UNITED STATES BANKRUPTCY COURT
DISTRICT OF MAINE

In re: NEW ENGLAND BUILDING MATERIALS, LLC, Debtor.	Chapter 11 Case No. 12-20109

DISCLOSURE STATEMENT WITH RESPECT TO OFFICIAL COMMITTEE OF UNSECURED CREDITORS' FIRST AMENDED PLAN DATED SEPTEMBER 24, 2012

The official committee of unsecured creditors (the "Committee") of New England Building Materials, LLC (the "Debtor") presents this disclosure statement (the "Disclosure Statement"), pursuant to 11 U.S.C. § 1125(b), to all the Debtor's known creditors and equity holders in connection with the Committee's First Amended Plan Dated September 24, 2012 (the "Committee Plan"). A copy of the Committee Plan, which has been filed with the U.S. Bankruptcy Court for the District of Maine (the "Bankruptcy Court"), has been sent to creditors along with this Disclosure Statement.

I. SUMMARY OF THE COMMITTEE PLAN

On September 11, 2012, the Debtor filed its Second Amended Plan of Reorganization Dated September 11, 2012 [Docket No. 432] (the "Debtor Plan"). The Committee Plan proposes to treat all the Debtor's creditors and interest holders identically to how they are treated in the Debtor Plan, with two significant exceptions.

First, as to the class of unsecured creditors (Class Seven), the Debtor Plan proposes to satisfy all unsecured claims by: (1) making an initial payment in the amount of $300,000, subject to a number of potential reductions; and (2) assigning the unsecured creditors the right to pursue certain causes of action through a liquidating trust, but **excluding** a number of potential causes of action against the Debtor's insiders (*i.e.*, the Debtor's sole member, directors, and officers).

By contrast, the Committee Plan proposes to finally satisfy all unsecured claims by: (1) making an initial payment in the amount of $50,000, subject to a number of potential reductions; (2) assigning the unsecured creditors the right to pursue certain causing of action through a liquidating trust, **including** causes of action against the Debtor's insiders (which the Committee believes have material value); and (3) transferring a 50% ownership interest in the reorganized Debtor to the liquidating trust for the benefit of unsecured creditors and subject to a purchase option in favor of Olim, LLC. The Committee Plan is predicated on Olim entering into agreements with the liquidating trustee. While those agreements are not in place today, the Committee is very confident that Olim would enter into the agreements if creditors support the Committee Plan and the Debtor Plan is not confirmed by the Bankruptcy Court.

Second, as to the Debtor's equity holders (Class Eight), the Debtor Plan proposes that United Ventures, LLC (the Debtor's current sole member) will invest $250,000 in the reorganized Debtor in exchange for: (1) receipt of a 50% ownership interest in the reorganized Debtor; and (2) a full release of all claims and causes of action that the Debtor and its creditors may have against United Ventures and the Debtor's existing directors and officers. Additionally, the Debtor Plan proposes that United Ventures will enter into a purchase option with Olim, LLC, whereby Olim has the right to purchase United Venture's 50% ownership interest for $375,000 (subject to certain adjustments). If Olim exercises this purchase option, the net effect of the Debtor Plan is that United Ventures will receive $125,000 (after getting its $250,000 investment paid back) and a full release of all insider claims.

By contrast, the Committee Plan's treatment of the Debtor's equity holders is simple – their existing ownership interests will be cancelled and they will receive nothing. Moreover, United Ventures and the Debtor's directors and officers will remain liable for all claims and causes of action that the Debtors and its creditors may have against them, and unsecured creditors will receive the benefit of any recovery against them. Moreover, if Olim exercises its option, the consideration would flow to the unsecured creditors rather than to the Debtor's insiders, as under the Debtor Plan.

Even if the claims against insiders have no value (a proposition that the Committee does not support), unsecured creditors fare better under the Committee Plan because the cash component is $425,000 ($50,000 plus $375,000 from the Olim option). Under the Debtor Plan, the cash component is $300,000. If, as the Committee contends, the insider claims have material value, the disparity is even larger, as those claims are preserved for the benefit of unsecured creditors under the Committee Plan, while they are released under the Debtor Plan.

In sum, the Committee Plan proposes identical treatment of all affected parties as the Debtor Plan, with the exception of unsecured creditors and equity holders.[1] The Committee recommends that creditors support the Committee Plan and reject the Debtor Plan.

II. INTRODUCTION

The Committee provides this Disclosure Statement to all the Debtor's known creditors pursuant to § 1125 of the Bankruptcy Code. The purpose of this Disclosure Statement is to provide adequate information so that creditors entitled to vote on the Committee Plan can make an informed decision. Your rights may be affected by the Committee Plan, so you should read the Committee Plan and this Disclosure Statement carefully and discuss them with your attorney, if you have one. If you do not have an attorney, you may wish to consult with one.

A ballot for your use in voting to accept or reject the Committee Plan is enclosed. Instructions for completing and returning the ballot are printed on the ballot itself. IN

[1] The Committee Plan is subject to certain risk factors that are described in more detail in Section V(J) below. Creditors are encouraged to consider those factors in evaluating the Committee Plan.

ORDER FOR YOUR BALLOT TO COUNT, IT MUST BE RECEIVED AT THE ADDRESS STATED ON THE BALLOT NO LATER THAN 5:00 P.M. (EASTERN TIME) ON OCTOBER 31, 2012. BALLOTS MAY BE SUBMITTED VIA FACSIMILE (207 774-1127) BUT NOT BY ELECTRONIC MAIL.

THIS DISCLOSURE STATEMENT SUMMARIZES THE COMMITTEE PLAN. FOR A DEFINITIVE UNDERSTANDING OF THE TERMS OF THE COMMITTEE PLAN, IT IS RECOMMENDED THAT YOU REVIEW THE COMMITTEE PLAN ITSELF. IF THERE IS ANY DISCREPANCY BETWEEN THE DISCLOSURE STATEMENT AND THE COMMITTEE PLAN, THE PROVISIONS OF THE COMMITTEE PLAN WILL CONTROL.

III. THE DEBTOR'S HISTORY AND BACKGROUND[2]

A. General Background of the Debtor

The Debtor, formerly known as LaValley Lumber Company ("LaValley"), was originally a family owned business in southern Maine. In 1999, LaValley was acquired by United Ventures, LLC ("United"); United is the sole member of the Debtor. At the time of its acquisition, LaValley ran a sawmill in Sanford, Maine (the "Mill") and operated three retail lumberyards in southern Maine.

Following the acquisition by United, the Debtor changed its name to "New England Building Materials, LLC," and expanded its operations by acquiring additional retail lumberyards in southern Maine. In 2005, the Debtor acquired Poole Brothers, which operated three retail lumberyards in mid-coast Maine. In 2009, the Debtor acquired Stock Building Supply, which operated two retail lumberyards in Lakeville and Norwood, Massachusetts.

After these expansions, the Debtor manufactured eastern white pine lumber at the Mill, and sold most of its output to its own retail outlets. The Debtor's retail sales operations focused primarily on supplying materials to contractors and builders, as well as general retail purchasers.

Since approximately 2002, TD Bank, N.A. has been the Debtor's primary secured lender. Over the course of the relationship, TD Bank lent the Debtor funds on both term loans and a revolving line of credit basis. The Debtor's obligations to TD Bank were secured by mortgages and liens on essentially all of the Debtor's assets, as well as by guaranties executed by certain insiders of the Debtor. As of the date of its bankruptcy filing, the Debtor owed approximately $6 million to TD Bank.

Following the economic downturn beginning in 2007-2008, and the accompanying slowdown in the homebuilding industry, the Debtor began experiencing

[2] The information in this section of the Disclosure Statement is based primarily on: (1) statements made by the Debtor in filings with the Bankruptcy Court; (2) documents provided to the Committee by the Debtor through discovery; and (3) operating reports filed by the Debtor with the U.S. Trustee.

acute financial distress. The Debtor decided to restructure its business by getting out of the retail building supply business and focusing on its manufacturing and wholesale lumber business. Beginning in late 2010, the Debtor closed its Portsmouth, New Hampshire office and sold its three retail locations in mid-coast Maine. The Debtor also began to market its retail facilities in Windham and Sanford, Maine for sale. At the time of its bankruptcy filing in February 2012, however, the Debtor still had four retail locations in Maine (Windham and Sanford) and Massachusetts (Norwood and Lakeville).

During late 2011 and early 2012, as the Debtor was spiraling toward insolvency, the Debtor obtained funds from several of United's members. Rather than characterizing these cash infusions as equity contributions, the Debtor treated the payments as debt and granted the "lenders" liens on some of the Debtor's assets.

In the six month period prior to its bankruptcy, the Debtor paid these insiders more than $450,000, including principal and interest on the alleged loans. The Committee believes that these loans may not have been properly authorized by the Debtor and that some or all of the payments may have violated the terms of the underlying documents. Moreover, the Committee believes that the payments may be properly recharacterized as payments on account of equity, in which case they could be recovered for the benefit of the Debtor's bankruptcy estate and all its creditors.

At the same time the Debtor was making large payments to insiders, it was mismanaging its affairs to the detriment of its employees and other creditors. For instance, during this period, the Debtor failed to make required contributions to the self-insured employee health care plan and, apparently, misappropriated employees' withheld contributions to the plan. The U.S. Department of Labor ("DOL") is now investigating the Debtor's actions in relation to the health plan, an investigation that may give rise to civil and/or criminal liability on the part of the Debtor and/or its officers and directors.

Further, during this same period, the Debtor did not pay the premiums required to maintain excess loss insurance under a policy issued by United Healthcare Insurance Company ("United Healthcare"). On or about December 31, 2011, that coverage terminated. This failure has led to a dispute about the availability of coverage for certain employee health care claims, which the Debtor is now litigating in the Bankruptcy Court. Under the Committee Plan, the Committee proposes not only to continue the litigation against United Healthcare, but also to investigate the actions of the Debtor's management and, if appropriate, sue the Debtor's directors and officers for negligence and, possibly, other claims with respect to allowing the excess loss insurance plan to lapse.

B. The Chapter 11 Case

Faced with mounting debt and multiple actual and threatened lawsuits by various creditors, the Debtor filed a voluntary petition for chapter 11 bankruptcy relief in the Bankruptcy Court on February 14, 2012 (the "Petition Date"). The Debtor, with Bankruptcy Court approval, retained Marcus, Clegg & Mistretta, P.A. as its legal counsel and Windsor Associates as its financial consultant, as well as various other professionals to perform certain discrete legal, accounting, and brokerage functions on its behalf.

On February 28, 2012, the U.S. Trustee for the District of Maine appointed the Committee, consisting of the following creditors:

Boise Cascade	Huttig Building Products
Gillies & Prittie, Inc.	Coastal Forest Products
Brockway Smith Co.	BlueLinx Corp.
Gebsco Realty Corp.	

The Committee, with Bankruptcy Court approval, retained Bernstein, Shur, Sawyer, and Nelson, P.A. as its legal counsel and Spinglass Management Group, LLC as its financial consultant.

Shortly after the Petition Date, the Debtor negotiated a post-petition financing arrangement with TD Bank, without which, all the Debtor's operations would likely have immediately ceased. The arrangement allowed the Debtor to continue to draw on a revolving line of credit with TD Bank to pay the administrative expenses of its bankruptcy case and the costs of its continued business operations.

Since the Petition Date, the Debtor has continued its pre-petition efforts to reorganize by selling its retail operations and focusing on its wholesale lumber business. The Debtor has sold its retail locations in Sanford and Windham, Maine (along with certain other real estate in Springvale and Greenville, Maine), and most of its remaining retail inventory at the Norwood and Lakeville, Massachusetts locations. The proceeds of these sales have been used primarily to pay down the Debtor's obligations to TD Bank. The Debtor reports that, as of September 21, 2012, the Debtor owed approximately $1 million to TD Bank.

Since the chapter 11 case was commenced, the Debtor has failed to comply with certain orders of the Bankruptcy Court and certain requirements of the Bankruptcy Code. For example, the Debtor:

1. Failed to provide the Committee with weekly reporting regarding the Debtor's income and expenses, despite a stipulated Bankruptcy Court order requiring such reporting throughout most of the case;

2. Failed to pay EMA Partners its allowed administrative expense claim by August 22, 2012, despite a Bankruptcy Court order directing payment by that date;

3. Failed to identify a material insurance policy on its schedule of assets and liabilities (the "Schedules");

4. Reported the existence of a security deposit being held by a landlord on the Schedules when no such security deposit was provided;

5. Served a disclosure statement on the entire universe of creditors before the disclosure statement was approved by the Bankruptcy Court as containing adequate information; and

6. Used cash collateral to make payments for certain items in excess of the amounts set forth on the agreed-upon budgets for those items.

In addition, the Debtor's financial reporting and projections have, at times, been materially inaccurate. For example, the Debtor indicated, in a motion filed with the Bankruptcy Court, that it expected to receive between $300,000 and $350,000 from the liquidation of certain retail inventory and that the effort to liquidate that inventory would have been completed by August 15, 2012. In fact, the liquidation produced less than $125,000 of gross proceeds (and nearly as much in expenses), and was not completed until the end of August or early September. In addition, the Debtor has "written down" certain assets since the chapter 11 case was filed, allegedly because of certain tax and other advantages resulting from the write downs. The Committee and its professionals believe that the Debtor's financial reporting has been unclear and inconsistent in certain respects.

Moreover, in the six and a half months or so since the Petition Date, the Debtor has experienced operating losses in excess of $2.6 million. This is based on operating reports prepared by the Debtor and provided to the U.S. Trustee. Moreover, the Debtor has experienced significant management turnover since the Petition Date, with its chief financial officer resigning in mid-June and its vice president of finance retiring at about the same time.

C. Post-Bankruptcy Litigation

Since the Petition Date, the Debtor has been involved with three types of litigation, each of which is described below.

First, the Debtor has been attempting to recover amounts owed to it by customers. By and large, this effort has involved the commencement of litigation against customers in state courts in Massachusetts and Maine. Under the Committee Plan, the Debtor would continue to prosecute the Debtor's claims against the customers.

Second, Seaboard International Forest Products ("Seaboard") filed a lawsuit against the Debtor in the Bankruptcy Court. Seaboard claims a lien on certain inventory owned by the Debtor and, in the lawsuit, Seaboard sought an order requiring the Debtor to set aside the proceeds from the sale of that inventory for Seaboard's benefit. After the litigation was started, Seaboard and the Debtor, among others, agreed that up to $144,000 of net proceeds from the sale of certain inventory would be held in escrow pending a determination of the rights of certain parties, including TD Bank and Seaboard, in the funds. The Bankruptcy Court entered an order that is consistent with this agreement. As of September 24, 2012, the Debtor had not established the separate account required by the Bankruptcy Court's order.

Third, the Debtor brought suit against United Healthcare in the Bankruptcy Court. In that lawsuit, the Debtor seeks several forms of relief, including a declaration that United Healthcare is legally required to cover certain claims and the entry of a money judgment against United Healthcare for those claims. On September 20, 2012, United Healthcare filed its answer to the Debtor's complaint. The litigation is in the very early stages.

IV. THE DEBTOR'S ASSETS AND LIABILITIES

A. The Debtor's Assets

In the Debtor Plan, the Debtor describes its assets in seven categories, with an aggregate estimated value of approximately $4.7 million. For a fuller description of these assets, please refer to Section IV of the Disclosure Statement with Respect to the Debtor Plan [Docket No. 457] (the "Debtor's Disclosure Statement"). The categories of assets and their values may be summarized as follows:

1. Inventory - $1,418,830.62 (book value as of August 17, 2012)
2. Accounts Receivable - $1,469,718.58 (book value as of August 17, 2012)
3. Equipment - $229,831 (book value as of August 17, 2012)
4. Cash - $0
5. Real Estate - $1,018,000 (fair market value appraisals)
6. Chapter 5 Causes of Action - $545,000 (Debtor's estimate)
7. United Healthcare Action - Unknown

In addition to these assets, the Debtor is also holding $111,000 in an escrow account as of August 31, 2012.

B. The Debtor's Liabilities

The amount of the liabilities reflected in this Disclosure Statement is primarily based on (1) the Debtor's schedules of liabilities filed in the Bankruptcy Court (and amendments thereto); (2) the monthly operating report for August 2012 submitted by the Debtor to the U.S. Trustee; and (3) certain estimates regarding the unpaid costs of the bankruptcy and operation of the Debtor's business during the bankruptcy, which are called "administrative expenses."

In general terms, these liabilities may be organized into four broad groupings: (1) secured claims; (2) administrative expenses; (3) priority claims; and (4) general unsecured claims.

A claim is secured if a creditor holds a lien on any of the Debtor's remaining assets. The principal remaining secured claims are asserted by TD Bank, the Richard Molyneaux Revocable Trust, Seaboard, and 8 York, LLC.[3] The aggregate amount of these claims is approximately $1.85 million.

Administrative claims are ordinary and necessary expenses incurred by the Debtor after entering bankruptcy. Many of these expenses have been paid by the Debtor during the case. However, there are some unpaid professional fees (which, if allowed by the Court, would constitute administrative expenses), and there may be some post-petition payables associated with the operation of the Mill. In the Debtor Plan, the Debtor estimates that the administrative expenses will be approximately $125,000.

Priority claims are pre-bankruptcy claims that are entitled to special priority under the Bankruptcy Code. In this case, the priority claims are either employee-related claims or tax claims. There are two significant tax claims, one for approximately $200,000 based on Massachusetts sales taxes and one for approximately $1.285 million for Maine sales taxes. The Maine sales tax claim is unliquidated, meaning the amount of the claim has not been determined. Maine Revenue Services has acknowledged that its claim is overstated, and has indicated that the amount of the claim is approximately $437,000. The Debtor contends the claim should be completely disallowed.

The other significant asserted priority claim was filed by the DOL, in the amount of $809,097. The DOL's proof of claim stated the following:

> A non-priority claim has been filed for $809,097, which represents the incurred but not reported (paid) medical claims, an amount of which is a priority claim for contributions to an employee benefit plan.

The DOL does not specify how much of its claim is a priority claim and how much is a non-priority claim. Neither the Debtor nor the Committee has analyzed the health plan and the claims of employees in connection with it. If the litigation against United Healthcare is successful, then a substantial portion of the DOL's claim for $809,097 will be paid by United Healthcare. Regardless of the outcome of the United Healthcare litigation, some portion of the DOL's claim will be paid by the Debtor or its estate. Based on information provided by the third party administrator of the health plan, the Committee has estimated the Debtor's portion at $127,000. The total number of claims and the Debtor's out-of-pocket responsibility for the claims may vary significantly from these estimates.

---

[3] 8 York, LLC is an affiliate of Deering Lumber. Deering Lumber purchased the Debtor's retail operations in Sanford and Springvale during the chapter 11 case and, in connection with that purchase, loaned approximately $620,000 the Debtor. The Debtor's obligations in connection with that loan are secured by a first position mortgage on the Mill.

General unsecured claims include all pre-bankruptcy debts that are not secured claims or priority claims. Based on a review of the Schedules filed by the Debtor and the proofs of claim filed by creditors in this case, the Committee believes that the total amount of general unsecured claims is approximately $4.3 million. This does not include claims arising from the rejection of contracts or leases.

V. DESCRIPTION OF THE COMMITTEE PLAN

A. Introduction

The following description of the Committee Plan is only a summary, and creditors are urged to carefully read the Committee Plan in full. If the Committee Plan is confirmed by the Bankruptcy Court, the Committee Plan will be binding upon the Debtor, all creditors, and other affected parties, regardless of whether they voted for or against the Committee Plan.

In order for any claim to be paid pursuant to the Committee Plan, it must be confirmed by the Bankruptcy Court and must take effect in accordance with its terms. The Bankruptcy Court has scheduled a hearing on confirmation of the Committee Plan on November 5, 2012 at 1:30 p.m. at the Bankruptcy Court, 537 Congress Street, Portland, Maine. If the Committee Plan is confirmed on that date, it will take effect on the "Effective Date," as defined in the Committee Plan.

In order for any claim against the Debtor to receive a distribution under the Committee Plan, the claim must be an "Allowed," which means that the claim must be determined to be valid pursuant to procedures established by the Bankruptcy Code, the Bankruptcy Court, and the Committee Plan. For further information about this issue, please refer to Section V(F) below.

B. Classification and Treatment of Claims

The Committee Plan divides all claims into classes, placing all substantially similar claims into the same class. The Committee Plan also proposes to make certain distributions to the holders of all "Allowed" claims in each class in full and final satisfaction of such claims. The classification and treatment of each type of claim is set forth in more detail in **Exhibit A** attached hereto. For a complete description of the classification and treatment of claims, please refer to Articles II, III, and IV of the Committee Plan.

C. Means for Execution of the Committee Plan

1. Sources of Funds for Plan Payments

Payments to creditors would be paid from the following sources of funds:

a. a new equity investment in the reorganized Debtor from Olim in the amount of $250,000;

b. income generated by the reorganized Debtor's business operations, the collection of retail accounts receivable;

c. borrowed funds from new working capital and/or fixed asset loans to be obtained by the reorganized Debtor;

d. assumption or rejection of certain contract and lease obligations; and

e. proceeds, if any, from the reorganized Debtor's prosecution and/or settlement of the pending lawsuit against United Healthcare.

2. Creation and Operation of Liquidating Trust

Under the Committee Plan, the Bankruptcy Court will create the New England Building Materials, LLC Liquidating Trust (the "Liquidating Trust"), subject to the terms of a trust agreement substantially in the form attached as Exhibit A to the Committee Plan (the "Trust Agreement"). The Liquidating Trust will perform 3 functions on behalf of its beneficiaries, the Debtor's unsecured creditors.

First, under the Committee Plan, the Debtor will make an initial payment to unsecured creditors in the amount of $50,000, subject to certain potential reductions. This initial payment would be made to the Liquidating Trust and used in accordance with the terms of the Trust Agreement.

Second, under the Committee Plan, the Liquidating Trust will receive 50% of the reorganized Debtor's ownership interests and will enter into a purchase option agreement with Olim substantially in the form attached as Exhibit B to the Committee Plan (the "Option Agreement"). Under the Option Agreement, Olim will be entitled to purchase the Liquidating Trust's ownership interests at any time for $375,000 (subject to certain adjustments). In the event that Olim exercises the Option Agreement, it would pay the proceeds to the Liquidating Trust, to be distributed to unsecured creditors pursuant to the terms of the Trust Agreement. The Committee anticipates that Olim will exercise the Option Agreement.[4]

The Debtor and United Ventures have objected to the Committee Plan and alleged that the transfer of ownership interests to the Liquidating Trust and the subsequent sale of those interests to Olim under the Option Agreement violates federal securities laws pertaining to the registration of securities. The Committee believes that the issuance and transfer of the interests is exempt from securities laws under the Bankruptcy Code and/or applicable securities laws. The Bankruptcy Court has not yet ruled on these issues. Neither the Committee Plan, nor this Disclosure Statement, are intended to be, or are in fact, an offer of securities under the Securities Act of 1933.

Third, under the Committee Plan, all the Debtor's causes of action will be transferred to the Liquidating Trust, which will investigate and prosecute them on behalf of the unsecured creditors. The Committee believes that likely causes of action can be divided into two distinct groups. The first group of claims relate to avoiding and

[4] The provisions of the Committee Plan relating to Olim and the Option Agreement are subject to certain risk factors that are described in more detail in Section V(J) below.

recovering the value of preferential transfers made by the Debtor to creditors in the 90 days prior to the Petition Date under § 547(b) of the Bankruptcy Code. According to the Debtor's records, there are approximately $2.18 million in transfers that may be avoided. Under § 547(c) of the Bankruptcy Code, however, creditors may have defenses to the Liquidating Trust's claims if the transfers were (a) made in the ordinary course of business, (b) made to satisfy a secured debt, or (c) followed by the provision of new value by the recipient to the Debtor. The Debtor has estimated that, after application of these defenses, the Debtor's estate is likely to recover approximately $545,000 in preferential transfers from creditors. For purposes of this Disclosure Statement only, the Committee has adopted the analysis, although the actual amount to be recovered on account of preference claims may be materially higher or lower. In any case, preference recoveries are likely to be obtained within 12-18 months of the "Effective Date" of the Committee Plan.

The second group of claims relate to actions by the Debtor's insiders while the Debtor was spiraling toward insolvency in late 2011 and early 2012. At that time, the Debtor received cash infusions totaling approximately $1 million from insiders. The Debtor characterized these infusions as loans thus repaid these insiders more than $450,000 in the six month period before the Petition Date. The Committee believes that the payments to insiders may be recovered in a variety of ways. The Committee believes that the cash infusions from insiders should be recharacterized as equity contributions, rather than loans, which would likely render the transfers avoidable as preferential transfers under § 547 of the Bankruptcy Code and/or fraudulent transfers under §§ 544 and/or 548 of the Bankruptcy Code. Additionally, the Committee believes that the actions of the insiders and the Debtors' directors and officers surrounding these "loans" may have been in breach of certain fiduciary duties, giving rise to liability. The Debtor has indicated that it does not believe that the Committee will be successful with any of these theories of recovery. The Committee disagrees, and believes that the Liquidating Trust is likely to recovery at least $450,000, likely within a year after the "Effective Date" of the Committee Plan.

D. <u>The Effective Date</u>

The "Effective Date" for the Committee Plan occurs on the 15th day following the date on which the Bankruptcy Court enters the order confirming the Committee Plan, unless such date is stayed by virtue of an appeal or the entry of a stay by the Bankruptcy Court (or another court of competent jurisdiction). For a complete description of the "Effective Date," please refer to Article I, § 1.17 and Article VI of the Committee Plan.

E. <u>Executory Contracts</u>

Under the Bankruptcy Code and the Committee Plan, the reorganized Debtor has the right to either reject or assume any contract that was "executory" on the Petition Date. A contract is "executory" if there was material performance remaining on the part of both the Debtor and the other contracting party on the Petition Date. The right to "assume" or "reject" means that the reorganized Debtor has three options: (1) to reject the contract, which means that the contract is terminated retroactively to the Petition Date and the other contracting party has the right to present an unsecured claim for the damages it incurs by reason of such rejection; (2) to assume the contract, which means that the contract continues in accordance with its terms, all defaults are cured, and no damage claims are presented; or (3) to assume the contract upon negotiated amended terms and provisions.

As of the Petition Date, the Debtor was a party to a number of potentially executory contracts and unexpired leases: (1) AT&T (cell phone service); (2) U.S. Cellular (cell phone service); (3) Sprint (cell phone service); (4) Marlin Leasing (lease of blueprint plotter); (5) NHMG Financial Services (lease of forklift); (6) Gebsco Realty Corp. (lease of Lakeville and Norwood, Massachusetts facilities); (7) Ikon Financial Services (lease of printers and copiers); (8) TD Equipment Finance, Inc. (lease of computer equipment and software); and (9) the various insurance contracts with United Healthcare.

During the course of its bankruptcy case, the Debtor rejected the unexpired lease with Gebsco Realty Corp. for the Massachusetts retail facilities. Following rejection of this lease, the Debtor vacated the Norwood location, and vacated the Lakeville facility in or around late August or early September 2012.

Under the Committee Plan, to the extent that any of the Debtor's insurance contracts with United Healthcare constitute executory contracts, the reorganized Debtor will assume such contracts. As to the remaining executory contracts and unexpired leases, the reorganized Debtor will need some period of time to review contracts and leases and determine which (if any) are necessary to continuing business operations. For this reason, under the Committee Plan, the reorganized Debtor will have until the "Effective Date" of the Committee Plan to make a decision about each contract and lease. Unless the reorganized Debtor files a motion to assume a contract or lease prior to the "Effective Date," or is otherwise dealt with by a Bankruptcy Court order entered on or prior to the "Effective Date," all remaining executory contracts and unexpired leases will be deemed rejected, and the other contracting party may assert a claim for damages. For a complete description of the treatment of executory contracts and unexpired leases, and the process for asserting damages claims upon rejection, please refer to Article VII of the Committee Plan.

F. Allowance of Claims and Interests

1. Allowance of Pre-Petition Claims

The Bankruptcy Code provides for pre-petition claims to be asserted in two ways. First, a creditor may file a proof of claim with the bankruptcy court on the appropriate official form. Notice was mailed to all known creditors of the Debtor stating that, except for certain types of claims specified in the notice, a deadline of May 12, 2010 (the "Bar Date") was established for filing proofs of claim. Second, a creditor is excused from the requirement of filing a proof of claim if: (1) the creditor's claim is listed in the schedule of liabilities filed by the Debtor with the Bankruptcy Court; (2) it is not listed therein as an obligation that is disputed, unliquidated, or contingent; and (3) the creditor agrees with the scheduled amount and nature of the claim.

Under the Committee Plan, if a creditor filed a proof of claim prior to the Bar Date, the claim may only be amended if the creditor expressly reserved the right to amend in the original proof of claim. The deadline for filing amendments to a proof of claim is the date on which the Bankruptcy Court's order confirming the Committee Plan becomes a final, unappealable order.

Under the Committee Plan, once a creditor has asserted a claim in one of the ways described above, the claim will automatically be "Allowed" and paid in accordance with the Committee Plan unless the reorganized Debtor or another interested party files an objection within 30 days of the date on which the Bankruptcy Court's order confirming the Committee Plan becomes a final, unappealable order. If an objection is filed against a claim, the creditor involved will be sent a copy of the objection and has an opportunity to submit a reply and, if appropriate, to be heard by the Bankruptcy Court. The Committee Plan provides that no distribution will be made on account of any claim as to which an objection is filed until the objection is resolved.

For a complete description of the process for filing, and the allowance, of pre-petition claims, please refer to Article VIII, §§ 8.3-8.5 of the Committee Plan.

2. Allowance of Post-Petition Claims

Holders of claims arising after the Petition Date (other than claims by the Debtor's or the Committee's professionals) must file a proof of claim asserting the nature and amount of such claims within 45 days of the "Effective Date" of the Committee Plan (the "Post-Petition Bar Date"). Unless the reorganized Debtor or another interested party files an objection to such a proof of claim within 30 days of the Post-Petition Bar Date, the claim will automatically be "Allowed" and paid in accordance with the Committee Plan. The Debtor's and Committee's post-petition claims must be asserted by filing an application for compensation with the Bankruptcy Court on or before the Post-Petition Bar Date.

For a complete description of the process for filing, and the allowance, of post-petition claims, please refer to Article VIII, § 8.6 of the Committee Plan.

G. Discharge

Pursuant to § 1141(d) of the Bankruptcy Code, confirmation of the Committee Plan discharges the reorganized Debtor from all of pre-petition debts, except to the extent that the Committee Plan provides for payment of such debts. For a complete description of the discharge, please refer to Article VIII, § 8.9 of the Committee Plan.

H. Injunction and Stay

Under the Committee Plan, the entry of an order confirming the Committee Plan by the Bankruptcy Court will constitute an injunction applicable to all persons, staying and enjoining the enforcement or attempted enforcement by any means of all liens, claims, and debts discharged pursuant to the Committee Plan. In the event of default under the Committee Plan that is not cured in accordance with the Committee Plan, and unless the Bankruptcy Court orders otherwise, the injunction is to be deemed dissolved without further order of the Bankruptcy Court. For a complete description of the injunction and stay, please refer to Article VIII, § 8.11 of the Committee Plan.

I. Acceptance and Confirmation of the Committee Plan

1. Acceptance by Impaired Classes

The Bankruptcy Code provides that any class of creditors or interest holders whose rights are "impaired" (in general terms, not fully honored) under a proposed plan has the right to vote, as a class, to accept or reject the plan. Under the Committee Plan, claims that have been objected to and not allowed have no right to vote to accept or reject the Committee Plan, except as otherwise ordered by the Bankruptcy Court. A class of creditors accepts the Committee Plan if more than one-half of the ballots that are timely received from members of the class, representing at least two-thirds of the dollar amount of claims for which ballots are timely received, are cast in favor of the Committee Plan. If the Committee Plan impairs any class of claims, then, among other requirements, at least one class of claims must vote to accept the Committee Plan in order for it to be confirmed.

As indicated in **Exhibit A** attached hereto, under the Committee Plan, Classes One, Two, Seven, and Eight are impaired and entitled to vote to accept or reject the Committee Plan. The remaining classes are unimpaired and thus are not entitled to vote. For a complete description of the impaired and unimpaired classes of creditors, please refer to Articles III and IV of the Committee Plan.

2. Best Interest of Creditors Test

To obtain confirmation of the Committee Plan, the Committee must also satisfy the so-called "best interest of creditors" test embodied in § 1129(a)(7) of the Bankruptcy Code. This test requires that the Committee Plan provide each non-accepting creditor with at least as much value as it would receive in a liquidation of the Debtor under chapter 7 of the Bankruptcy Code. For the reasons set forth in Section VI(B) below, the Committee believes that the Committee Plan satisfies this test.

3. Cramdown

If any impaired class of claims does not accept the Committee Plan, the Court may still confirm the Committee Plan it "does not discriminate unfairly" and is "fair and equitable" as to the non-accepting class. Confirmation over the objection of an impaired class is known as "cramdown" and is governed by § 1129(b) of the Bankruptcy Code. The Committee has requested the Committee Plan be confirmed over the objection of any impaired class.

J. Analysis of Risk Factors

There are, of course, certain risks that could potentially prevent the Debtor from fulfilling the Committee Plan. For example, the reorganized Debtor may be unsuccessful in its litigation against United Healthcare, or the Liquidating Trust may not make anticipated recoveries from its litigation of preference or insider claims.

Most significantly, however, as of the date of this Disclosure Statement, Olim supports the Debtor Plan. For this reason, and as described more fully in the correspondence attached hereto as **Exhibit B**, Olim has agreed to the terms of an option agreement with the Debtor that is identical to the Option Agreement, but Olim has not entered into any agreement with the Committee or the Liquidating Trustee. Based on the Committee's understanding of Olim's motivation to acquire the Debtor's business operations, the Committee is very confident that if the Debtor Plan is not confirmed, Olim will support the Committee Plan and enter into the Option Agreement and promptly exercise the option.

The Committee's confidence is based, in part, on the following facts. Originally, the Debtor proposed a plan of reorganization where United Ventures would invest up to $250,000 and would, in exchange for that investment, receive 100% of the equity in the reorganized company and a release of claims against United Ventures and its members. Because that plan would have provided little, if any, recovery for unsecured creditors, the Committee began exploring alternatives. One potential purchaser, an affiliate of Olim, Pleasant River Lumber Company, contacted the Committee about an asset purchase transaction. Specifically, Pleasant River offered to purchase some of the Debtor's assets for approximately $2.3 million in cash. That transaction would have provided a recovery to unsecured creditors and would have preserved the claims against the members of United Ventures. Pleasant River's offer was in the form of a non-binding letter of intent (the "LOI"). The Committee filed a plan based on the Pleasant River LOI. Shortly thereafter, the Debtor and United Ventures approached Pleasant River about the deal that now undergirds the Debtor Plan. Upon information and belief, Pleasant River wanted to acquire the Debtor's assets without any sort of competitive bidding or further exposure of the assets to the market. In this sense, Pleasant River wanted an exclusivity provision. Upon information and belief, the Debtor (acting through the members of United Ventures) agreed to this exclusivity provision, but with a condition: that Pleasant River provide a reciprocal exclusivity provision, which would have the effect of prevent Pleasant River from supporting a different plan of reorganization (even if the plan would provide the exact same benefits to Pleasant River). In short, the Committee believes that Pleasant River is interested in acquiring the Debtor's assets and running the business. The Committee believes that, despite its current position, Pleasant River would enter into agreements with the Liquidating Trustee as long as those agreements give Pleasant River the same, or substantially similar, benefits as those flowing to Pleasant River under its existing agreements with the Debtor and United Ventures. Moreover, the Committee believes that it is substantially certain that Pleasant River would exercise an option on the equity, such that Pleasant River would own 100% of the company and the unsecured creditors would receive the cash payment. Otherwise, Pleasant River and the Liquidating Trustee would each own 50% of the company and would have equal rights in the management of the company. The Committee does not believe that Pleasant River (or any other investor in these circumstances) would want that ownership and management structure.

Any or all of these outcomes would reduce the net proceeds available for distribution to creditors under the Committee Plan. These risks, however, are essentially unquantifiable and are not, in the Committee's opinion, grounds for any creditor to vote against this Committee Plan. The Committee does not believe that these risks will undermine its ability to satisfy the obligations under the Committee Plan.

VI. ALTERNATIVES TO THE COMMITTEE PLAN

There are two possible alternatives to the liquidation contemplated by the Committee Plan: first, a liquidation of the Debtor's assets under chapter 7 of the Bankruptcy Code and, second, the Debtor Plan. Each is discussed below.

A. The Debtor Plan

As described at the beginning of this Disclosure Statement, the Debtor has filed the Debtor Plan, which is identical to the Committee Plan with two material exceptions. All creditors – other than unsecured creditors and equity holders – will be treated the same under the Debtor Plan and the Committee Plan. The significant differences between the two reorganization proposals are described above, but the net effect of each is simply described – **the Debtor Plan benefits the Debtor's equity holders at the expense of unsecured creditors, while the Committee Plan benefits unsecured creditors at the expense of equity**. The Committee recommends, therefore, that unsecured creditors should vote to reject the Debtor Plan and accept the Committee Plan.

B. Liquidation under Chapter 7

Another alternative to the Committee Plan is to liquidate the Debtor's assets under chapter 7 of the Bankruptcy Code. In the event the case is converted to chapter 7, a trustee would assume control of the Debtor's assets and liquidate those assets or simply turn certain assets over to the secured creditors of the Debtor. The proceeds of any sales would be distributed to creditors in accordance with the Bankruptcy Code. Liquidation of the Debtor's assets under chapter 7 of the Bankruptcy Code would yield lower distributions to creditors – especially unsecured creditors – than under the Committee Plan, for two main reasons.

First, the trustee would likely be unfamiliar with the Debtor, its business, or its assets, and thus it would be costly for the trustee to "get up to speed." The trustee would also likely retain various professionals – attorneys, accountants, auctioneers, etc. – whose bills would be paid by the chapter 7 bankruptcy estate.

Second, the trustee's likely goal would be to quickly turn all the Debtor's assets into cash to distribute to creditors. The trustee, therefore, would likely quickly auction most of the Debtor's assets "as is, where is," rather than exposing them to the market for a longer period of time. The result of these quick sales would be a depressed sale price and thus decreased proceeds.

In general, liquidation of the Debtor's assets would require that secured creditors be paid first, then administrative expense creditors (including administrative expense creditors in the chapter 11 case and the chapter 7 case), then priority creditors, with the balance, if any, distributed to unsecured creditors on a *pro rata* basis. A chapter 7 liquidation – with high administrative costs and low sale proceeds – would likely result in full or partial payment of secured and administrative expense claims, with little or nothing left to pay unsecured claims. In contrast, the Committee Plan proposes significant potential distributions for unsecured creditors, beginning with the $50,000 initial payment, continuing with the $375,000 resulting from Olim's likely exercise of the Option Agreement, and concluding with significant recoveries on claims against insiders and preference recipients. For these and other reasons, liquidation under chapter 7 is not a good alternative to the Committee Plan.

VII. VOTING

Enclosed with this Disclosure Statement is a ballot for your use in voting to accept or reject the Committee Plan. In order for your vote to count, and if you are a creditor of the Debtor, your properly completed and executed ballot must be received **not later than 5:00 p.m. (Eastern Time) on October 31, 2012** at the office of the Committee's counsel:

Official Committee of Unsecured Creditors of NEBM
c/o Jeremy R. Fischer, Esq.
Bernstein, Shur, Sawyer & Nelson, P.A.
100 Middle Street, P.O. Box 9729
Portland, Maine 04104-5029
Facsimile: (207) 774-1127

Submission of ballots by electronic mail (e-mail) is not permitted.

VIII. MODIFICATION OF COMMITTEE PLAN

The Committee may propose amendments or modifications to the Committee Plan as provided in § 1127 of the Bankruptcy Code. If all parties adversely affected by any modifications consent to such modification, this Disclosure Statement shall be deemed adequate without modification and no further notice shall be required or given. In all other cases, the Bankruptcy Court may require a new disclosure statement and/or re-voting under the Committee Plan as amended or modified. In addition, the Committee may, with the approval of the Bankruptcy Court, modify or amend the Committee Plan through the Bankruptcy Court's order confirming the Committee Plan.

IX. FEDERAL AND OTHER TAX CONSEQUENCES

Each holder of a claim is strongly urged to consult a tax advisor for information regarding any federal, state, or local tax consequences of the treatment of such holder's claim under the Committee Plan.

X. CONCLUSION AND RECOMMENDATION

The Committee believes that the Committee Plan represents the best possible means of satisfaction of all creditor claims, and is fair and equitable to all parties. The Committee therefore recommends that all impaired creditors vote to accept the Committee Plan.

Respectfully submitted,

OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By its attorneys:

Dated: October 1, 2012

/s/ *Michael A. Fagone*

Michael A. Fagone, Esq.
D. Sam Anderson, Esq.
Jeremy R. Fischer, Esq.
BERNSTEIN, SHUR, SAWYER & NELSON, P.A.
100 Middle Street, P.O. Box 9729
Portland, Maine 04104-5029
Telephone: (207) 774-1200
mfagone@bernsteinshur.com