UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	Case No. 16-52757
The R.C.A. Rubber Company	Chapter 11
Debtor.	Judge Alan Koschik

DISCLOSURE STATEMENT TO ACCOMPANY
THE PLAN OF REORGANIZATION FOR THE R.C.A. RUBBER COMPANY

Article I
Introduction

This is the disclosure statement (the "Disclosure Statement") in the chapter 11 case of the debtor and debtor in possession, The R.C.A. Rubber Company (the "Debtor"). This Disclosure Statement has been prepared by the Debtor. This Disclosure Statement contains information about the Debtor and describes the Plan of Reorganization of the Debtors dated **August 16, 2017** (the "Plan"). A full copy of the Plan is included with this Disclosure Statement. Your rights may be affected. You should read the Plan and this Disclosure Statement carefully and discuss them with your attorney. If you do not have an attorney, you may wish to consult one.

The proposed distributions under the Plan are discussed at Article V of this Disclosure Statement. General Unsecured Creditors are classified in Class 4. Distributions shall be made by the Disbursing Agent within thirty (30) days of Confirmation of the Plan by the United States Bankruptcy Court.

Included with this Disclosure Statement is a Ballot identifying in which class of Claims your Claim has been classified. If you did not receive a ballot, and you believe that you should have received a ballot, please contact the Balloting Agent at the following address:

The R.C.A. Rubber Company
c/o Michael A. Steel, Esq.
75 E. Market Street
Akron, Ohio 44308

A. Purpose of This Document

This Disclosure Statement describes, among other things:

- The Debtor and significant events during this bankruptcy case ("Case");

- How the Plan proposes to treat Claims or Equity Interests of the type you hold (*i.e.*, what you will receive on your Claim or Equity Interest if the Plan is confirmed);
- Who can vote on or object to the Plan;
- What factors the Court will consider when deciding whether to confirm the Plan;
- Why the Debtor believes the Plan is in the best interest of creditors; and
- The effect of Confirmation of the Plan.

Be sure to read the Plan as well as the Disclosure Statement, and discuss it with your legal counsel. This Disclosure Statement describes the Plan, but it is the Plan itself that will, if confirmed, establish your rights. Terms defined in this Disclosure Statement, the Plan or 11 U.S.C. § 101 et seq. (the "Bankruptcy Code" or "Code") are capitalized herein.

B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing; Conditional Approval of Disclosure Statement

The Court has not yet confirmed the Plan described in this Disclosure Statement. This Disclosure Statement has not been approved by the Court. This section describes the procedures pursuant to which the Plan will or will not be confirmed.

1. Time and Place of the Hearing to Grant Final Approval of This Disclosure Statement and Confirm the Plan

The hearing at which the Court will determine whether to grant approval of this Disclosure Statement will take place on **September ___, 2017**, at **_____ AM.**, in **Judge Koschik's Courtroom at the John F. Seiberling Federal Building & U.S. Courthouse, 455 US Courthouse, 2 South Main Street, Akron, Ohio 44308.**

2. Deadline for Voting to Accept or Reject the Plan

If you are entitled to vote to accept or reject the Plan, vote on the enclosed ballot and return the ballot by (i) mailing it in the enclosed envelope; (ii) faxing it to the facsimile number located below; or (iii) emailing a scanned copy to the email address located below to:

The R.C.A. Rubber Company
c/o Michael A. Steel, Esq.
75 E. Market Street
Akron, Ohio 44308
masteel@bmdllc.com

Mr. Steel is also the "Balloting Agent".

See Article VI below for a discussion of voting eligibility requirements. Your ballot must be received by **_____, 2017** or it may not be counted.

3. Deadline for Objecting to the Adequacy of Disclosure in the Disclosure Statement and Confirmation of the Plan

Objections to this Disclosure Statement or to the confirmation of the Plan must be filed with the Court (at the address listed above) and served upon counsel for the Debtors, no later than **_____, 2017**.

4. Your Vote Is Important

Your vote on the Plan is important because:

- Under the Bankruptcy Code, a chapter 11 plan can only be confirmed if certain majorities in dollar amount and number of claims (as described above) of each Voting Class under a proposed plan vote to accept the plan, unless the "cram down" provisions of the Bankruptcy Code are used.
- Under the Bankruptcy Code, only the votes of those holders of claims or interests who actually submit votes on a proposed plan are counted in determining whether the specified majorities of votes in favor of the plan have been received.
- If you are eligible to vote with respect to a Claim and do not deliver a properly completed ballot relating to that Claim by the Voting Deadline, you will be deemed to have abstained from voting with respect to that Claim and your eligibility to vote with respect to that Claim will *not* be considered in determining the number and dollar amount of ballots needed to make up the specified majority of that Claim's Class for the purpose of approving the Plan.

5. Disclaimer

THE COURT HAS NOT YET APPROVED THIS DISCLOSURE STATEMENT AS CONTAINING ADEQUATE INFORMATION TO ENABLE PARTIES AFFECTED BY THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT ITS TERMS. THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN AND OTHER DOCUMENTS RELATING TO THE PLAN.

WHILE THE PLAN PROPONENT SUBMITS THAT THOSE SUMMARIES PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, THESE SUMMARIES ARE QUALIFIED BY THE COMPLETE TEXT OF SUCH DOCUMENTS. IF ANY INCONSISTENCIES EXIST BETWEEN THE TERMS AND PROVISIONS OF THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR OTHER DOCUMENTS DESCRIBED HEREIN, THE TERMS AND PROVISIONS OF THE PLAN AND OTHER DOCUMENTS ARE CONTROLLING.

EACH HOLDER OF AN IMPAIRED CLAIM SHOULD REVIEW THE ENTIRE PLAN AND ALL RELATED DOCUMENTS AND SEEK THE ADVICE OF ITS

OWN COUNSEL AND FINANCIAL CONSULTANT BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. ANY CHANGES TO THESE DOCUMENTS WILL BE DESCRIBED AT THE HEARING ON THE CONFIRMATION OF THE PLAN.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON BY ANY PERSON OR ENTITY FOR ANY PURPOSE OTHER THAN BY HOLDERS OF IMPAIRED CLAIMS OR INTERESTS ENTITLED TO VOTE ON THE PLAN IN DETERMINING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT WILL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY ANY PARTY, OR BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTORS OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE EVIDENCE OF THE TAX OR OTHER LEGAL EFFECTS OF THE PLAN ON HOLDERS OF CLAIMS OR EQUITY INTERESTS.

EXCEPT TO THE EXTENT OTHERWISE SPECIFICALLY NOTED HEREIN, THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS GENERALLY INTENDED TO DESCRIBE FACTS AND CIRCUMSTANCES ONLY AS OF JUNE 30, 2017 AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR THE CONFIRMATION OF THE PLAN WILL CREATE ANY IMPLICATION, UNDER ANY CIRCUMSTANCES, THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS CORRECT AT ANY TIME AFTER JUNE 30, 2017 OR THAT THE PLAN PROPONENTS WILL BE UNDER ANY OBLIGATION TO UPDATE SUCH INFORMATION IN THE FUTURE.

THE PLAN PROPONENTS BELIEVE THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTEREST OF EVERY CREDITOR AND RECOMMEND THAT YOU VOTE TO ACCEPT THE PLAN.

Article II
Background

A. Historical Background

The Debtor is a corporation formed under the laws of the State of Ohio and does business from its headquarters in Akron, Ohio. The Debtor is engaged in the manufacturing of rubber products including skids and treads. The Debtor's primary customers are in the transit industries. The R.C.A. Rubber Company has made non-skid treads for commercial use for well over 70 years. The Debtor manufactures premium grade fabricated sheet rubber flooring primarily for bus, rail, commercial and recreational applications.

The business was founded by C.E. Reiss, P.P. Crisp, and Harry C. Allyn when they purchased a rubber plant where the company operates from the receivers of the Trump Brothers Rubber Company on December 21, 1931. The name of the company was derived from the initials of the founding officers. The company is a family owned business having four generations and various family members engaged in the ownership and operation of the business.

The Debtor previously owned one wholly owned subsidiary known as Pulaski Rubber Company based in Pulaski, Tennessee. This business was closed in approximately 2005 and has no further assets or liabilities.

B. Facility

The Debtor's headquarters and sole operating facility is located at 1833 East Market Street, Akron, Ohio (the "Facility"). The Debtor owns the Facility that was built in approximately 1920 and used by the prior rubber manufacturing plant until the time it was sold to the company's founders in 1931. The Facility is in significant need of repair and requires extensive maintenance costs based on the age of the structure. The Debtor has estimated the fair market value of the Facility in its bankruptcy schedules as being $384,570.90. The Debtor also owns adjacent parcel without improvements that it has estimated a value of $23,013.00 in its bankruptcy schedules. The Debtor has significant deferred maintenance needs that need to be addressed including, but not limited to roof maintenance and repairs. The Debtor lacks the financial ability to upgrade its Facility at this time.

C. Labor and Employees

At the timing of the filing of the bankruptcy case, the Debtor's workforce included approximately 80 full-time and part-time hourly laborers and 20 salaried employees. Hourly employees are paid on a weekly basis and are subject to the terms of a collective bargaining agreement between the Debtor and the United Steelworkers. Salaried employees are paid on a bi-weekly basis.

The Employees perform a variety of critical functions required for the survival of the Debtor's business. The Employees skills and specialized knowledge and understanding of the Debtor's infrastructure and operations, as well as their relationships with customers, vendors and other third parties, are essential to the success of the Debtor's continuing operations and its ability to maximize the value of its assets. At the time of the filing of the petition, the Debtor's average monthly payroll to the Employees totaled approximately $95,000.00, prior to any other related taxes and/or benefit costs.

Since the filing of the bankruptcy case and most recently over the last several months, the Debtor was required to lay off approximately 20% of its workforce due to decrease in current and projected sales. Decrease in sales are attributable, in part, due to consolidation in the transit industry and some lost customers.

D. Pension Plan & 401(k) Plan

The Debtor is the plan administrator of The R.C.A. Rubber Company Pension Plan. The plan was established for the hourly labor employees of the company. Salaried employees participate in a 401k plan. The market value of the assets in the pension plan were $7,974,268 as of October 1, 2016. Estimated liability under the pension plan for this same period was $12,167,005. Pension plan funding by the Debtor was frozen as of March 8, 2014, by agreement under a collective bargaining agreement with the United Steelworkers. The company has determined that is does not have the financial resources to fully fund the pension plan and has decided that termination of the pension plan on a distressed basis is in the best interest of creditors and the future viability of the company. As part of its contemplated plan of reorganization, the Debtor will seek a termination of the pension plan on a distressed basis.

E. Historical financial information

As set forth in the Debtor's tax return for the fiscal year ending June 30, 2016, the Debtor had total revenue of $11,136,573 against Costs of Good Sold of $8,845,030, resulting in a gross profit of $2,473,221. After deduction of $2,158,799 in expenses and other adjustments, the Debtor had net income of $314,422. Significant net operating losses from prior years, negated the taxable income during this period.

Sales revenue in prior periods has been relatively consistent, but the Debtor's costs have fluctuated greatly based on the raw material cost of rubber. This variable has significant impact on the Debtor's profitability.

The Debtor's monthly operating report for the period ending June 30, 2017 reflect the following:

Total Income	$842,088
Total Expenses	$934,493
Net Loss	*$ 92,405*

The Debtor's monthly operating report for the period ending May 31, 2017 reflect the following:

Total Income	$833,382
Total Expenses	$955,554
Net Loss	*$122,172*

The Debtor's monthly operating report for the period ending April 30, 2017 reflect the following:

Total Income	$1,026,248
Total Expenses	$ 979,866
Net Profit	$ 46,381

Previous monthly operating reports since the filing of the case reflect a range in monthly profitability from a low in January, 2017 (loss of $304,153) to a high in February, 2017 (profit of $119,388). Some of the monthly profitable changes may be attributable to timing issues and the frequent changes in raw material costs. The Debtor reflects an overall net loss of $202,925 since the filing of the case (November, 2016 – June 30, 2017).

F. Pre-petition Debt Structure

As of the Petition Date, the Debtor did not have a secured lender claiming a consensual lien granted upon the general assets of the Debtor. The total unsecured debt as set forth in the Debtor's schedules is approximately $1,107,736.00.

G. Pre-petition Assets of the Debtor

The Debtor's primary assets consist of equipment, machinery, tools, and raw materials used in the manufacturing of rubber products. The Debtor's schedules include the following assets at the timing of the bankruptcy filing and their corresponding estimated value:

Cash and Cash Equivalents	$458,205.35
Accounts Receivable	$692,800.00
Autos & Trucks	$ 5,512.50
Equipment	$239,711.80
Tread Molds	$ 276.04

Office furniture & equipment	$ 6,900.28
Inventory	$360,445.83

H. Events Leading to the Filing of the Chapter 11 Case

In 2005, The R.C.A. Rubber Company closed a wholly-owned subsidiary Pulaski Rubber Company located in Pulaski, Tennessee. As part of the plant closure, certain employees of the Pulaski Rubber Company asserted pre-petition claims against The R.C.A. Rubber Company for employee benefits relating to healthcare coverage. After significant litigation and an unfavorable ruling that that determined that the company was a "successor" of the Pulaski Rubber Company for purposes of the employee benefits, the company settled these claims in 2016 prior to the bankruptcy filing and paid approximately $250,000 to resolve these claims. No further obligation is owed under this settlement, but the funding of the settlement contributed to the financial distress of the company.

As part of the closure of the Pulaski subsidiary at the time, the unionized labor employees voted to merge the existing Pulaski pension plan into the separate R.C.A. Rubber pension plan. The merger of the two pension plans brought significant financial liability to The R.C.A. Rubber Company pension plan without any corresponding increase in revenue or employee productivity as no workforce transferred to the Akron, Ohio parent company.

Over the subsequent ten years, the Debtor's pension plan became significantly underfunded and its future ability to fund the pension plan became unsustainable. More recently, the Pension Benefit Guaranty Corp. ("PBGC") has asserted a lien as underfunding liability exceeded $1,000,000.00.

I. Bankruptcy Proceedings

On November 18, 2016 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. The Debtor continues to operate its businesses as debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

J. Operations as Debtor-in-Possession

The Debtor continues to operate its business as a debtor-in-possession in the ordinary course and plans to continue to do so as the Reorganized Debtor.

K. Creditor Claims

The most significant Claim against the Debtor is asserted by the PBGC relating to underfunding of the pension plan and resulting tax penalty claims. The Debtor disputes the amount and basis of these claims and anticipates filing and litigating objections to these claims as part of the Claims administration process contemplated in the Plan. The PBGC has asserted both secured and priority claims against the Debtor.

L. Disputed Claims and Claims Objections

Without limitation to the claim objection provisions set for in the Plan, the Debtor has previously identified certain objectionable claims asserted in the Case. Except to the extent that a Claim is already allowed pursuant to a final non-appealable order, the Debtor reserves the right to further object to Claims. The Debtor shall file objections to all Disputed Claims within ninety (90) days of the Effective Date. Therefore, even if your Claim is allowed for voting purposes, you may not be entitled to a distribution if an objection to your Claim is later upheld. The procedures for resolving disputed Claims are set forth in Article VII of the Plan.

M. New Capital Investment & Reorganization Fund

In a continuing effort to maintain the viability of the Debtor, the shareholders, or a subset thereof as recapitalized shall contribute as of the Effective Date no less than $150,000 to a Reorganization Fund to pay creditor claims as may be allowed. Further, the Reorganized Debtor shall contribute an additional amount of no less than $150,000 over the subsequent period up to five (5) years from net profits of the Reorganized Debtor until such time as the additional $150,000 is contributed to the Reorganization Fund and distributed pro rata to allowed creditor claims.

Article III
Summary of the Plan of Reorganization and Treatment of Claims and Equity Interests

A. What is the Purpose of the Plan of Reorganization?

As required by the Code, the Plan places Claims and Equity Interests in various classes and describes the treatment each class will receive. The Plan also states whether each class of Claims or Equity Interests is impaired or unimpaired. If the Plan is confirmed, your recovery will be limited to that provided by the Plan regardless if you vote or how you vote on the Plan.

B. Unclassified Claims

Unclassified Claims. Under section §1123(a)(1), Administrative Expense Claims are not in classes and are ineligible to vote on the Plan.

Administrative Expense Claims. Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, each holder of an Allowed Administrative Claim against the Debtor will be paid the full unpaid amount of such Allowed Administrative Claim in Cash:

> (a) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (b) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due); (c) at such time and upon such terms as may be agreed upon by such holder and the Debtor; or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court; *provided*, *however*, that Administrative Claims do not include Claims filed after the applicable deadline set forth in the Confirmation Order (except as otherwise provided by a separate order of the Bankruptcy Court).

All fees incurred by professionals retained in this Case are Administrative Claims that are paid from the estate prior to distribution to any creditor. All such fees and expenses are subject to review and approval by the Bankruptcy Court.

United States Trustee Fees. All fees required to be paid by 28 U.S.C. §1930(a)(6) (U.S. Trustee Fees) will accrue and be timely paid until the case is closed, dismissed, or converted to another chapter of the Code. Any U.S. Trustee Fees due and owing on or before the Effective Date of this Plan will be paid on the Effective Date.

Other Priority Claims. On or as soon as practicable after the Effective Date, each holder of an Allowed Other Priority Claim shall receive, in full and final satisfaction of such Claim, one of the following treatments: (a) full payment in Cash of its Allowed Other Priority Claim; (b) treatment of its Allowed Other Priority Claim in a manner that leaves such Claim Unimpaired; or (c) as otherwise may be agreed between the Debtor and the claimant.

C. Classes of Claims and Equity Interests

Claims and Equity Interests shall be treated as follows under the Plan:

Class	**Impairment**	**Treatment**
Class 1: Other priority claims	Unimpaired; Deemed to have Accepted the Plan.	On the Effective Date, Class 1 Claims shall receive cash equal to the full value of their Allowed Claim
Class 2: Secured Claims, if any	Impaired; Will be solicited to vote on the Plan.	On or as soon as practicable after the Effective Date, each holder of an Allowed Other Secured Claim for the Debtor will receive, in the sole discretion of the Debtor, ***except to the extent any holder of an Allowed Other Secured Claim agrees to a different treatment***, either: i) The collateral securing such Allowed Other Secured Claim; ii) Cash in an amount equal to the value of the collateral securing such Allowed Other Secured Claim; or iii) The treatment required under Section 1124(2) of the Bankruptcy Code for such Claim to be reinstated or rendered unimpaired.
Class 3: Priority Claims	Impaired; will be solicited to vote on the Plan.	On or as soon as practicable after the Effective Date, each holder of an Allowed Priority Claim for the Debtor will receive, in the sole discretion of the Debtor, ***except to the extent any holder of an Allowed Priority Claim agrees to a different treatment***, either: i) a pro rata share the initial $150,000 from the Reorganization Fund; or ii) The treatment required under Section 1124(2) of the Bankruptcy Code for such Claim to be reinstated or rendered unimpaired.

Class	**Impairment**	**Treatment**
Class 4: General Unsecured Claims	Impaired; will be solicited to vote on the Plan.	Each holder of an Allowed General Unsecured Claim shall receive in full and final satisfaction of such Claim, its pro rata share of the Reorganization Fund (after deducting payments made on Class 1, 2, and 3 Claims) based on the principal amount of each holders' Allowed Claim over a period of five (5) years. The Class 4 Claims shall be subject to allowance under the provisions of the Plan, including, but not limited to, Article VII.
Class 6: Equity Interests	Impaired; but deemed to have rejected the Plan and will not be solicited to vote on the Plan	The Holder of Class 6 Equity Interests shall not be entitled to distributions of any kind on account of such Equity Interests.

Article IV
Means for Implementing the Plan

A. New Capital Investment

Shareholders holding an Equity Interest as defined in the Plan, or a subset thereof as recapitalized, shall contribute as of the Effective Date no less than $150,000 to a Reorganization Fund to pay creditor Allowed Creditor Claims.

B. Reorganization Fund

The Reorganized Debtor shall contribute an additional amount of no less than a total of $150,000 over the subsequent period up to five (5) years from net profits of the Reorganized Debtor until such time as the additional $150,000 is contributed to the Reorganization Fund and distributed pro rata to Allowed Creditor Claims. To the extent necessary to implement funding of the Plan and in the absence of requisite profits, the Reorganized Debtor shall seeking financing to accommodate such requirement under the Plan.

C. Reorganized Debtor

1. Creation and Vesting of Assets

The Reorganized Debtor, pursuant to section 1123(b)(3)(B) of the Bankruptcy Code, shall be deemed the successor in interest to the Debtor and be appointed the representative of the Estate for and have all the duties, powers, standing and authority necessary to implement the Plan and to administer the assets of the Estate for the benefit of holders of Allowed Claims. Without limiting the foregoing, the Reorganized Debtor shall be vested with and shall be responsible for (i) the distribution of assets to holders of Allowed Claims, (ii) the prosecution and enforcement of the Avoidance Actions, and (iii) the prosecution of objections to Claims on or before the Claims Objection Bar Date.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document entered into in connection with the Plan, pursuant to Section 1123(b) of the Bankruptcy Code, the Reorganized Debtor shall retain and may enforce any Avoidance Actions that the Debtor may hold against any entity, whether or not filed prior to the Confirmation Date.

D. Disbursing Agent

The Reorganized Debtor shall serve as the Disbursing Agent.

E. Cancellation of Obligations

On the Effective Date, except to the extent otherwise provided herein, all notes, stock, instruments, certificates, and other documents evidencing obligations of the Debtor other than

as allowed under the Plan, shall be canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtor thereunder or in any way related thereto shall be discharged.

F. Corporate Governance, Directors and Officers, and Corporate Action

Prior to, on or after the Effective Date, as applicable, all matters provided for hereunder that would otherwise require approval of the shareholders, members, managers, partners or directors of the Debtor or shall be deemed to have been so approved and shall be in effect prior to, on or after the Effective Date, as applicable, pursuant to applicable state law, including the general corporation law of the State of Ohio, without any requirement of further action by shareholders, members, directors, managers or partners of the Debtor.

Upon the Effective Date, the Debtor shall be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement and further evidence the terms and conditions hereof, including, on the Effective Date.

Article V

Confirmation Requirements and Procedures

To be confirmable, the Plan must meet the requirements listed in §§ 1129(a) or (b) of the Code. These include the requirements that: the Plan must be proposed in good faith; at least one impaired class of Claims must accept the plan, without counting votes of insiders; the Plan must distribute to each Creditor and Equity Interest holder at least as much as the Creditor or Equity Interest holder would receive in a chapter 7 liquidation case, unless the Creditor or Equity Interest holder votes to accept the Plan; and the Plan must be feasible. These requirements are not the only requirements listed in § 1129, and they are not the only requirements for confirmation.

A. Who May Vote or Object

Any party in interest may object to the confirmation of the Plan if the party believes that the requirements for confirmation are not met. Many parties in interest, however, are not entitled to vote to accept or reject the Plan. A Creditor or Equity Interest holder has a right to vote for or against the Plan only if that Creditor or Equity Interest holder has a Claim or Equity Interest that is both (1) Allowed or Allowed for voting purposes and (2) impaired.

In this case, the Classes the Debtor believes are entitled to vote on the Plan are set forth in Section III. C above.

1. What Is an Allowed Claim or an Allowed Equity Interest?

Only a Creditor or Equity Interest holder with an Allowed Claim or an Allowed Equity Interest has the right to vote on the Plan. Generally, a Claim or Equity Interest is allowed if either (1) the Debtor has scheduled the Claim on the Debtor's schedules, unless the Claim has been scheduled as disputed, contingent, or unliquidated, or (2) the Creditor has filed a proof of Claim or

Equity Interest, unless an objection has been filed to such proof of Claim or Equity Interest. When a Claim or Equity Interest is not allowed, the Creditor or Equity Interest holder holding the Claim or Equity Interest cannot vote unless the Court, after notice and hearing, either overrules the objection or allows the Claim or Equity Interest for voting purposes pursuant to Rule 3018(a) of the Federal Rules of Bankruptcy Procedure.

The deadline for filing objections to Claims will be ninety (90) days following the Effective Date of the Plan.

2. What Is an Impaired Claim or Impaired Equity Interest?

As noted above, the holder of an Allowed Claim or Equity Interest has the right to vote only if it is in a class that is impaired under the Plan. As provided in § 1124 of the Code, a class is considered impaired if the Plan alters the legal, equitable, or contractual rights of the members of that class.

3. Who is Not Entitled to Vote

The holders of the following seven types of Claims and Equity Interests are not entitled to vote:

i. holders of Claims and Equity Interests that have been disallowed by an order of the Court;

ii. holders of other Claims or Equity Interests that are not "Allowed Claims" or "Allowed Equity Interests" (as discussed above), unless they have been "Allowed" for voting purposes;

iii. holders of Claims or Equity Interests in unimpaired classes;

iv. holders of Claims entitled to priority pursuant to §§ 507(a)(2), (a)(3), and (a)(8) of the Code;

v. holders of Deposits;

vi. holders of Claims or Equity Interests in classes that do not receive or retain any value under the Plan; and

vii. administrative expenses.

Even If You Are Not Entitled to Vote on the Plan, You Have a Right to Object to the Confirmation of the Plan and to the Adequacy of the Disclosure Statement.

A. Votes Necessary to Confirm the Plan

If impaired classes exist, the Court cannot confirm the Plan unless (i) at least one (1) impaired class of Creditors has accepted the Plan without counting the votes of any Insiders within that class, and (ii) all impaired classes have voted to accept the Plan, unless the Plan is eligible to be

confirmed by "cram down" on non-accepting classes, as discussed later in Section Article VI Section A(3).

1. Votes Necessary for a Class to Accept the Plan

A class of Claims accepts the Plan if both of the following occur: (i) the holders of more than one-half (1/2) of the Allowed Claims in the class, who vote, cast their votes to accept the Plan, and (ii) the holders of at least two-thirds (2/3) in dollar amount of the Allowed Claims in the class, who vote, cast their votes to accept the Plan. ***If there are no votes cast in a Class, that Class will be deemed to have voted to accept the Plan***.

A class of Equity Interests accepts the Plan if the holders of at least two-thirds (2/3) in amount of the Allowed Equity Interests in the class, who vote, cast their votes to accept the Plan.

2. Treatment of Non-accepting Classes

Even if one or more impaired classes reject the Plan, the Court may nonetheless confirm the Plan if the non-accepting classes are treated in the manner prescribed by § 1129(b) of the Code. A plan that binds non-accepting classes is commonly referred to as a "cram down" plan. The Code allows the Plan to bind non-accepting classes of Claims or Equity Interests if it meets all the requirements for consensual confirmation except the voting requirements of § 1129(a)(8) of the Code, does not "discriminate unfairly," and is "fair and equitable" toward each impaired class that has not voted to accept the Plan.

3. Cram down of the Plan

Confirmation Without Acceptance by All Impaired Classes. Section 1129(b) of the Bankruptcy Code allows a Bankruptcy Court to confirm a plan, even if such plan has not been accepted by all impaired classes entitled to vote on such plan, provided that such plan has been accepted by at least one impaired class. With respect to the Plan, the Debtor intends to seek the application of the requirements set forth in Section 1129(b) of the Bankruptcy Code for Confirmation of the Plan in the event of a lack of acceptance by all impaired Classes. Section 1129(b) of the Bankruptcy Code provides that notwithstanding the failure of an impaired class to accept a plan or reorganization, the plan may be confirmed, on request of the plan proponent, in a procedure commonly known as "cram down," so long as the plan does not "discriminate unfairly" and is "fair and equitable" with respect to each class of impaired Claims or interests that has not accepted the plan. The condition that a plan be "fair and equitable" with respect to a rejecting class of secured Claims includes the requirements that (a) the holders of such secured Claims retain the liens securing such Claims to the extent of the Allowed amount of the Claims, whether the property subject to the liens is retained by the debtor or transferred to another entity under the plan, and (b) each holder of a secured Claim in the class receives deferred cash payments totaling at least the Allowed amount of such Claim with a present value, as of the effective date of the plan, at least equivalent to the value of the secured Creditor's interest in the debtor's property subject to the liens. The condition that a plan be "fair and equitable" with respect to a rejecting class of unsecured Claims includes the requirement that either (a) such class receive or retain under the plan property of a value as of the effective date of the plan equal to the Allowed amount of such Claim or (b) if the class does not receive such amount, no class junior to the non- accepting class will receive a distribution under the plan.

The condition that a plan be "fair and equitable" with respect to a rejecting class of Equity Interests includes the requirements that either (a) the plan provides that each holder of an Equity

Interest in such class receive or retain under the plan, on account of such Equity Interest, property of a value, as of the effective date of the plan, equal to the greater of (i) the Allowed amount of any fixed liquidation preference to which such holder is entitled, (ii) any fixed redemption price to which such holder is entitled, or (iii) the value of such Equity Interest, or (b) if the Class does not receive such amount, no class of equity interests junior to the rejecting class will receive a distribution under the plan.

You should consult your own attorney if a "cram down" confirmation will affect your Claim or Equity Interest, as the variations on this general rule are numerous and complex.

Article VI
Risk Factors

The proposed Plan has the following risks:

- The amounts actually paid to Unsecured Creditors depends on the amounts of the Claims actually Allowed by the Bankruptcy Court.
- The Debtors anticipate filing a number of Claim Objections; the outcome of such litigation will have an impact on determination of Allowed Claims and Priority Claims.
- Determination of Secured and Priority Claims may prohibit distribution to General Unsecured Claims.
- The length of time and potential further litigation expenses for claim objections and confirmation of the Plan may have an effect on the amount of administrative claims in the estate.

Article VII
Tax Consequences of Plan

CREDITORS AND EQUITY INTEREST HOLDERS CONCERNED WITH HOW THE PLAN MAY AFFECT THEIR TAX LIABILITY SHOULD CONSULT WITH THEIR OWN ACCOUNTANTS, ATTORNEYS, AND/OR ADVISORS.

A summary description of certain United States federal income tax consequences of the Plan is provided below. This disclosure describes only the principal United States federal income tax consequences of the Plan to the Debtor and to the Creditors who are entitled to vote to accept or reject the Plan. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made to the Debtor or any Creditor regarding the particular tax consequences of the confirmation and consummation of the Plan. No assurance can be given that the IRS would not assert, or that a court would not sustain, a different position than any discussed in this disclosure.

The following discussion of United States federal income tax consequences is based on the Internal Revenue Code of 1986, as amended, Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect). The following discussion does not address foreign, state, or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to special classes of taxpayers (e.g., banks and certain other financial institutions, insurance companies, tax-exempt organizations, governmental entities, persons that are, or hold their Claims through, pass-through entities, persons whose functional currency is not the United States dollar, foreign persons, dealers in securities or foreign currency, employees of a Debtor, persons who received their Claims pursuant to the exercise of an employee stock option or otherwise as compensation and persons holding Claims that are a hedge against, or that are hedged against, currency risk or that are part of a straddle, constructive sale, or conversion transaction). Furthermore, the following discussion does not address United States federal taxes other than income taxes.

Creditors are strongly urged to consult their own tax advisors regarding the United States federal, state, local, and foreign tax consequences of the transactions described in this Disclosure Statement and in the Plan.

A. United States Federal Income Tax Consequences to Debtor

Cancellation of Indebtedness Income. Under the Plan, some of the Debtor's outstanding indebtedness will be satisfied in exchange for cash, and/or other property. The satisfaction of a Claim for an amount of cash and/or other property having a fair market value less than the "adjusted issue price" of the Claim generally would give rise to cancellation of indebtedness ("COD") income.

However, with the exception discussed below, the Debtor might not recognize COD income from the debt discharge under the Plan because the debt discharge will occur in a Title 11 bankruptcy case. The owners may have to instead reduce tax attributes from the Debtor's operations to the extent of its COD income in the following order: (a) net operating losses ("NOLs") and NOL carryforwards; (b) general business credit carryforwards; (c) minimum tax credit carryforwards; (d) capital loss carryforwards; (e) the tax basis of the Debtor's depreciable and nondepreciable assets (but not below the amount of its liabilities immediately after the discharge); and (f) foreign tax credit carryforwards. The taxpayer may be able to elect to alter the preceding order of attribute reduction and, instead, first reduce the tax basis of its remaining depreciable assets. The reduction in tax attributes occurs only after the tax for the year of the debt discharge has been determined (i.e., such attributes may be available to offset taxable income that accrues between the date of discharge and the end of the Debtor's tax year). The taxpayer does not recognize any COD income that exceeds the amount of available tax attributes, and such excess COD income has no other United States federal income tax effect.

B. Federal Income Tax Consequences to Creditors

The following discusses certain United States federal income tax consequences of the transactions contemplated by the Plan to Creditors that are "United States holders," as defined below. The United States federal income tax consequences of the transactions contemplated by the Plan to Creditors (including the character, timing and amount of income, gain or loss recognized)

will depend upon, among other things: (l) whether the Claim and the consideration received in respect thereof are "securities" for federal income tax purposes; (2) the manner in which a Creditor acquired a Claim; (3) the length of time the Claim has been held; (4) whether the Claim was acquired at a discount; (5) whether the Creditor has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current tax year or any prior tax year; (6) whether the Creditor has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (7) the Creditor's method of tax accounting; and (8) whether the Claim is an installment obligation for federal income tax purposes. Creditors therefore should consult their own tax advisors regarding the particular tax consequences to them of the transactions contemplated by the Plan.

For purposes of the following discussion, a "United States holder" is a Creditor that is: (1) a citizen or individual resident of the United States; (2) a partnership or corporation created or organized in the United States or under the laws of the United States, a political subdivision thereof, or a State of the United States; (3) an estate the income of which is subject to United States federal income taxation regardless of its source; or (4) a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust, or (ii) the trust was in existence on August 20, 1996, and properly elected to be treated as a United States person.

Sale or Exchange of Claims. Under the Plan, Creditors will receive cash in exchange for their Claims. A Creditor who receives such property in exchange for its Claim under the Plan will generally recognize gain or loss for United States federal income tax purposes in an amount equal to the difference between (1) the fair market value of such shares and/or other property on the Effective Date, plus the amount of Cash received by such Creditor, and (2) the Creditor's adjusted tax basis in its Claim. A Creditor who recognizes a loss on a transaction conducted under the Plan may be entitled to a bad debt deduction, either in the taxable year of the Effective Date or a prior taxable year.

Accrued Interest. Under the Plan, cash or other property may be distributed or deemed distributed to certain Creditors in respect of accrued interest on their Claims. Creditors that previously have not included such accrued interest in taxable income will be required to recognize ordinary income equal to the amount of cash or other property received with respect to such accrued interest on their Claims. Creditors that have included such accrued interest in taxable income generally may take an ordinary deduction to the extent that the Claim for accrued interest is not fully satisfied under the Plan (after allocating the distribution between principal and accrued interest), even if the underlying Claim is held as a capital asset. The adjusted tax basis of any property received in exchange for a Claim for accrued interest will equal the fair market value of such property on the Effective Date, and the holding period for the property will begin on the day after the Effective Date. It is not clear the extent to which consideration that may be distributed under the Plan will be allocable to interest. Creditors are advised to consult their own tax advisors to determine the amount, if any, of consideration received under the Plan that is allocable to interest.

Other Creditors. To the extent certain Creditors reach an agreement with the Debtor to have their Claims satisfied, settled, released, exchanged or otherwise discharged in a manner other than as described in the Plan, such Creditors should consult with their own tax advisors regarding the tax consequences of such satisfaction, settlement, release, exchange, or discharge.

Non-Confidential Nature of the Tax Treatment and Tax Structure of the Plan. A Creditor's disclosure of the tax treatment or the tax structure of the Plan is not limited in any manner by an

express or implied understanding or agreement with or for the benefit of any person who makes or provides a statement, oral or written, to a Creditor (or for whose benefit a statement is made or provided to a Creditor) as to the potential tax consequences that may result from the Plan. Moreover, a Creditor's use or disclosure of information relating to the tax treatment or tax structure of the Plan is not limited in any other manner for the benefit of any person who makes or provides a statement, oral or written, to the Creditor (or for whose benefit a statement is made or provided to the Creditor) as to the potential tax consequences that may result from the Plan.

C. Importance of Obtaining Professional Tax Assistance

The foregoing discussion is intended only as a summary of certain United States federal income tax consequences of the Plan and is not a substitute for careful tax planning with a tax professional. The above discussion is for informational purposes only and is not tax advice. The tax consequences are in many cases uncertain and may vary depending on a Creditor's particular circumstances. Accordingly, Creditors are strongly urged to consult their tax advisors about the United States federal, state and local and applicable foreign income and other tax consequences of the plan, including with respect to tax reporting and record keeping requirements.

Article VIII
Alternatives to Confirmation of the Plan

A. Dismissal or Conversion

The alternatives to Confirmation of the Plan are (i) conversion of the Chapter 11 Case to a case under Chapter 7 of the Bankruptcy Code or (ii) the dismissal of the Chapter 11 Case. If the Chapter 11 Case were dismissed, Claims under the Bankruptcy Code would cease to exist, ownership of the assets on hand would revert to the Debtor and such assets would be recoverable by the Creditors who are able to effectuate a levy thereon to the prejudice of all other entities holding Claims against the Debtors.

Conversion of the Chapter 11 Case to a case under Chapter 7 would likely result in significant delays, additional administrative costs, and a small distribution than holders of Allowed Unsecured Claims will receive under the terms of the Plan if confirmed.

Accordingly, the Debtor believe that confirmation of the Plan is in the best interest of Creditors.

B. Dismissal or Conversion

Even if the Plan is accepted by each Class of Creditors, the Bankruptcy Court is required to make an independent determination that the Plan is in the best interest of Creditors that are impaired by the Plan before the Plan may be confirmed. The "best interest of creditors" test requires the Bankruptcy Court to find either that all members of an impaired class of claims or interest have accepted the Plan or that the Plan will provide members of such impaired Class with a recovery that has a value at least equal to the value of the distribution that each such member would receive if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

If no plan of reorganization is confirmed, the Chapter 11 Case may be converted to a case under Chapter 7 of the Bankruptcy Code and the Debtor's remaining assets will be liquidated pursuant to that chapter. Because of the numerous uncertainties and time delays associated with liquidation of

assets, it is not possible to predict with certainty as to the outcome of any Chapter 7 liquidation analysis. However, Debtor asserts that the Plan provides much greater value to the holders of Allowed Claims than a Chapter 7 liquidation.

Article VIIII
Recommendation

The Debtors recommend that all Creditors receiving a Ballot to vote in favor of the Plan as it maximizes recovery to Creditors and is in their best interest.

Respectfully Submitted,

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