash necessary for Confirmation and to make the Distributions to Allowed Claims against and Equity Interests in the Debtors will come from the Cash in the Chapter 11 Trustee's possession at Confirmation and the Cash acquired by the Liquidating Trustee after liquidation of the Assets. The balance of that Cash (after payment or reserve of all conditions precedent to Confirmation) will be transferred to the Liquidating Trust for Distributions.

d) Liquidating Trust.

1) Establishment of the Liquidating Trust. On the Effective Date, the Chapter 11 Trustee and the Liquidating Trustee shall execute the Liquidating Trust Agreement, thereby establishing the Liquidating Trust. The Debtors, the Chapter 11 Trustee, the Liquidating Trustee, all Creditors, and all holders of Equity Interests shall be deemed to have adopted and approved the Liquidating Trust

Agreement substantially similar to the form attached as Exhibit A to the Plan, as of the Effective Date.

2) Purpose of the Liquidating Trust. The Liquidating Trust shall be established for the purpose of liquidating the Liquidating Trust Assets and distributing the proceeds of such liquidation to holders of Allowed Claims not otherwise paid by the Chapter 11 Trustee prior to or on the Effective Date. On the Effective Date, the Debtors shall relinquish any and all rights in and to the Liquidating Trust Assets, which shall be transferred to the Liquidating Trust free and clear of all Claims and Liens in accordance with Section 1141 of the Bankruptcy Code. The Liquidating Trust shall be established for the purpose of liquidating assets for and on behalf of holders of Allowed General Unsecured Claims, in accordance with Treas. Reg. §301.7701-4(d), with no objective to continue or engage in the conduct of any trade or business. The Liquidating Trustee shall also make the payments required by the Plan, to the extent unpaid. The Liquidating Trust shall not be deemed a successor-in-interest of the Debtors for any purpose other than as specifically set forth herein. The Liquidating Trust is intended to qualify as a "grantor trust" for federal income-tax purposes and, to the extent permitted by applicable law, for state and local income-tax purposes, with the beneficiaries treated as grantors and owners of the trust.

3) Transfer of Assets to the Liquidating Trust. On the Effective Date, all property of the Estates, including the Liquidating Trust Assets shall be transferred to and vest in the Liquidating Trust, free and clear of all Claims, Liens, interests, and encumbrances, except as otherwise expressly provided in the Plan or a Plan Document.

4) Satisfaction of Allowed Claims Against the Debtors from the Liquidating Trust. On the Effective Date, all Claims against the Debtors and their Estates, and all Distribution rights conferred by the Plan on account thereof, shall be transferred to the Liquidating Trust. On the Effective Date, all objections, counterclaims, rights of setoff, rights of recoupment, and other defenses held by the Debtors, the Estates, and the Chapter 11 Trustee in relations to such Claims, in relations to such distribution rights, and in relation to the holders of such Claims and distribution rights, shall be preserved and transferred to the Liquidating Trust. From and after the Effective Date, the Liquidating Trustee shall have the authority and standing to assert, prosecute, and settle any and all of such objections, counterclaims, rights of setoff or recoupment, and other defenses. Following the Effective Date, Claims that are or become

Allowed Claims shall be satisfied from the Liquidating Trust in accordance with the provisions of the Plan, and the Debtors or the Estates shall have no continuing liability on any Claim.

5) Appointment of the Liquidating Trustee. On the Effective Date, and pursuant to the Confirmation Order, Areya Holder shall be appointed the initial Liquidating Trustee. The Liquidating Trustee shall be the representative of the Estates pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code.

6) Liquidating Trustee. The Liquidating Trust shall be administered by the Liquidating Trustee. The Liquidating Trustee shall administer the Liquidating Trust consistent with terms of the Plan, the Confirmation Order, and Liquidating Trust Agreement, and shall have all of the rights, obligations, powers, and duties as set forth in the Plan and Liquidating Trust Agreement. The Liquidating Trustee shall be approved by the Bankruptcy Court in the Confirmation Order. The appointment of the Liquidating Trustee shall be effective as of the Effective Date. On the Effective Date, the Liquidating Trustee will be the sole authorized representative and signatory of the Liquidating Trust. Any successor Liquidating Trustee shall be appointed by the Bankruptcy Court after notice and hearing and consistent with the terms of the Liquidating Trust Agreement. Upon Areya Holder's resignation as Liquidating Trustee, Areya Holder shall nominate a potential successor Liquidating Trustee to the Bankruptcy Court. Upon Areya Holder's death or inability to serve as Liquidating Trustee as determined by a court of competent jurisdiction, the U.S. Trustee shall nominate a potential successor Liquidating Trustee to the Bankruptcy Court.

7) Compensation of the Liquidating Trustee. To maximize the dollar amount of Liquidating Trust Assets available for Distributions on account of Allowed Claims, the Liquidating Trustee shall be compensated as follows:

(i) A flat rate of $2,500.00 per month; and

(ii) A commission equal to 3% of all disbursements paid pursuant to the terms and conditions of this Plan, less any commissions already paid to the Chapter 11 Trustee as approved by the Bankruptcy Court. To be clear, for example, assume the following:

- Prior to the Effective Date, the Chapter 11 Trustee was compensated on an interim basis by the Bankruptcy Court for money collected in the amount of $3,000,000.00.

- Chapter 11 Trustee / Liquidating Trustee distributes $4,000,000.00 pursuant to this Plan and the Liquidating Trust Agreement.

- The Liquidating Trustee's compensation will be based on $4,000,000.00 of Distributions less $3,000,000.00 of Distributions for which the Chapter 11 Trustee received compensation. So the Liquidating Trustee's compensation will be based on $1,000,000.00 of Distributions.

(iii) In addition, the Liquidating Trustee shall be reimbursed 100% of all expenses incurred in the fulfillment of her duties pursuant to this Plan and the Liquidating Trust Agreement. The Liquidating Trustee may receive compensation and expense reimbursements on a monthly basis without approval of the Bankruptcy Court at any time before the Liquidating Trust is terminated.

8) Powers and Duties. The Liquidating Trustee shall have the powers and duties set forth in the Plan and the Liquidating Trust Agreement. The Liquidating Trustee will be a representative of the Debtors and the Estate pursuant to Section 1123(b)(3) of the Bankruptcy Code and, as such, will have the power to prosecute all Causes of Actions in the name of the Liquidating Trust or, as necessary, in the name of the Debtors. The Liquidating Trustee shall be governed in all things by the terms of the Liquidating Trust Agreement and the Plan. The Liquidating Trustee shall administer the Liquidating Trust and the Liquidating Trust Assets and make Distributions in accordance with the Plan and the Liquidating Trust Agreement. The Bankruptcy Court shall retain jurisdiction to supervise the Liquidating Trustee in the fulfillment of his duties pursuant to the Liquidating Trust Agreement.

9) Employees and Agents. The Liquidating Trustee may hire employees and professionals, including, without limitation, brokers, banks, custodians, investment advisors, attorneys, accountants, auditors, tax advisors, and other agents, in the Liquidating Trustee's sole discretion without approval from the Bankruptcy Court. The Liquidating Trustee shall not be liable for

any loss to the Liquidating Trust or any person interested therein by reason of any mistake or default of such agent or consultant as shall be selected and retained in good faith and without gross negligence.

10) Records to be Kept and Reports to be Filed by the Liquidating Trustee. The Liquidating Trustee shall maintain good and sufficient records of receipts, disbursements, and reserves of the Liquidating Trust. Such books and records shall be open to inspection at reasonable times upon reasonable request by any holder of an Allowed Claim. Not later than thirty (30) days after the end of each quarter, and as soon as practicable after termination of the Liquidating Trust, the Liquidating Trustee shall file with the Bankruptcy Court an unaudited written report and account showing labeled a Quarterly Report, substantially similar to the form included in or attached to the Plan Supplement. The first Quarterly Report is due no later than January 31, 2014.

11) Duration of Liquidating Trust. The Liquidating Trust shall continue to exist until the Liquidating Trustee has (a) administered all Liquidating Trust Assets and made a final Distribution to holders of Allowed Claims not paid by the Chapter 11 Trustee prior to or on the Effective Date, and (b) performed all other duties required by the Plan and the Liquidating Trust Agreement.

12) Effectuating Documents; Further Transactions. On the Effective Date, the Liquidating Trust, the Liquidating Trustee, and the employees, agents, attorneys and professionals of the Liquidating Trust shall be authorized and directed, without further Order of the Bankruptcy Court, to execute, deliver, file, and record all agreements, instruments, and contracts, and take such actions as may be necessary or appropriate to effectuate and further evidence the terms and conditions and consummate the Plan or to otherwise comply with applicable law to cause title to the Liquidating Trust Assets to be transferred to the Liquidating Trust; however, notwithstanding the non-execution of such documents, title to the Liquidating Trust Assets will automatically vest in the Liquidating Trust on the Effective Date.

13) Tax Treatment of the Liquidating Trust. The Liquidating Trust to be established for the benefit of holders of Allowed Claims is intended to qualify as a grantor trust for federal income-tax purposes. All items of income, deduction, credit, or loss of the Liquidating Trust shall be allocated for federal, state and local

income-tax purposes to holders of Allowed General Unsecured Claims.

14) Preservation of Causes of Action and defenses to All Claims, Including Administrative Expense Claims. In accordance with Section 1123(b)(3) of the Bankruptcy Code, the Liquidating Trust shall retain all of the Causes of Action, including Avoidance Actions, and other similar claims, counterclaims, rights, defenses, setoffs, recoupments, and actions in law or equity arising under the Bankruptcy Code or applicable non-bankruptcy law. This preservation includes all current and pending litigation in which the Debtors, the Estates, or the Chapter 11 Trustee is a party in the Bankruptcy Court or otherwise. The Liquidating Trustee and the Liquidating Trust shall have authority and standing to enforce, sue on, settle, or compromise (or decline to do any of the foregoing) any of the Causes of Action and other similar claims, counterclaims, rights, defenses, setoffs, recoupments, and actions, including objections to Claims, and may prosecute and enforce all defenses, counterclaims, and rights that have been asserted or could be asserted by a Debtor against or with respect to all Claims asserted against a Debtor or property of an Estate without approval from the Bankruptcy Court. A non-exclusive list of such Causes of Action and other similar claims, counterclaims, rights, defenses, setoffs, recoupments, and actions in law or equity was attached as Exhibit E to the Disclosure Statement, and is hereby incorporated by reference herein as if fully set forth in this Plan.

15) Agents of the Liquidating Trustee. As more fully described in the Liquidating Trust Agreement attached as Exhibit A to the Plan, the Liquidating Trustee may hire and compensate professionals, including, without limitation, brokers, banks, custodians, investment advisors, attorneys, accountants, auditors, tax advisors, and other agents, in the Liquidating Trustee's sole and absolute discretion and without approval of the Bankruptcy Court. The Liquidating Trustee shall retain her authority to make professional-retention decisions from time to time in all matters affecting the Liquidating Trust. The Liquidating Trustee shall not be liable for any loss to the Liquidating Trust or any person interested therein by reason of any mistake or default of such professional, agent, consultant, or officer as shall be selected and retained in good faith and without gross negligence.

16) Limitation on Liability of the Liquidating Trustee. The Liquidating Trustee shall use commercially reasonable judgment in administering the Liquidating Trust, and the Liquidating Trustee

and her professionals shall be entitled to indemnification out of the Liquidating Trust Assets against any losses, liabilities, expenses (including attorneys' fees and disbursements), damages, taxes, suits, or claims that the Liquidating Trustee or her professionals may incur or sustain by reason of being or having been the Chapter 11 Trustee, the Liquidating Trustee, or a professional of the Chapter 11 Trustee or the Liquidating Trustee or for performing any functions incidental to such service; provided, however, the foregoing shall not relieve the Liquidating Trustee or her professionals from liability for bad faith, willful misfeasance, reckless disregard of duty, gross negligence, fraud, self-dealing or breach of financial duty.

17) Termination of the Liquidating Trust. The existence of the Liquidating Trust and the authority of the Liquidating Trust will commence as of the Effective Date and will remain and continue in full force and effect until all of the Liquidating Trust Assets are liquidated in accordance with the Plan, the funds in the Liquidating Trust have been completely distributed in accordance with the Plan, all tax returns and any other filings or reports have been filed with the appropriate state or federal regulatory authorities and the order closing the Chapter 11 Cases is a Final Order. At such time as the Liquidating Trust has been fully administered (*i.e.*, when all things requiring action by the Liquidating Trust Administrator have been done, and the Plan has been substantially consummated) and in all events within sixty (60) days after the final Distribution Date, the Liquidating Trust Administrator will file an application for approval of its final report and the entry of the final decree by the Bankruptcy Court.

18) Exculpation Relating to the Liquidating Trust. No Holder of a Claim or any other party-in-interest will have, or otherwise pursue, any Claim or Cause of Action against the Liquidating Trustee, the Liquidating Trust, or any employee or professional thereof for making payments in accordance with the Plan or for fulfilling any functions incidental to implementing the provisions of the Plan or the Liquidating Trust, except for any acts or omissions to act that are the result of willful misconduct or gross negligence.

e) Termination of the Debtors. On the Effective Date, or as soon thereafter as possible, the Liquidating Trustee will cause to be filed with the State of Texas and any other governmental authority such certificate of dissolution or cancellation and other certificates or documents as may be or become necessary to implement the termination of the legal existence of the Debtors.

f) Methods of Distribution Under the Plan. Distributions to holders of Claims against the Debtors shall be made by the Liquidating Trustee in accordance with the terms of the Plan and the Liquidating Trust Agreement. All payments due under the Plan shall be made by the Liquidating Trustee from the Liquidating Trust Assets.

g) Cancellation of Existing Agreements and Equity Interests. Except for purposes of evidencing a right to Distributions under the Plan, on the Effective Date, all Equity Interests and other instruments evidencing any Claim against the Debtors shall be deemed automatically cancelled without further act or action under any applicable agreement, law, regulation, order or rule.

6.02 Effects of Confirmation

a) Discharge. Except as provided in the Bankruptcy Code, the Plan, any Plan Document, or the Confirmation Order, all consideration distributed under the Plan will be in exchange for, and in complete satisfaction, settlement, discharge, and release of, all Claims against the Debtors, their Estates, and the Chapter 11 Trustee of any nature whatsoever, whether known or unknown, or against the Assets or properties of the Debtor, the Estate, or the Reorganized Debtor that arose before the Effective Date. Except as provided in the Bankruptcy Code, the Plan, any Plan Document or the Confirmation Order, upon the Effective Date, entry of the Confirmation Order acts as a discharge and release under section 1141(d)(1)(A) of the Bankruptcy Code of all Claims against the Debtor and the Assets and properties, arising at any time before the Effective Date, regardless of whether a proof of Claim was filed, whether the Claim is Allowed, or whether the holder of the Claim votes to accept the Plan or is entitled to receive a Distribution under the Plan. Except as provided in the Plan or the Confirmation Order, upon the Effective Date, any holder of the discharged Claim will be precluded from asserting such Claim against the Debtors, their Estates, the Chapter 11 Trustee, or any of their assets or properties any other or further Claim based on any document, instrument, act, omission, transaction or other activity of any kind or nature that occurred before the Effective Date. Except as provided in the Plan and the Confirmation Order, and subject to the occurrence of the Effective Date, the Confirmation Order will be a judicial determination of discharge of all the Debtors' liabilities to the extent allowed under section 1141, and the Debtors will not be liable for any Claim and will only have the obligations as specifically provided in the Plan. Notwithstanding the foregoing, the discharge granted under this section shall not impair the rights of holders of any Allowed Claims to receive Distributions on account of such Allowed Claims from the Liquidating Trust or as otherwise provided in this Plan.

b) Binding Effect. From and after the Effective Date, the Plan shall be binding on and inure to the benefit of the Debtors, their Estates, the Chapter 11 Trustee, the Liquidating Trustee, all present and future holders of Claims, and their respective successors and assigns, and all other parties-in-interest in the Bankruptcy Case. Confirmation of the Plan binds each holder of a Claim to the terms and conditions of the Plan, whether or not such Creditor has accepted the Plan.

c) Injunction, Exculpation, and Limitation of Liability. The Plan provides for certain injunctions, limitations of recourse and liability, and exculpations that may affect your rights. Certain of the relevant provisions can be found in Article X of the Plan. It is important that you carefully review the whole Plan, including Article X.

6.03 Retention of Jurisdiction

Under the Plan, notwithstanding entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall retain jurisdiction, to the fullest extent legally permitted, over the Bankruptcy Case, all proceedings arising under, arising in, or related to the Bankruptcy Case, the Confirmation Order, the Plan and administration of the Liquidating Trust. Some specific types of disputes and proceedings that the Bankruptcy Court shall retain jurisdiction over are identified in Article XI of the Plan.

6.04 Procedures for Treating and Resolving Disputed and Contingent Claims

a) Objection Deadline. Except as otherwise set forth in the Plan or as otherwise extended or ordered by the Bankruptcy Court, all objections to Claims must be filed no later than one hundred twenty (120) days after the Effective Date (unless such day is not a Business Day; in which case, such deadline will be the next Business Day thereafter unless extended by an order of the Bankruptcy Court). An objection to a Claim will be deemed properly served on the holder thereof if service is effected by any of the following methods: (a) in accordance with Rule 4 of the Federal Rules of Civil Procedure, as modified and made applicable by Bankruptcy Rule 7004; (b) to the extent counsel for a Claimant is unknown, by first-class mail, postage prepaid, on the signatory on the proof of Claim or other representative identified on the proof of Claim or any attachment thereto; or (c) by first-class mail, postage prepaid, on any counsel that has appeared on the behalf of the Claimant in the Bankruptcy Case.

b) No Distribution Pending Allowance. No Distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order, and the Disputed Claim has become an Allowed Claim. The Liquidating Trustee may, in her sole discretion, withhold Distributions otherwise due hereunder to the holder of a Claim until the Objection Deadline to enable the Liquidating Trustee to file a timely objection thereto. When a Disputed Claim becomes an Allowed Claim, the Liquidating Trustee shall make Distributions with respect to such Allowed Claim, without interest (except as otherwise provided in the Plan), net of any setoff and/or any required withholding of applicable taxes.

c) Distribution Reserve Account. No Distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order and the Disputed Claim has become an Allowed Claim. The Liquidating Trustee may, in her sole discretion, withhold Distributions otherwise due hereunder to the holder of a Claim until the Objection Deadline to enable the Liquidating Trustee to file a timely objection thereto. When a Disputed Claim becomes an Allowed Claim, the Liquidating Trustee shall make Distributions with respect

to such Allowed Claim, without interest (except as otherwise provided in this Plan), net of any setoff and/or any required withholding of applicable taxes.

d) Claim Estimation. The Liquidating Trustee may request estimation or limitation of any Contingent, Unliquidated, or Disputed Claim pursuant to Section 502(c) of the Bankruptcy Code regardless of whether that Claim was previously objected to or whether the Bankruptcy Court has ruled on any such objection; provided, however, that the Bankruptcy Court will determine (a) whether such Disputed Claims are subject to estimation pursuant to Section 502(c) of the Bankruptcy Code and (b) the timing and procedures for such estimation proceedings, if any. The Bankruptcy Court will 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. If the Bankruptcy Court estimates any Contingent, Unliquidated, or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. 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 Plan or the Bankruptcy Court.

e) Distribution After Allowance. Payments and Distributions from the Distribution Reserve Account to each respective holder of a Disputed Claim, to the extent it becomes an Allowed Claim, will be made in accordance with the provisions of the Plan that govern Distributions to such holders of Claims in the Class in which such Claimant is classified. Unless otherwise provided in the Plan, as promptly as practicable after the date on which a Disputed Claim becomes undisputed, non-contingent, liquidated and Allowed, and in no event later than thirty (30) days after the Disputed Claim becomes an Allowed Claim, the Liquidating Trustee will distribute to the Claimant the property from the Distribution Reserve Account that would have been distributed to such Claimant had its Claim been an Allowed Claim on the date that Distributions were previously made to holders of Allowed Claims in the Class in which such Claimant is classified under the Plan. After all Disputed Claims have been resolved and all such Claims that become Allowed Claims have been paid in full, any remaining property in the Distribution Reserve Account will be distributed Pro Rata to holders of Allowed Subordinated Claims in accordance with the other provisions of the Plan.

f) Allowance of Claims Subject to Section 502(d) of the Bankruptcy Code. Allowance of Claims will, in all respects, be subject to the provisions of section 502(d) of the Bankruptcy Code, except as provided by a Final Order of the Bankruptcy Court or a settlement among the relevant parties.

6.05 Administrative Expenses Claims, Professional Fee Claims, and Tax Priority Claims

a) Administrative Expense Claims. All requests for payment of Administrative Expense Claims must have been filed with the Bankruptcy Court by the Administrative Expense

Bar Date. Any Administrative Expense Claim for which an application or request was not filed with the Bankruptcy Court is discharged, forever barred, and not entitled to Distributions under this Plan. Except to the extent that any entity entitled to payment of any Allowed Administrative Expense Claim agrees otherwise, each holder of an Allowed Administrative Expense Claim shall receive Cash in an amount equal to such Allowed Administrative Expense Claim on or as soon as reasonably practicable following the later to occur of (a) the Effective Date and (b) the date such Administrative Expense Claim becomes an Allowed Administrative Expense Claim; provided, however, that Allowed Administrative Expense Claims representing liabilities incurred in the ordinary course of business by the Debtors or the Chapter 11 Trustee shall be paid in full in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to such transactions.

b) Professional Fee Claims. All requests for payment of Professional Fee Claims must be filed with the Bankruptcy Court and served on the Liquidating Trustee and the U.S. Trustee no more than sixty (60) days after the Effective Date. Any such Professional Fee Claim for which an application or request for payment is not filed within that time period shall be discharged and forever barred, and shall not be entitled to any Distributions under the Plan. A timely filed Professional Fee Claim may be objected to after the Effective Date. A hearing on a timely filed Professional Fee Claim and an objection thereto may be held after the Effective Date. Payments to Professional Persons for services rendered after the Effective Date may be paid by the Liquidating Trustee pursuant to the terms of the Liquidating Trust Agreement. All Professional Fee Claims shall be paid in full, in Cash, in such amounts Allowed by the Bankruptcy Court in accordance with the order relating to or allowing any such Professional Fee Claim. No Professional Fee Claim shall be Allowed on account of services rendered or expenses incurred by a Professional prior to the Effective Date unless payment for such services and expenses has been approved by the Bankruptcy Court.

c) Priority Tax Claims. Except to the extent that a holder of an Allowed Priority Tax Claim agrees to a different treatment, each holder of an Allowed Priority Tax Claim shall receive, in full satisfaction, settlement, and release of and in exchange for such Allowed Priority Tax Claim, payment in Cash in the full amount of such Allowed Priority Tax Claim, on or as soon as reasonably practicable following the later to occur of (x) the Effective Date, and (y) the date on which such claim becomes Allowed.

d) U.S. Trustee Fees. The Liquidating Trustee shall be responsible for timely payment of United States Trustee quarterly fees incurred pursuant to 28 U.S.C. § 1930(a)(6) after the Confirmation Date. Any fees due as of the most recent quarterly invoice prior to the Confirmation Date will be paid in full within thirty (30) days after the Effective Date. Thereafter, the Liquidating Trustee will pay all United States Trustee quarterly fees as they accrue until the Bankruptcy Case is closed.

ARTICLE VII
PRESERVED CAUSES OF ACTION

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

The Chapter 11 Trustee has attempted to discover any Causes of Action, including Avoidance Actions and other Causes of Action held by the Chapter 11 Trustee or the Estates against third parties. However, the Proponent has not performed an exhaustive investigation or analysis of potential claims and Causes of Action against third parties. Under the Plan, that investigation and analysis will be performed after the Confirmation Date by the Liquidating Trustee. You should not rely on the omission of any specific disclosure of a claim or Cause of Action to assume that the Estate holds no claim or Cause of Action against any third-party, including, without limitation, any Creditor that may be reading this Disclosure Statement or casting a Ballot.

Unless expressly and conspicuously released by the Plan or by an order of the Bankruptcy Court, the Debtor may hold claims or Causes of Action against a holder of a Claim, and the Liquidating Trustee may pursue such claims, including, without limitation, the following:

a. Preference claims;

b. Fraudulent-transfer claims;

c. Unauthorized postpetition-transfer claims;

d. Claims asserted in current litigation, whether commenced before or after the Petition Date; and

e. Counterclaims asserted in current litigation

The Liquidating Trust shall be appointed as the representative of the Estate pursuant to section 1123(b)(3)(B) of the Bankruptcy Code with respect to the Causes of Action. On the Effective Date, all Causes of Action shall vest in the Liquidating Trust and the Liquidating Trustee may enforce, sue on, settle or compromise (or decline to do any of the foregoing) any or all of the Causes of Action. The Liquidating Trustee shall be vested with authority and standing to prosecute any Causes of Action. The Chapter 11 Trustee, the Liquidating Trustee, and her professionals shall have no liability for pursuing or failing to pursue any such Causes of Action.

The Chapter 11 Trustee's failure to specifically identify a claim or Cause of Action herein is not a waiver of any claim or Cause of Action. The Chapter 11 Trustee will not ask the Bankruptcy Court to rule or make findings with respect to the existence of any Cause of Action or the value of the entirety of the Estate at the Confirmation Hearing; accordingly, except claims or Causes of Action that are expressly and conspicuously released by the Plan or by an Order of the Bankruptcy Court, the Chapter 11 Trustee's failure to identify a claim or Cause of Action herein shall not give rise to any defense of any preclusion doctrine, including, without limitation,

the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise), or laches with respect to claims or Causes of Action that could be asserted against third parties, including Creditors of the Debtor that may read this Disclosure Statement or cast a Ballot except where such claims or Cause of Action has been expressly and conspicuously released in the Plan or the Confirmation Order.

In addition, the Chapter 11 Trustee and the Liquidating Trustee, as applicable, expressly reserve the right to pursue or adopt any claim alleged in any lawsuit in which the Debtor or the Estate is a party. A non-exclusive list Causes of Action and other similar claims, counterclaims, rights, defenses, setoffs, recoupments, and actions in law or equity preserved by the Chapter 11 Trustee is attached hereto as **Exhibit E**, and hereby incorporated by reference herein as if fully set forth.

ARTICLE VIII
CERTAIN FEDERAL INCOME-TAX CONSEQUENCES OF THE PLAN

8.01 General Information

The following discussion summarizes certain United States federal income-tax consequences of the implementation of the Plan to the Debtor and certain holders of Claims. This summary is for general information purposes only, and should not be relied on for purposes of determining the specific tax consequences of the Plan with respect to any particular holder of a Claim. This discussion does not purport to be a complete analysis or listing of all potential tax considerations.

The discussion is based on the Internal Revenue Code, Treasury Regulations promulgated thereunder, judicial decisions, and published administrative rules and pronouncements of the IRS as in effect on the date hereof. Legislative, judicial, or administrative changes or new interpretations enacted or promulgated after the date hereof could alter or modify the analyses set forth below with respect to the United States federal income-tax consequences of the Plan. Any such changes or new interpretations may have retroactive effect and could significantly affect the federal income-tax consequences of the Plan.

The federal income-tax consequences of the Plan are complex and are subject to significant uncertainties. The Chapter 11 Trustee has not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS or a court will adopt. In addition, this discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the federal income-tax consequences of the Plan to (a) special classes of taxpayers (such as Persons who are related to the Debtors within the meaning of the Internal Revenue Code, foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, and investors in pass-through entities and holders of Claims who are themselves in bankruptcy) or (b) holders not entitled to vote on the Plan, including holders whose Claims are entitled to reinstatement or payment in full in cash under the Plan or holders whose Claims are to be extinguished without any Distribution.

This discussion assumes that holders of Claims hold only Claims in a single Class. Holders of multiple Classes of Claims should consult their own tax advisors as to the effect such ownership may have on the federal income-tax consequences described below.

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

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF CLAIMS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED ON, AND CANNOT BE RELIED ON, BY ANY HOLDER OF A CLAIM FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS OF CLAIMS UNDER THE INTERNAL REVENUE CODE, (2) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE CONFIRMATION OF THE PLAN TO WHICH THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT ARE ANCILLARY, AND (3) HOLDERS OF CLAIMS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM THEIR OWN TAX ADVISOR.

8.02 Tax Consequences of the Liquidating Trust

a) Classification of the Liquidating Trust. The Liquidating Trust will be organized for the primary purpose of liquidating the Liquidating Trust Assets transferred to it 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. Thus, the Liquidating Trust is intended to be classified for federal income tax purposes as a "grantor trust" within the meaning of sections 671 et seq. of the Internal Revenue Code. For federal income-tax purposes, the transfer of assets of the Debtor and its Estate to the Liquidating Trust will be treated as a "deemed transfer" of the Assets by the Debtor and its Estate directly to the holders of the Allowed Claims, followed by a "deemed transfer" of the Assets by such holders to the Liquidating Trust in satisfaction of the Allowed Claims. Under the Plan, all parties are required to treat the Liquidating Trust as a "grantor trust," subject to definitive guidance to the contrary from the IRS. The Liquidating Trust is not a separate taxable entity.

No request for a ruling from the IRS will be sought on the classification of the Liquidating Trust. Accordingly, there can be no assurance that the IRS would not take a contrary position to the classification of the Liquidating Trust. If the IRS were to challenge successfully the classification of the Liquidating Trust as a grantor trust, the federal income tax consequences to the Liquidating Trust and the holders of certain Allowed Claims could vary from those discussed herein (including the potential for an entity-level tax).

b) Allocation of Liquidating Trust Taxable Income and Loss and Disposition of Liquidating Trust Assets. Each holder of an Allowed Claim must report on its federal income-tax return its allocable share of income, gain, loss, deduction, and credit on a current basis, if any, recognized or incurred by the Liquidating Trust. Moreover, upon the sale or other disposition of any Liquidating Trust Asset, each holder of an Allowed Claim receiving a Distribution from the Liquidating Trust must report on its federal income-tax return its share of any gain or loss measured by the difference between (a) its Pro Rata share of the amount of cash and/or the fair market value of any property received by the Liquidating Trust in exchange for the Liquidating Trust Asset so sold or otherwise disposed of and (b) such holder's adjusted tax basis in its share of such Liquidating Trust Asset. The character of any such gain or loss to any such holder will be determined as if such holder itself had directly sold or otherwise disposed of the Trust Asset. The character of items of income, gain, loss, deduction, and credit to any holder of an Allowed Claim receiving a Distribution from the Liquidating Trust, and the ability of such holder to benefit from any deductions or losses, may depend on the particular circumstances or status of such holder.

As a grantor trust, each holder of an Allowed Claim receiving a Distribution from the Liquidating Trust has an obligation to report its share of the Liquidating Trust's tax items (including gain on the sale or other disposition of a Trust Asset) that is not dependent on the distribution of any Cash or other Trust Assets by the Liquidating Trust. Accordingly, a holder of an Allowed Claim receiving a Distribution from the Liquidating Trust may incur a tax liability as a result of owning a share of the Liquidating Trust Assets, regardless of whether the Liquidating Trust distributes Cash or other Liquidating Trust Assets to the holders.

8.03 Information Reporting and Backup Withholding

Certain payments, including the payments with respect to Claims pursuant to the Plan, may be subject to information reporting by the Debtor to the IRS. Moreover, such reportable payments may be subject to backup withholding (currently at a rate of 28%) under certain circumstances. Backup withholding is not an additional tax. Rather, amounts withheld under the backup withholding rules may be credited against a holder's federal income-tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing an appropriate claim for refund with the IRS (generally a U.S. federal income tax return). The Chapter 11 Trustee intends to comply with all applicable reporting withholding requirements of the Internal Revenue Code.

Holders of Allowed Claims should consult their own tax advisors regarding their qualification for exemption from backup withholding and information reporting and the procedures for obtaining such an exemption.

The Treasury Regulations generally require disclosure by a taxpayer on its U.S. federal income-tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of certain thresholds. Holders of Allowed Claims should consult their own tax advisors regarding these Treasury Regulations and whether the exchanges contemplated by the

Plan would be subject to these Treasury Regulations and require disclosure on the holders' tax returns.

8.04 Importance of Obtaining Professional Tax Assistance

THE FOREGOING SUMMARY HAS BEEN PROVIDED FOR INFORMATIONAL PURPOSES ONLY AS MANDATED BY SECTION 1125 OF THE BANKRUPTCY CODE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S PARTICULAR CIRCUMSTANCES. ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS ARE URGED TO CONSULT THEIR TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL, AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

ARTICLE IX
THE BEST-INTERESTS-OF-CREDITORS TEST

9.01 Best-Interests Test

The Bankruptcy Code requires that the Bankruptcy Court find that the Plan is in the best interest of all holders of Claims against and Equity Interests in the Debtors that are "impaired" by the Plan and that have not accepted the Plan as a requirement to confirm the Plan. The "best-interests" test, as set forth in section 1129(a)(11) of the Bankruptcy Code, requires the Bankruptcy Court to find that either (a) all members of an impaired class of claims or equity interests have accepted the Plan or (b) the Plan will provide a member who has not accepted the Plan with a recovery of property of value, measured as of the effective date of the Plan, that is not less than the amount that such holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

To calculate the probable distribution to members of each Impaired Class of Claims if the Debtor were liquidated under chapter 7, the Bankruptcy Court must first determine the aggregate dollar amount that would be generated from the disposition of the Debtors' assets if liquidated in chapter 7 cases under the Bankruptcy Code. This "liquidation value" would consist primarily of the proceeds from a forced sale of the Debtors' assets by a chapter 7 trustee.

The amount of liquidation value available to holders of unsecured Claims against the Debtor would be reduced first by the Claims of secured creditors (to the extent of the value of their collateral), the costs and expenses of liquidation, and then by other administrative expenses and costs of the chapter 7 cases. Liquidation costs of the Debtors under chapter 7 of the Bankruptcy Code would include the compensation of a chapter 7 trustee and his or her counsel and other professionals, asset-disposition expenses, and litigation costs. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay unsecured Claims. The liquidation would also prompt the rejection of all executory contracts and unexpired leases and thereby increase unsecured Claims by a significant amount.

In chapter 7 liquidation, no junior class of Claims may be paid unless all classes of Claims senior to such junior class are paid in full. Section 510(a) of the Bankruptcy Code provides that subordination agreements are enforceable in a bankruptcy case to the same extent that such subordination is enforceable under applicable non-bankruptcy law. Therefore, no class of Claims that is contractually subordinated to another class would receive any payment on account of its Claims unless and until such senior classes were paid in full.

Once the Bankruptcy Court ascertains the liquidation recoveries of the Debtor's secured and priority Creditors, it could then determine the probable distribution to unsecured Creditors from the remaining available proceeds of that liquidation. If this probable distribution has a value greater than the value of distributions to be received by the unsecured Creditors under the Plan, then the Plan is not in the best interests of Creditors and cannot be confirmed by the Bankruptcy Court. As shown in the Liquidation Analysis attached hereto as **Exhibit B**, the Chapter 11 Trustee believes that each member of each Class of Impaired Claims will receive at least as such, if not more, under the Plan than it would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

9.02 Chapter 7 Liquidation Analysis

The Chapter 11 Trustee believes that under the Plan all holders of Impaired Claims will receive property with a value greater than or equal to the value each such holder would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code. The Chapter 11 Trustee's belief is based primarily on the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to holders of Impaired Claims, including:

a. increased costs and expenses of a liquidation under chapter 7 arising from fees payable to one or more chapter 7 trustees and professional advisors to such trustee(s), who may not be as familiar with the Debtors' industry and business operations as the current Professional Persons;

b. erosion in value of assets in a chapter 7 case in the context of the rapid liquidation required under chapter 7 and the "forced-sale" atmosphere that would prevail in today's negative depressed economic environment;

c. significant adverse effects on the Debtors' operations necessary for an orderly liquidation;

d. substantial increases in Claims, as well as substantially increased estimated contingent Claims; and

e. substantial delay in distributions, if any, to the holders of Claims that would likely ensue in a chapter 7 liquidation.

f. The Chapter 11 Trustee believes that any liquidation analysis includes some speculation as such an analysis is necessarily premised on assumptions and estimates that are inherently subject to significant

> uncertainties and contingencies, many of which would be beyond the control of the Chapter 11 Trustee. Thus, there can be no assurance as to values that would actually be realized in a chapter 7 liquidation, nor can there be any assurance that a Bankruptcy Court would accept the Chapter 11 Trustee's conclusions or concur with such assumptions in making its determinations under section 1129(a)(11) of the Bankruptcy Code.

For example, the Liquidation Analysis attached as **Exhibit B** necessarily contains an estimate of the amount of Claims that will ultimately become Allowed Claims. No order or finding has been entered by the Bankruptcy Court or any other court estimating or otherwise fixing the amount of Claims at the projected amounts of Allowed Claims set forth in the Liquidation Analysis. In preparing the Liquidation Analysis, the Chapter 11 Trustee has projected an amount of Allowed Claims within a reasonable range such that, for purposes of the Liquidation Analysis, the largest possible liquidation dividend to holders of Allowed Claims can be assessed. The estimate of the amount of Allowed Claims set forth in the Liquidation Analysis should not be relied on for any other purpose, including any determination of the value of any distribution to be made on the account of Allowed Claims under the Plan.

The Liquidation Analysis attached as **Exhibit B** is provided solely to disclose the effects of a liquidation of the Debtors pursuant to the terms of the Plan, subject to the assumptions set forth therein, to the holders of Claims against the Debtors. A liquidation under chapter 7 would produce, in the Chapter 11 Trustee's opinion, a significantly lower dividend to general unsecured creditors.

ARTICLE X
ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Chapter 11 Trustee believes that the Plan affords holders of Claims the potential for the greatest realization on the Estates' assets and, therefore, is in the best interests of such holders. However, if not enough acceptances received from Classes 3 through 8 are received by the Chapter 11 Trustee to confirm the Plan, or the Plan is not subsequently confirmed and consummated, the theoretical alternatives include: (a) formulation of an alternative chapter 11 plan, or (b) liquidation of the Debtors under chapter 7 of the Bankruptcy Code.

10.01 Alternative Plan(s)

If enough acceptances to confirm the Plan are not received or if the Plan is not confirmed, the Chapter 11 Trustee could attempt to formulate and propose a different chapter 11 plan. Such a plan or plans would involve a resolution distinct from the one proposed in the Plan.

With respect to an alternative plan, the Chapter 11 Trustee has explored various other alternatives in connection with the extensive negotiation process involved in the formulation and development of the Plan. The Chapter 11 Trustee believes that the Plan, as described herein, is the result of extensive negotiations and enables holders of Claims against the Debtor to realize the greatest possible value under the circumstances. In addition, the Chapter 11 Trustee believes

that, as compared to any alternative chapter 11 plan, the Plan has the greatest chance to be confirmed and consummated.

10.02 Liquidation Under Chapter 7

Proceeding under chapter 7 of the Bankruptcy Code would impose significant additional costs on the Estates. Under chapter 7, one or more trustees would be elected or appointed to administer the Estates, to resolve pending controversies, including Disputed Claims against the Debtors and Claims of the Estates against other parties, and to make Distributions to holders of Claims. A chapter 7 Trustee would be entitled to compensation in accordance with the scale set forth in section 326 of the Bankruptcy Code, and the chapter 7 Trustee would also incur significant administrative expenses. There is a strong probability that a chapter 7 trustee would not possess any particular knowledge about the Debtors. In addition, the Bankruptcy Court would establish a new bar date by which creditors must file proofs of claim against the Estates, further extending this case. As a result, the Chapter 11 Trustee asserts that the value of the Estates' assets would be greatly diminished thereby. Additionally, a chapter 7 trustee would probably seek the assistance of professionals who may not have any significant background or familiarity with these Chapter 11 Cases. The chapter 7 trustee and any professionals retained by the trustee likely would expend significant time familiarizing themselves with these Chapter 11 Cases. This could result in duplication of effort, increased expenses, and delay in payments to Creditors.

For any chapter 7 liquidation analysis, it must be recognized that additional costs in both time and money are inevitable. In addition to the time and monetary costs, there are other problems in a chapter 7 liquidation that would result in a substantially smaller recovery for holders of Claims against the Debtors than are not likely under the Plan.

Further, distributions under the Plan probably would be made earlier than they would be made in a chapter 7 case. Distributions of the proceeds of a chapter 7 liquidation might not occur until one or more years after the completion of the liquidation to afford the chapter 7 trustee the opportunity to resolve claims and prepare for such distributions.

THE CHAPTER 11 TRUSTEE BELIEVES THAT THE PLAN AFFORDS SUBSTANTIALLY GREATER RECOVERY TO HOLDERS OF CLAIMS AGAINST THE DEBTORS THAN SUCH HOLDERS WOULD RECEIVE IF THE DEBTORS WERE LIQUIDATED UNDER CHAPTER 7 OF THE BANKRUPTCY CODE.

In the Liquidation Analysis, the Chapter 11 Trustee has taken into account the nature, status, and underlying value of the Debtors' assets, the ultimate realizable value of such assets, and the extent to which the assets are subject to liens and security interests. In the Chapter 11 Trustee's opinion, the recoveries projected to be available in liquidation under chapter 7 of the Bankruptcy Code will not be greater to the recoveries to be generated and distributed under the Plan.

ARTICLE XI
CERTAIN RISK FACTORS TO BE CONSIDERED

PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN, ALL HOLDERS OF CLAIMS SHOULD READ AND CAREFULLY CONSIDER THE RISK FACTORS SET FORTH BELOW, AS WELL AS ALL OTHER INFORMATION SET FORTH OR OTHERWISE REFERENCED IN THIS DISCLOSURE STATEMENT. HOWEVER, THESE RISK FACTORS SHOULD NOT BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO THE CHAPTER 11 TRUSTEE OR THAT THE CHAPTER 1 TRUSTEE CURRENTLY DEEMS IMMATERIAL MAY ALSO HARM THE DEBTORS, THE LIQUIDATING TRUST, OR THE LIQUIDATING TRUSTEE.

11.01 General Risks

It is possible that the Chapter 11 Cases could adversely affect certain key relationships between the Debtors and other parties, as well as the legal rights and obligations of the Debtors under agreements that may be in default as a result of these Chapter 11 Cases.

The extent to which the Chapter 11 Cases have and will continue to disrupt the Debtors' operations will likely be directly related to the length of time it takes to complete this case. If the Chapter 11 Trustee is unable to confirm the Plan on a timely basis because of a challenge to the Plan or a failure to satisfy the conditions to the Plan, the Debtors may be forced to operate in chapter 11 for an extended period while the Chapter 11 Trustee tries to develop a different chapter 11 plan that can be confirmed. That extended period would likely increase both the probability and the magnitude of the adverse effects described in this Disclosure Statement.

11.02 Certain Bankruptcy-Law Considerations

a) The Chapter 11 Trustee May Not be Able to Confirm the Plan. The Chapter 11 Trustee cannot ensure that the Plan will receive enough acceptances to be confirmed. In addition, even if the Plan receives enough acceptances to be confirmed, there is no guarantee that the Bankruptcy Court will confirm the Plan. Even if enough acceptances are received and, with respect to those Classes deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court is a court of equity and may, therefore, exercise its discretion to not confirm the Plan, or the Bankruptcy Court may require additional solicitations or consents prior to confirmation of the Plan. Section 1129 of the Bankruptcy Code requires, among other things, that the value of distributions to dissenting holders of Claims be not less than the value such holders would receive if the Debtor were liquidated under chapter 7 of the Bankruptcy Code. Although the Chapter 11 Trustee believes that the Plan will meet such tests, there is no guarantee that the Bankruptcy Court will reach the same conclusion.

The Chapter 11 Trustee's ability to propose and confirm an alternative chapter 11 plan is uncertain. Confirmation of any alternative chapter 11 plan would likely take significantly more time and result in delays in the ultimate distributions to the holders of Claims. If confirmation of

an alternative plan is not possible, the Debtors would likely be liquidated. Based on the Chapter 11 Trustee's Liquidation Analysis, liquidation under chapter 7 would result in distributions of reduced value, if any, to holders of Claims against the Debtors.

b) Failure to Consummate or Effectuate the Plan. Consummation of the Plan is conditioned on, among other things, entry of the Confirmation Order and an order, which may be the Confirmation Order, approving any transactions contemplated thereunder. As of the date of this Disclosure Statement, there is no guarantee that any or all of the foregoing conditions will be met or waived, or that the other conditions to consummation, if any, will be satisfied. Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there is no guarantee that the Plan will be consummated and effectuated.

c) Risk of Non-Occurrence of the Effective Date. Although the Chapter 11 Trustee believes that the Effective Date may occur within a reasonable time following the Confirmation Date, there is no guarantee of such timing.

d) Claims Estimation. There is no guarantee that the estimated amount of Claims are correct, and the actual Allowed amounts of such Claims will not differ from estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. If one or more of these risks or uncertainties materialize or if the underlying assumptions prove incorrect, the actual Allowed amounts of Claims against the Debtor may vary from those estimated herein.

11.03 Certain Tax Considerations, Risks, and Uncertainties

THERE ARE A NUMBER OF MATERIAL INCOME-TAX CONSIDERATIONS, RISKS, AND UNCERTAINTIES ASSOCIATED WITH CONSUMMATION OF THE PLAN. INTERESTED PARTIES SHOULD READ CAREFULLY THE DISCUSSION SET FORTH IN ARTICLE VIII OF THIS DISCLOSURE STATEMENT FOR A DISCUSSION OF CERTAIN FEDERAL INCOME-TAX CONSEQUENCES OF THE TRANSACTIONS CONTEMPLATED UNDER THE PLAN TO BOTH THE DEBTORS AND TO HOLDERS OF CLAIMS THAT ARE IMPAIRED UNDER THE PLAN.

ARTICLE XII
THE SOLICITATION; VOTING PROCEDURES

12.01 Voting Deadline

The Voting Deadline, which is the period by which Ballots with respect to the Plan will be accepted, will terminate on November 5, 2013 at 4:00 p.m. (prevailing Central time). Except to the extent permitted by the Bankruptcy Court, Ballots that are received after the Voting Deadline will not be counted or otherwise used in connection with the Chapter 11 Trustee's request for Confirmation of the Plan or any permitted modification thereof.

12.02 Voting Procedures

Under the Bankruptcy Code, for purposes of determining whether enough acceptances have been received, only holders of Claims who actually vote will be counted. The failure of a holder to deliver a duly executed Ballot will be deemed to constitute an abstention by such holder with respect to voting on the Plan and such abstentions will not be counted as votes for or against the Plan.

The Chapter 11 Trustee is providing a Solicitation Package to holders of Claims whose names appear as of [VOTING RECORD DATE] in the records maintained by the Debtors and the Chapter 11 Trustee. Holders of Claims against the Debtor should provide all of the information requested by the Ballot and return all Ballots in the return envelope provided with each such Ballot.

12.03 Miscellaneous

Additional Voting and Solicitation information is contained in the Solicitation Order.

12.04 Fiduciaries and Other Representatives

If a Ballot is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation, or another acting in a fiduciary or representative capacity, such Person should indicate such capacity when signing and, unless otherwise determined by the Chapter 11 Trustee, must submit proper evidence satisfactory to the Chapter 11 Trustee of authority to so act. Authorized signatories should submit the separate Ballot of each beneficial owner for whom they are voting.

UNLESS THE APPLICABLE BALLOT BEING FURNISHED IS TIMELY SUBMITTED TO GARDERE ON OR PRIOR TO THE VOTING DEADLINE, SUCH BALLOT WILL BE REJECTED AS INVALID AND WILL NOT BE COUNTED AS AN ACCEPTANCE OR REJECTION OF THE PLAN. IN NO CASE SHOULD A BALLOT BE DELIVERED TO ANY ENTITY OTHER THAN THE CHAPTER 11 TRUSTEE OR GARDERE.

12.05 Parties Entitled to Vote

Under section 1124 of the Bankruptcy Code, a class of claims or equity interests is deemed to be "impaired" under a plan unless (a) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or equity interest entitles the holder thereof or (b) notwithstanding any legal right to an accelerated payment of such claim or equity interest, the plan cures all existing defaults, other than defaults resulting from the occurrence of events of bankruptcy, and reinstates the maturity of such claim or equity interest as it existed before the default.

In general, a holder of a claim or equity interest may vote to accept or to reject a plan if the claim or equity interest is "allowed," which means generally that no party in interest has

objected to such claim or equity interest, and the claim or equity interest is Impaired by the plan. However, if a holder of an Impaired claim or equity interest will not receive or retain any distribution under the plan on account of such claim or equity interest, the Bankruptcy Code deems such holder to have rejected the plan; accordingly, holders of such claims and equity interests do not actually vote on the plan. If a claim or equity interest is not Impaired by the plan, the Bankruptcy Code deems the holder of such claim or equity interest to have accepted the plan; accordingly, holders of such claims and equity interests are not entitled to vote on the plan.

Classes 1 and 2 of the Plan are Unimpaired. Accordingly, under section 1126(f) of the Bankruptcy Code, all such Classes of Claims are deemed to have accepted the Plan and are not entitled to vote in respect of the Plan.

Classes 3 through 8 of the Plan are Impaired. Therefore, the holders of Claims in these Classes are being solicited for votes in favor of the Plan.

Holders of Class 9 Interests will receive nothing under the Plan; as a result, they are deemed to have rejected the Plan and are not entitled to vote on the Plan.

A vote may be disregarded if the Bankruptcy Court determines, pursuant to section 1126(e) of the Bankruptcy Code, that it was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

12.06 Agreements upon Submitting Ballots

The delivery of an accepting Ballot to Gardere by a holder of Claims pursuant to one of the procedures set forth above will constitute the agreement of such holder to accept (a) all of the terms of, and conditions to, the solicitation outlined in the Solicitation Order or motion approved by the Solicitation Order and (b) the terms of the Plan; provided, however, all parties-in-interest retain their right to object to Confirmation of the Plan pursuant to section 1128 of the Bankruptcy Code.

12.07 Waiver of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility, acceptance, and revocation or withdrawal of Ballots will be determined by the Chapter 11 Trustee in the Chapter 11 Trustee's sole discretion, which determination will be final and binding. As indicated in Section 12.08 of this Disclosure Statement, effective withdrawals of Ballots must be delivered to Gardere prior to the Voting Deadline. The Chapter 11 Trustee reserves the absolute right to contest the validity of any such withdrawal. The Chapter 11 Trustee also reserves the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Chapter 11 Trustee or the Chapter 11 Trustee's counsel, be unlawful. The Chapter 11 Trustee further reserves the right to waive any defects, irregularities, or conditions of delivery as to any particular Ballot. The interpretation (including of the Ballot and the respective instructions thereto) by the Chapter 11 Trustee, unless otherwise directed by the Bankruptcy Court, will be final and binding on all parties. Unless waived, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the

Chapter 11 Trustee or the Bankruptcy Court determines. Neither the Chapter 11 Trustee nor any other Person will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots nor will any of them incur any liabilities for failure to provide such notification. Unless otherwise directed by the Bankruptcy Court, delivery of such Ballots will not be deemed to have been made until such irregularities have been cured or waived. Ballots previously furnished and as to which any irregularities have not theretofore been cured or waived will be invalidated.

12.08 Withdrawal of Ballots; Revocation

Any party who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to Gardere at any time prior to the Voting Deadline. To be valid, a notice of withdrawal, must (a) contain the description of the Claim(s) to which the withdrawal relates and the aggregate principal amount represented by such Claim(s), (b) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (c) contain a certification that the withdrawing party owns the Claim(s) and possesses the right to withdraw the vote sought to be withdrawn and (d) be received by Gardere in a timely manner at the address set forth in section 2.04 of this Disclosure Statement. The Chapter 11 Trustee will consult to determine whether any withdrawals of Ballots were received and whether enough acceptances of the Plan have been received. As stated above, the Chapter 11 Trustee expressly reserves the absolute right to contest the validity of any such withdrawals of Ballots.

A purported notice of withdrawal of Ballots that is not received in a timely manner by Gardere will not be effective to withdraw a previously cast Ballot.

Any party who has previously submitted a properly completed Ballot to Gardere prior to the Voting Deadline may revoke such Ballot and change his, her, or its vote by submitting to Gardere prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. In the case where more than one timely, properly completed Ballot is received, only the Ballot that bears the latest date will be counted for purposes of determining whether enough acceptances have been received pursuant to Section 1126 of the Bankruptcy Code. The Chapter 11 Trustee will pay all costs, fees and expenses relating to solicitation of the Disclosure Statement and Plan.

12.09 Further Information; Additional Copies

If you have any questions or require further information about the voting procedure for voting your Claim against the Debtor, or about the Solicitation Package, or if you wish to obtain an additional copy of the Plan, the Disclosure Statement, the Plan Supplement, or any exhibits to such documents (at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d)), please contact Gardere:

Gardere Wynne Sewell LLP
Attn: Karen Oliver
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761
Telephone: 214.999.3000
Facsimile: 214.999.4667

ARTICLE XIII
CHAPTER 11 TRUSTEE'S RECOMMENDATION

The Chapter 11 Trustee believes that the Plan is in the best interests of all holders of Claims and urges the holders of Impaired Claims in Classes 3, 5, 6, 7, and 8 to vote to accept the Plan and to evidence such acceptance by returning their Ballots in accordance with the Solicitation Order no later than **November 5, 2013 at 4:00 p.m. (prevailing Central time).**

Dated: August 26, 2013

Respectfully submitted,

/s/ Marcus A. Helt
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COUNSEL FOR CHAPTER 11 TRUSTEE

CHAPTER 11 TRUSTEE:

/s/Areya Holder
Areya Holder, Chapter 11 Trustee for the Estates of Xtreme Iron Holdings, LLC and Xtreme Iron , LLC