

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

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In re:	:	
	:	Chapter 11
POWERMATE HOLDING CORP.,	:	
a Delaware corporation, <u>et al.</u> , ¹	:	Case No. 08-10498 (KG)
	:	
Debtors.	:	Jointly Administered
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**DISCLOSURE STATEMENT FOR THE LIQUIDATING CHAPTER 11 PLAN PROPOSED
BY THE DEBTORS AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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Dated: July 30, 2009

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Powermate Holding Corp. (6385); Powermate Corporation (7482) and Powermate International, Inc. (6105). The address for each of the Debtors is 3901 Liberty Street, Aurora, IL 60504.



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DISCLOSURE STATEMENT EXHIBITS

Exhibit A: Debtors' Liquidating Chapter 11 Plan

DISCLAIMER

PLEASE NOTE THAT THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE UNDER SECTION 1125 OF THE BANKRUPTCY CODE FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT INTENDED, AND SHOULD NOT BE CONSTRUED, AS A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE.

I. INTRODUCTION

The Debtors and the Official Committee of Unsecured Creditors (the "Committee") appointed in these chapter 11 cases hereby submit this disclosure statement (the "Disclosure Statement") pursuant to section 1125 of Title 11, United States Code §§ 101 *et. seq.* (the "Bankruptcy Code") in connection with the solicitation of acceptances of their liquidating chapter 11 Plan (the "Plan"). A copy of the Plan, which was filed with the Bankruptcy Court on July 30, 2009, is annexed hereto as Exhibit A and made a part hereof. Capitalized terms not defined herein shall have the meaning ascribed to them in the Plan. This Disclosure Statement should be read in conjunction with the Plan.

A. General Background

On March 17, 2008 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors' Bankruptcy Cases are currently pending in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") before the Honorable Kevin Gross, United States Bankruptcy Judge. An official committee of unsecured creditors (the "Committee") in the Bankruptcy Cases was appointed by the United States Trustee for the District of Delaware (the "U.S. Trustee") on March 26, 2008.

Since the commencement of these cases, the Debtors have engaged in the process of liquidating their assets and winding down their operations. Most significantly, shortly after the Petition Date, the Debtors filed a motion to establish bid procedures (the "Bid Procedures") and for the approval of sales (the "Sales") with respect to certain asset pools, as well as, a private sale motion (the "Private Sale Motion") seeking approval of the sale of the majority of their finished goods inventory to Homelite Technologies, Ltd. ("Homelite"). Pursuant to the Bankruptcy Court's order approving the Bid Procedures, the Debtors held an auction (the "Auction") to sell substantially all of their assets on May 2, 2008.

On May 5, 2008 and May 7, 2008, respectively, the Bankruptcy Court entered orders (the "Sale Orders") approving the sale to Homelite, in accordance with the Private Sale Motion, and the sales of substantially all of the Debtors' remaining assets to various purchasers who were the highest or best bidders at the Auction (collectively, the "Sales").

The Debtors used the proceeds of the sales to repay indebtedness owing to their pre- and postpetition secured lenders. The Debtors have continued to work with their professionals to liquidate certain of their remaining assets and propose the Plan, which provides, *inter alia*, the means for liquidating the Debtors' remaining assets and satisfying claims against, and interests in, the Debtors in accordance with the Bankruptcy Code.

B. General Terms of the Treatment under the Plan of Holders of Claims and Equity Interests

The Plan is a single, joint liquidating plan for all three Debtors. On and after the Effective Date, the Debtors will continue in existence, but their respective Estate Assets will be managed through a Plan Administrator who, subject to the terms of the Plan, will be responsible for, among other things, (i) winding up the Debtors' affairs as expeditiously as reasonably possible,

(ii) liquidating, by converting to Cash or other methods, any remaining Estate Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Debtors, including, without limitation, the prosecution of Avoidance Actions and Estate Actions in conjunction with the marshaling of the Debtors' assets, (iv) resolving Disputed Claims, and (v) administering the Plan.

Set forth below is a summary description of the classification and treatment of all Classes of Claims and Equity Interests provided for in the Plan. Consistent with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not included in any Classes of Claims or Equity Interests. The summary of the Plan contained in this section is qualified in its entirety by reference to the more detailed information elsewhere in this Disclosure Statement, in the Plan and in the exhibits to this Disclosure Statement and the Plan. It is the Plan and not this Disclosure Statement that governs the rights and obligations of the parties. The summary does not purport to be complete and should not be relied upon for voting purposes. A more complete description of the Plan is provided in Article III, "THE DEBTORS' CHAPTER 11 PLAN."

Summary Chart of Classes of Claims and Interests

Class	Treatment	Voting Rights
Class 1 - Priority Claims	Unimpaired	Deemed to accept the Plan; not entitled to vote
Class 2 - Secured Claims	Impaired	Entitled to vote
Class 3 - Unsecured Claims	Impaired	Entitled to vote
Class 4 - Equity Interests	Impaired	Deemed to reject the Plan; not entitled to vote

The Debtors and the Committee believe that the Plan provides the best possible result in these cases for all Claimholders. The Debtors and the Committee further believe that, under the Plan, Claimholders will receive a greater recovery than if the Debtors' chapter 11 cases were converted to cases under chapter 7 of the Bankruptcy Code.

C. Recommendation

The Plan represents the efforts of the Debtors to maximize the immediate cash distribution to holders of Claims. With respect to holders of Unsecured Claims, the Debtors and the Committee believe that the Plan offers the highest, best and quickest recovery that could be had in these cases. **THE DEBTORS AND THE COMMITTEE THEREFORE RECOMMEND THAT ALL HOLDERS OF CLAIMS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT THE PLAN.**

D. Voting

The Plan is being distributed, with ballots, to holders of Claims in Classes 2 and 3, which are the Classes of Claims that are impaired under the Plan and will receive a distribution under the Plan. Accordingly, holders of Claims in Classes 2 and 3 are entitled to vote **either to accept or to reject** the Plan. Holders of Claims in Class 1 are deemed to have **accepted** the Plan because their respective Claims are not impaired, and are therefore not entitled to vote on the Plan. Holders of Equity Interests in Class 4 are deemed to have **rejected** the Plan because their Equity Interests are being cancelled, and they will neither receive nor retain any property under the Plan on account of their Equity Interests. Accordingly, the holders of Claims in Class 1 and Equity Interests in Class 4 **cannot** vote on the Plan (although they are free to file a written objection to the Plan with the Bankruptcy Court, in accordance with the procedures set forth below). For a more detailed description of the Classes of Claims and Equity Interests and their treatment under the Plan, see Articles III.A and III.B of this Disclosure Statement.

The Debtors have prepared this Disclosure Statement in connection with their solicitation of votes from holders of Claims in Classes 2 and 3. On _____, 2009, the Bankruptcy Court entered an order (the "Disclosure Statement Order"), approving this Disclosure Statement as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor, typical of each of the holders of Claims in Classes 2 and 3 being solicited, to make an informed judgment whether to accept or reject the Plan. Such approval by the Bankruptcy Court does not constitute a recommendation of the Plan by the Bankruptcy Court.

Section 1129(a) of the Bankruptcy Code allows the Bankruptcy Court to confirm a plan if certain conditions have been met and, with certain exceptions, if each class of claims or interests that is impaired under the plan has voted to accept the plan. As stated above, the Class of the Debtors' Equity Interest holders will be deemed to have rejected the Plan, and therefore the Debtors will seek to confirm the Plan, subject to Bankruptcy Court approval, over that Class's rejection pursuant to section 1129(b) of the Bankruptcy Code, on the grounds that (i) at least one impaired class of Claims is expected to accept the Plan and (ii) the Plan does not discriminate unfairly and is fair and equitable with respect to Class 4 Equity Interests.

Under section 1126(c) of the Bankruptcy Code, a class of claims has accepted a plan if such plan has been accepted by Claimholders in that class that hold at least two-thirds in dollar amount and more than one-half in number of the allowed claims of such class, excluding holders whose acceptances or rejections were found not to be in good faith. Under the Bankruptcy Code, only parties that actually vote will be counted for purposes of determining acceptance or rejection by any impaired class. Therefore, the Plan could be approved by Class 2 and 3 Claims with the affirmative vote of significantly less than two-thirds in total dollar amount and one-half in total number of the Claims of each Class. However, it should also be noted that even if the holders of all Claims in Classes impaired under the Plan accept or are deemed to have accepted the Plan, the Plan is subject to certain other requirements under section 1129(a) of the Bankruptcy Code and might not be confirmed by the Bankruptcy Court. The Debtors are confident, however, that the Plan satisfies those requirements of section 1129(a), and can be confirmed by the Bankruptcy Court.

Any holder of an impaired Claim (i) whose Claim has been scheduled by the Debtors in the schedules of assets and liabilities filed with the Bankruptcy Court (provided that such Claim has not been scheduled as disputed, contingent or unliquidated), (ii) who has timely filed a proof of Claim, on or prior to August 18, 2008 with respect to which the Debtors have not filed an objection on or before the objection deadline, or (iii) whose claim has been determined or estimated for voting purposes by the Bankruptcy Court, is entitled to accept or reject the Plan (unless such Claim has been disallowed by the Bankruptcy Court for purposes of accepting or rejecting the Plan).

NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, NO DISPUTED CLAIM WILL BE COUNTED FOR ANY PURPOSE IN DETERMINING WHETHER THE REQUIREMENTS OF SECTION 1126(C) OF THE BANKRUPTCY CODE HAVE BEEN MET, UNLESS A CLAIMANT WHOSE CLAIM IS DISPUTED HAS FILED A MOTION FOR TEMPORARY ALLOWANCE FOR VOTING PURPOSES UNDER BANKRUPTCY RULE 3018(A), AND THE BANKRUPTCY COURT GRANTS SUCH MOTION FOR TEMPORARY ALLOWANCE PRIOR TO THE VOTING DEADLINE.

E. Voting Instructions

This Disclosure Statement and other documents described herein are being furnished by the Debtors to certain holders of Claims against the Debtors pursuant to the Disclosure Statement Order for the purpose of soliciting votes on the Plan. The Debtors are seeking the acceptance of the Plan by holders of Secured Claims (Class 2) and Unsecured Claims (Class 3).

A ballot to be used to accept or to reject the Plan has been enclosed with all copies of this Disclosure Statement mailed to holders of Claims that are impaired by the Plan and entitled to vote. A copy of the Disclosure Statement Order entered by the Bankruptcy Court and a notice of, among other things, voting procedures and the dates set for objections to and the hearing on confirmation of the Plan (the "Notice of the Confirmation Hearing") are also being transmitted with this Disclosure Statement. The Disclosure Statement Order and the Notice of the Confirmation Hearing set forth in detail the deadlines, procedures, and instructions for casting votes to accept or reject the Plan, for filing objections to confirmation of the Plan, the treatment for balloting purposes of certain types of Claims, and the assumptions for tabulating ballots. In addition, detailed voting instructions accompany each ballot for each Class. Each holder of a Claim within a Class entitled to vote should read the Disclosure Statement, the Plan, the Disclosure Statement Order, the Notice of Confirmation Hearing, and the instructions accompanying the ballots in their entirety before voting on the Plan. These documents contain important information concerning how Claims and Equity Interests are classified for voting purposes and how votes will be tabulated.

If you hold Claims in more than one Class and are entitled to vote Claims in more than one Class, you must use separate ballots for each separate Class. Please vote and return your ballot(s) in accordance with the instructions set forth herein and the instructions accompanying your ballot(s). PLEASE CAREFULLY FOLLOW THE DIRECTIONS CONTAINED ON EACH ENCLOSED BALLOT. To be counted, your vote indicating acceptance or rejection of the Plan must be properly completed in accordance with the instruction on the ballot.

To be counted, your vote indicating acceptance or rejection of the Plan must actually be received by the Debtors' Voting Agent, Kurtzman Carson Consultants, LLC (the "Voting Agent"), no later than _____ m., prevailing Eastern Time, on _____, 2009 (the "Voting Deadline"). Ballots received after that time will not be counted, except to the extent the Debtors and Committee so determine or as permitted by the Bankruptcy Court pursuant to Bankruptcy Rule 3018.

All ballots must be sent to the Voting Agent at the following address:

VIA U.S. MAIL OR OVERNIGHT DELIVERY

Kurtzman Carson Consultants, LLC
c/o Powermate Ballot Processing
2335 Alaska Ave.
El Segundo, CA 90245

Consistent with the provisions of Rule 3018 of the Bankruptcy Rules, the Bankruptcy Court has fixed a Record Date of _____, 2009 (the "Record Date"). This is the date for the determination of holders of record of Claims who are entitled to vote on the Plan. All votes to accept or reject the Plan must be cast by using a ballot. Votes which are cast in any manner other than by using a ballot will not be counted.

If your ballot is damaged or lost, or if you do not receive a ballot, you may request a replacement by contacting the Voting Agent at Attn: Karen M. Wagner, Kurtzman Carson Consultants, LLC, email: kwagner@kccllc.com.

After carefully reviewing the Plan, including all schedules thereto, and this Disclosure Statement and its exhibits, please indicate your vote on the enclosed ballot, sign it, and then return it in the envelope provided. In voting to accept or to reject the Plan, please use only a ballot sent to you with this Disclosure Statement or by the Voting Agent.

A ballot may be withdrawn by delivering a written notice of withdrawal to the Voting Agent, so that the Voting Agent actually receives such notice prior to the Voting Deadline. Thereafter, withdrawal may be affected only with the approval of the Bankruptcy Court by filing a motion in accordance with Bankruptcy Rule 3018(a).

F. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing (the "Confirmation Hearing") with respect to the Plan. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the applicable requirements of section 1129 of the Bankruptcy Code are met. The Confirmation Hearing has been scheduled to commence at _____:_____.m. (Prevailing Eastern Time) on _____, 2009 before the Honorable Judge Kevin Gross, United States Bankruptcy Court, District of Delaware, 824 Market Street, 6th Floor, Courtroom #3 Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice other than an announcement of the adjourned date made at the Confirmation Hearing.

Any objection to confirmation of the Plan must be made in writing and filed with the Bankruptcy Court and served upon the following on or before 4:00 p.m. (Prevailing Eastern Time) on _____, 2009:

Neil E. Herman
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, NY 10178

Michael R. Nestor
Young Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street, 17th Floor
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Wilmington, Delaware 19801

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Sonnenschein Nath & Rosenthal LLP
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1221 Avenue of the Americas
New York, New York 10020

James A. Stempel
Kirkland & Ellis LLP
300 North LaSalle
Chicago, Illinois 60654

Office of the United States Trustee
844 King St.
Suite 2207
Wilmington, DE 19801
Attn: Richard Schepacarter, Esquire

G. Other Important Information

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THIS DISCLOSURE STATEMENT IS PROVIDED FOR USE SOLELY BY HOLDERS OF CLAIMS IN CLASSES 2 AND 3, AND THEIR ADVISORS, IN CONNECTION WITH THEIR DETERMINATION TO ACCEPT OR TO REJECT THE PLAN, OR TO OBJECT TO THE PLAN. THIS DISCLOSURE STATEMENT IS ALSO BEING

PROVIDED TO OTHER CLAIMHOLDERS IN THIS CASE AND TO HOLDERS OF EQUITY INTERESTS OF THE DEBTORS (TO THE EXTENT KNOWN BY THE DEBTORS) IN ORDER FOR SUCH PARTIES TO DETERMINE WHETHER TO OBJECT TO THE PLAN.

HOLDERS OF CLAIMS AND INTERESTS SHOULD NOT CONSTRUE THE CONTENTS OF THIS DISCLOSURE STATEMENT AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. EACH SUCH HOLDER SHOULD THEREFORE CONSULT WITH HIS, HER OR ITS OWN LEGAL, BUSINESS, FINANCIAL AND/OR TAX ADVISORS AS TO ANY MATTER CONCERNING THESE CASES, THE PLAN, AND THE TRANSACTIONS CONTEMPLATED THEREBY.

II. GENERAL INFORMATION

A. The Debtors' Business and Prepetition Operations

Prior to Petition Date, the Debtors were one of the world's leading manufacturer's of portable and standby electric generators, pressure washers and accessories. Prior to the sale of a portion of their business in March 2008, the Debtors also were a leading supplier of air compressors and air tools. The Powermate Entities distributed their products through mass retailers, home centers, specialty store chains, industry buying co-operatives, online e-Dealers, and independent hardware retailers. The Debtors were the number one supplier in the portable generator category in the United States, and together with Powermate Canada and Powermate Mexico, were the number one supplier of portable generators in Canada and Mexico.

The Debtors' corporate structure is fairly simple: Powermate Holding Corp. ("Powermate Holding") is the 100% owner of Powermate Corp. ("Powermate") and two non-debtor entities known as Powermate Canada, Inc., a Canadian corporation ("Powermate Canada"), and Powermate S. de R.L. de C.V., a Mexican corporation ("Powermate Mexico," and together with Powermate Canada and the Debtors, the "Powermate Entities"). Powermate, in turn, is the 100% owner of Powermate International.

B. The Debtors' Significant Secured Prepetition Indebtedness

Powermate is a borrower under four different secured credit facilities and, as of the Petition Date, had total outstanding secured debt in the approximate principal sum of \$40.0 million together with interest thereon.

Wachovia Bank, N.A. ("Wachovia") is the lender under Powermate's senior secured revolving credit facility (the "Credit Facility"). The Credit Facility consists of a revolving credit and term loan facility, including a sub-facility for letters of credit. As of the Petition Date, there was approximately \$8.0 million outstanding in revolving credit loans, \$1.4 million in issued but undrawn letters of credit and \$2.5 million in outstanding term loans (together with accrued but unpaid interest). Each of the other Powermate Entities is a guarantor under the Credit Facility.

As collateral security for all of the obligations under the Credit Facility, Wachovia was granted a first priority lien on substantially all of Powermate's assets. In addition, each of the other Powermate Entities pledged substantially all of their assets to Wachovia to secure their

obligations arising under their respective guarantees of Powermate's obligations under the Credit Facility.

As a result of the sales of the Debtors' assets since the Petition Date, Wachovia has been paid in full as of the date hereof.

Powermate further is the borrower under two tranches of subordinated notes (the "Senior Subordinated Notes") issued by York Street Mezzanine Partners, L.P. ("York") and SCSF Powermate (collectively, the "Senior Subordinated Lenders"). The first tranche of Senior Subordinated Notes is in the principal amount of \$3 million and the second tranche of Senior Subordinated Notes is in the principal amount of \$15 million, each with interest thereon. As noted above, SCSF Powermate is an affiliate of Sun Powermate, which owns 95% of the parent entity of the Debtors; and York is a 5% shareholder in the Debtors' parent entity.

As collateral security for all of the obligations under the first tranche of Senior Subordinated Notes, the Senior Subordinated Lenders share a *pari passu* second priority lien on substantially all of the Debtors' assets. As collateral security for all of the obligations under the second tranche of Senior Subordinated Notes, the Senior Subordinated Lenders share a *pari passu* third priority lien on substantially all of the Debtors' assets.

Finally, Powermate is the borrower under a \$10 million junior subordinated note issued by Sun Powermate (the 95% owner of the Debtors).² As collateral security for all of the obligations under this subordinated note, Sun Powermate, LLC was granted a fourth priority lien on substantially all of Debtors' assets.

In addition to the foregoing, Powermate Holding is the borrower under approximately \$6.3 million of unsecured notes issued in connection with Sun Powermate, LLC's purchase of Powermate Holding in 2004. Finally, the Debtors have approximately \$45.0 million in trade debt that was unpaid as of the Petition Date.

C. Events Leading to Chapter 11

A variety of external factors have led to a decline in the Debtors' operating performance, particularly with respect to the compressor portion of Debtors' business. These factors include (a) a global decline in sales in the backup power industry in which the Debtors operate, due to "unfavorable" weather conditions (fewer hurricanes), (b) rising commodity prices and (c) the Debtors' entry into certain contracts in which the Debtors sold goods to their customers on terms that did not prove to be profitable and drained working capital. To address the impact of these factors on the Debtors' financial performance, the Debtors' management implemented cost savings initiatives such as renegotiating the sourcing of key components in the Debtors' products, increasing low cost import components and renegotiating unfavorable customer contracts. Moreover, the Debtors marketed the compressor portion of their business for sale to a

² Powermate Holding Corp. is a subsidiary of Sun Powermate, LLC, which is not a debtor in these cases.

number of financial and strategic buyers in an effort to focus operations on the profitable generator business, while exiting from the non-profitable compressor business. The sale of the Debtors' compressor business, including their fee owned manufacturing facility in Springfield, Minnesota, was consummated in March 2008, prior to the filing of these cases.

The Debtors, along with RAS Management Advisors, Inc., their interim management, and Houlihan Lokey Howard & Zukin, their investment banker, also expended substantial effort prior to the Petition Date marketing the generator portion of their business. Although the marketing efforts ultimately led to the receipt of a going concern bid for the generator business, the Debtors' Board of Directors, in the exercise of its reasonable business judgment (and after extensive negotiations with bidders, review of various liquidation and sale recovery scenarios, and discussion with the Debtors' professionals), determined that an orderly liquidation of the Debtors' assets would maximize the value of such assets and would not be subject to the potential risks, contingencies and uncertainties in the proposed bids.

D. Summary of Significant Postpetition Events and Orders

As in any major chapter 11 case, many motions, applications and orders have been filed and entered on the Bankruptcy Court's official docket for the Bankruptcy Cases. The following information relates to certain significant events and orders in these Bankruptcy Cases:

1. Postpetition Secured Indebtedness and Cash Collateral

On March 18, 2008, the Bankruptcy Court authorized the Debtors, on an interim basis, to (i) obtain postpetition financing of up to \$15.0 million, inclusive of any prepetition amounts outstanding, from Wachovia under the Credit Facility secured by liens on all the pre- and postpetition assets of the Debtors and (ii) stipulate to the use of cash collateral with Wachovia. Wachovia agreed to provide loans of up to \$15,000,000 in one or more weekly advances pursuant to the terms of an approved budget to fund the orderly liquidation and disposition of the Debtors' assets. The Debtors paid Wachovia a closing fee of \$500,000 to obtain the postpetition financing. Wachovia agreed to the limited use of cash collateral on the terms set forth in the order of the Bankruptcy Court to fund the orderly liquidation and disposition of the Debtors' assets, subject to the provision of certain adequate protection, including replacement liens and superpriority administrative expense claims. The postpetition financing provided a \$650,000 carve out for, *inter alia*, the payment of certain claims of professionals. The Bankruptcy Court entered a final order (the "Final DIP Order") approving the postpetition financing and use of cash collateral on April 17, 2008.

The Debtors and the Committee investigated the validity and priority of Wachovia's claimed liens; any potential claims that may exist on behalf of the Debtors' Estates against Wachovia; and any potential defenses to the claims and interests asserted by Wachovia against the Debtors' Estates or the Debtors' assets. The Debtors and the Committee determined that Wachovia properly perfected its security interest in substantially all of the Debtors' assets as of the Petition Date and further determined not to assert any potential claims and defenses against Wachovia.

Accordingly, on June 23, 2008, the Debtors filed a motion (the "Wachovia Release and Sun Cash Collateral Motion") with the Bankruptcy Court for entry of an order, among other things,

authorizing (i) the Debtors to pay all of the obligations owed to Wachovia under the Final DIP Order and Financing Agreements (as defined in the Final DIP Order); (ii) the Debtors and its Estate to release Wachovia as required under the Final DIP Order; and (iii) authorizing the Debtors to use cash collateral subject to the liens of the Senior Subordinated Lenders. On June 30, 2008, a final Order was entered authorizing the payment to, and release of, Wachovia. On July 15, 2008, a final Order was entered authorizing the use of the Senior Subordinated Lenders' cash collateral.

2. The Liquidation of Substantially All of the Debtors' Assets

Prior to the Petition Date, the Debtors, along with RAS Management Advisors, Inc. ("RAS"), their interim management, expended substantial effort marketing the generator portion of their business. Although the marketing efforts ultimately led to the receipt of a going concern bid for the generator business, the Debtors' Board of Directors, in the exercise of its reasonable business judgment (and after extensive negotiations with bidders, review of various liquidation and sale recovery scenarios, and discussion with the Debtors' professionals), determined that an orderly liquidation of the Debtors' assets would maximize the value of such assets and would not be subject to the potential risks, contingencies and uncertainties in the proposed bids. Accordingly, the Debtors commenced these chapter 11 cases to liquidate their remaining assets in a piecemeal fashion, as promptly and efficiently as possible.

On March 28, 2008, the Debtors filed the Debtors' Motion For Orders: (a)(i) Approving Bidding Procedures, Including Without Limitation, Break-Up Fees; (ii) Approving Form and Manner of Notice; (iii) Establishing Procedures to Determine Cure Amounts and Deadlines for Objections for Certain Contracts and Leases to be Assumed and Assigned by the Debtors; (iv) Scheduling a Hearing to Consider a Sale of Assets; and (v) Granting Related Relief; and (b)(i) Authorizing Sale Free and Clear of Liens, Claims, Encumbrances, and Other Interests; (ii) Authorizing and Approving Purchase Agreement; and (iii) Granting Related Relief [Docket No. 131] (the "Bidding Procedures Motion"). On April 23, 2008, the Court entered its Order approving the Bidding Procedures Motion (the "Bidding Procedures Order") [Docket No. 168].

On April 18, 2008, the Debtors filed the *Debtors' Motion for Order (i) Authorizing Private Sale of Certain Finished Goods Inventory Free and Clear Of Liens, Claims, Encumbrances, and Other Interests; (ii) Authorizing and Approving Purchase Agreement; and (iii) Granting Related Relief* [Docket No. 142] (the "Private Sale Motion"). Pursuant to the Private Sale Motion, the Debtors requested that the Court authorize the sale of a significant portion of their remaining finished goods inventory to Homelite Technologies, Ltd. ("Homelite").

Pursuant to the terms of the Bidding Procedures Order, the Debtors and their professionals served notice of the proposed sale of the Debtors' assets on all parties in interest in these chapter 11 cases and all parties the Debtors and RAS determined might be interested in acquiring some or all of the Debtors' assets. The Debtors received bids from approximately twenty 20 bidders. On May 2, 2008, the Debtors conducted an auction (the "Auction") in accordance with the Bidding Procedures Order.

On May 5, 2008 and May 7, 2008, respectively, the Court entered orders (the "Sale Orders") approving the sale to Homelite, in accordance with the Private Sale Motion, and the sales of

substantially all of the Debtors' remaining assets to various purchasers who were the highest or best bidders at the Auction, in accordance with the Bidding Procedures Order (collectively, the "Sales").

In addition to the proceeds obtained as a result of the Sales, the Debtors have also worked to monetize the assets of their non-Debtor affiliates. To that end, on August 14, 2008, the Bankruptcy Court entered an Order authorizing the monetization of the assets of the Philippines branch of Powermate International [Docket No. 458].

3. Debtors' Retention of Professionals

Pursuant to sections 327 and 328 of the Bankruptcy Code, Bankruptcy Rule 2014 and orders of the Bankruptcy Court, the Debtors retained the Morgan, Lewis & Bockius LLP and Young Conaway Stargatt & Taylor, LLP bankruptcy co-counsel. Since the Petition Date, these professionals have been paid approximately 80%-100% of their fees and 100% of their expenses on a monthly basis, pursuant to the professional fee procedures approved by the Bankruptcy Court. Pursuant to section 363 of the Bankruptcy Code, RAS has been retained as the Debtors interim management. The fees and expenses of RAS have been paid on a weekly basis, subject to providing the Committee, U.S. Trustee, and other parties-in-interest with fee statements on a weekly basis, which are subject to the reasonableness standards of section 330 of the Bankruptcy Code. Pursuant to 28 U.S.C. §156(c), Bankruptcy Rule 2002(f), Local Rule 2002-1(f), and the order of the Bankruptcy Court, the Debtors retained Kurtzman Carson Consulting, LLC as claims, notice and balloting agent. Pursuant to Bankruptcy Court order, Epiq has been paid for its fees and expenses in full, as billed to the Debtors in the ordinary course of business. Pursuant to sections 327, 328 and 330 of the Bankruptcy Code, Bankruptcy Rule 2014 and the order of the Bankruptcy Court, the Debtors retained Windham Professionals, Inc. ("Windham") to collect a pool of accounts receivable that are individually less than \$50,000 and approximately \$1.4 million in the aggregate. Windham is paid for its fees and expenses on a contingency fee basis.

4. Employee Payments and Other Orders

On or about the Petition Date, the Bankruptcy Court entered orders allowing the Debtors to pay (i) certain employee compensation, expenses, benefits, and related reimbursement amounts, (ii) prepetition sales and use taxes; and (iii) prepetition obligations owed to shippers and warehousemen. The Debtors were authorized, *inter alia*, to (a) pay all prepetition employee wages, salaries, incentives and other accrued compensation; (b) honor vacation, personal time-off and holiday obligations; (c) maintain their various employee benefits programs; (d) continue their retirement savings plan; and (e) reimburse all prepetition employee business expenses. The Debtors were also authorized to pay accrued and outstanding prepetition sales and use taxes to the applicable local, state and federal taxing authorities in the ordinary course of business up to \$80,000. Finally, the Debtors were authorized to pay the prepetition claims owed to shippers and warehousemen, consistent with their customary practices in the ordinary course of business, not in excess of \$550,000.

5. Formation of the Committee and the Retention of Its Professionals

The United States Trustee appointed the Official Committee of Unsecured Claimholders on or about March 26, 2008, which consisted of the following parties: Robin America; Sumec Machinery & Electric Co., Ltd.; American Honda Motor Co., Inc.; Zhejiang Xinlei Mechanical & Electrical Co., Ltd.; Ningbo Alton Mechanical & Electrical Co.; Briggs & Stratton Corporation; and China Export & Credit Insurance Corporation. The Committee retained, pursuant to orders of the Bankruptcy Court, the following professionals: (i) Sonnenschein Nath & Rosenthal LLP and Bayard, P.A. as co-counsel, and (ii) Buccino & Associates, Inc. as financial advisors. Since their retention, these professionals have been paid approximately 80%-100% of their fees and 100% of their expenses on a monthly basis, pursuant to the professional fee procedures approved by the Bankruptcy Court.

The Committee has been active in connection with the motions and applications filed in these Bankruptcy Cases.

6. Administrative Expenses

Administrative expenses payable in the Bankruptcy Cases include, among other things, fees and expenses of attorneys, accountants, financial advisors and other professionals retained by the Debtors and the Committee and the various counsel and advisors to the Debtors' Prepetition and Postpetition Lenders (collectively, the "Case Professionals"). These fees are generally calculated as the product of the customary hourly billing rates and the aggregate hours billed by such Case Professionals. Some financial advisors are paid a monthly fee plus expenses incurred or other approved basis, rather than on an hourly basis. As of July 4, 2009, approximately \$3,100,000 million has been paid to Case Professionals on account of work performed subsequent to the Petition Date.

Additional administrative expenses include the fees payable to the U.S. Trustee. These fees have been paid by the Debtors as they have accrued during the pendency of the Bankruptcy Cases. Any unpaid fees due to the U.S. Trustee will be paid in full on the Effective Date. In addition, the Debtors have paid in the ordinary course the fees and expenses of Kurtzman Carson Consulting, LLC for services rendered as the Debtors' service agent. Any unpaid fees and expenses of Kurtzman will be paid in full on the Effective Date.

7. Administrative Orders

On April 14, 2008, the Bankruptcy Court granted the Debtors' motion to extend the Debtors' time to file the Schedules of Assets, Liabilities and Executory Contracts, and the Statement of Financial Affairs (collectively, the "Schedules"). The Debtors' Schedules were filed with the Bankruptcy Court on May 23, 2008, and on June 18, 2008, the Bankruptcy Court entered an order setting a bar date of August 18, 2008 for the filing of certain proofs of claim.

E. Assets of the Debtors

The liquidation of substantially all the Debtors' assets described in Article II.D.2 above did not include the following categories of Debtors' assets: cash, accounts receivable, and the Debtors' equity interests in the Non-Debtor Affiliates.

1. Accounts Receivable

As of the Petition Date, the Debtors had approximately \$16,600,000 million in book value of accounts receivable. Prior to and during the pendency of these chapter 11 cases, the Debtors, with the assistance of their counsel, RAS, and Windham, have been actively pursuing their account debtors for collection of these receivables. The cessation of the Debtors' business and the filing of these Bankruptcy Cases have made collection efforts more difficult. In order to facilitate the settlement and collection of the accounts receivable, the Bankruptcy Court entered an order on April 23, 2008, establishing omnibus procedures for settling and compromising accounts receivable.

Since the Petition Date through May 31, 2009, Debtors have collected approximately \$11,000,000 million of accounts receivable having a book value of approximately \$15,600,000 million. As of May 31, 2009, approximately \$1 million book value of accounts receivable remained uncollected. The Debtors' accounts receivable collection efforts are ongoing.

2. Equity of Non-Debtor Affiliates

The Debtors conducted certain foreign operations through the Non-Debtor Affiliates — Powermate Canada and Powermate Mexico. Since the Petition Date, the Debtors have been working to determine the best means to monetize the assets of the Non-Debtor Affiliates. Powermate Canada has been dissolved and all of its assets upstreamed to Powermate Holding. Powermate Mexico is expected to be sold, generating a return to these estates.

3. Litigation Claims

Under the Plan, the Debtors retain all rights to investigate, pursue, initiate, commence, file, prosecute and/or enforce Avoidance Actions, including avoidance of fraudulent and preferential transfers.

(a) Fraudulent Transfers

Generally speaking, fraudulent transfer law is designed to avoid two types of transactions: (a) conveyances that constitute "actual fraud" upon Claimholders; and (b) conveyances that constitute "constructive fraud" upon Claimholders. In the bankruptcy context, fraudulent transfer liability arises under sections 548 and 544 of the Bankruptcy Code. Section 548 permits a bankruptcy trustee or a debtor-in-possession to "reach back" for a period of two years and avoid fraudulent transfers made by the Debtors or fraudulent obligations incurred by the Debtors. Section 544 permits a trustee or debtor-in-possession to apply applicable state fraudulent transfer law. While the Debtors are not currently aware of any facts which support any fraudulent transfer claim, the Debtors reserve their rights to prosecute fraudulent transfer actions if they become aware of facts which support such an action. Section 11.6 of the Plan provides that the

Debtors will release the D&O Releasees from all Claims of the Debtors arising from or based upon any fraudulent conveyance if such Claims are not subject to an adversary proceeding commenced by the Committee on or before the Effective Date. For more information regarding the releases, see Article III.F.6, "Releases of D&O Releasees."

(b) Preferences

Under federal bankruptcy law, a trustee in bankruptcy may avoid certain transfers of assets of the debtor as "preferential transfers." To constitute a preferential transfer, the transfer must be (a) of the debtor's property, (b) to or for the benefit of a creditor, (c) for or on account of an antecedent debt, (d) made while the debtor was insolvent, (e) made within 90 days before the filing of a bankruptcy petition or made within one year if to or for the benefit of an "insider" and (f) a transfer that enables the transferee to receive more than it would receive under a chapter 7 liquidation of the debtor's assets. The Bankruptcy Code creates a rebuttable presumption that a debtor was insolvent during the 90 days immediately prior to the filing of the bankruptcy petition.

Within the 90-day period immediately preceding the Petition Date, substantial payments were made by the Debtors for the following categories of expenses:

- (a) outside services (legal, accounting, financial advisors and consulting);
- (b) local, state and federal taxes;
- (c) employee-related payments; and
- (d) trade vendor and related, miscellaneous obligations.

The Debtors have not conducted a full analysis of the payments described above to determine the propriety of such payments or their susceptibility to avoidance as preferences. A complete analysis would include a review of the amount of payment, the nature of goods or categories of payments and the availability of the various statutory defenses to preference liability to the recipients of such payments. The aggregate amount of such payments is significant. However, many of such payments were likely to have been paid in the ordinary course of operations. The Debtors reserve all of their rights to bring actions to avoid payments made within the applicable preference period which the Debtors determine were preferential within the meaning of the Bankruptcy Code. Section 11.6 of the Plan provides that the Debtors will release the D&O Releasees from all Claims of the Debtors arising from or based upon any preferential transfer if such Claims are not subject to an adversary proceeding commenced by the Committee on or before the Effective Date. For more information regarding the releases, see section III.F.6, "Releases of D&O Releasees."

UNDER THE PLAN, THE DEBTORS, THROUGH THE PLAN ADMINISTRATOR, HAVE THE RIGHT TO CONTINUE TO PURSUE AND COMMENCE VARIOUS CAUSES OF ACTION POST-CONFIRMATION, INCLUDING THE ESTATE ACTIONS AND THE AVOIDANCE ACTIONS. THE FACT THAT A CREDITOR IS NOT LISTED IN THE PLAN OR HAS NOT ALREADY BEEN THE SUBJECT OF AN ACTION TO RECOVER ANY PAYMENT UNDER SECTION 547 OR ANY OTHER SECTION OF THE BANKRUPTCY

CODE IS NO GUARANTEE THAT SUCH CREDITOR IS FREE FROM LIABILITY, OR THAT THE DEBTORS ARE WAIVING THE RIGHT TO PURSUE SUCH AN ACTION AGAINST SUCH CREDITOR.

F. WARN Act Litigation Claims

As a result of their liquidity issues, the Debtors ceased substantially all of their operations and terminated a significant number of employees effective as of March 17, 2008. Where applicable, the Worker Adjustment and Retraining Notification Act, 11 U.S.C. §2101 et. seq. (the “WARN Act”), requires employers to provide employees with at least 60 calendar days advance written notice of certain plant closings and mass layoffs. An employer who violates the WARN ACT may be liable to each affected employee for an amount equal to the pay and benefits for the period of violation up to 60 days. The WARN Act, however, provides certain exceptions to its notice requirements for certain faltering companies or where plant closings or mass layoffs are caused by certain unforeseeable business circumstances.

On April 3, 2008, George Henderson, on behalf of himself and a class of allegedly similarly situated former employees of the Debtors (collectively, the “WARN Plaintiffs”), filed a complaint in the Bankruptcy Court against the Debtors, Sun Capital Partners, LLC, Sun Powermate, LLC, SCSF Powermate, LLC, and York Street Mezzanine Partners, L.P. (collectively, the “WARN Defendants”) which alleges certain violations by the WARN Defendants of the WARN Act with respect to the Debtors’ cessation of operations on or about March 17, 2008 (the “WARN Act Claims”) and seeks, *inter alia*, administrative priority damages in the form of unpaid wages, salary, commissions, bonuses, accrued holiday pay, accrued vacation pay, pension and 401(k) contributions and other ERISA benefits for a period of 60 days.

The Debtors filed an answer and motion to dismiss the complaint on June 4, 2008. In the motion to dismiss, the Debtors contended that any damages awarded as a result of the complaint were not entitled to administrative expenses status. Also, on June 4, 2008, Sun Capital Partners, LLC, Sun Powermate, LLC, SCSF Powermate, LLC filed their answer to the complaint. On October 2, 2008, defendant, York Street Mezzanine Partners, L.P, was dismissed from the action, and on October 10, 2008, the Court entered an order approving the Debtors’ motion to dismiss plaintiff’s request for an administrative priority claim. Shortly thereafter, the WARN Plaintiffs filed a notice of appeal. Subject to final documentation, the WARN Defendants and the WARN Plaintiffs have settled the WARN Act Claims. Pursuant to the settlement, the WARN Defendants will pay \$375,000 in cash to the WARN Payments in full satisfaction of the WARN Act Claims and the appeal will be withdrawn.

G. PBGC Claims

On June 17, 2009, the Pension Benefit Guaranty Corporation (the “PBGC”), [the Debtors], SCSF Powermate, Sun Powermate and the Committee entered into a global settlement regarding the PBGC Claims (the “PBGC Settlement”). Pursuant to the PBGC Settlement, the parties agreed, *inter alia*, that the PBGC would receive, within 18 months from the Confirmation Date (the “Distribution Date”), in full and final satisfaction of their claims against the Debtors, (i) \$2,100,000 in cash (the “Cash Amount”) from an escrow account established by the Debtors (the “PBGC Escrow”), and (ii) an allowed general unsecured claim in the amount of \$1,000,000

(collectively, the “Allowed PBGC Claim”), provided, however, that the Allowed PBGC Claim shall be reduced if and to the extent that the PBGC determines that the Debtors’ pension liability as of the Distribution Date is less than \$2,400,000. Pursuant to the PBGC Settlement, upon confirmation of the Plan the Debtors shall apply the amounts in the PBGC Escrow to pay the Cash Amount. To the extent that the PBGC Escrow is insufficient to pay the Cash Amount upon the Confirmation Date, SCSF shall the difference between the PBGC Escrow and the Cash Amount (the “SCSF Funding Amount”) within 45 days of the Confirmation Date. If SCSF fails to pay the SCSF Funding Amount within the prescribed time period, the PBGC Settlement shall become null and void and of no further force or effect and the terms of the Term Sheet for Settlement executed by the PBGC on May 19, 2009 and the Committee on May 20, 2009 shall take full effect.

III. THE DEBTORS’ CHAPTER 11 PLAN

The summary of the Plan contained herein is qualified in its entirety by reference to the Plan and the exhibits to this Disclosure Statement and the Plan. It is the Plan and orders entered by the Bankruptcy Court and not this Disclosure Statement that govern the rights and obligations of the parties.

A. Classification and Treatment of Claims and Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization must designate classes of claims and equity interests, each of which must contain only substantially similar claims or equity interests. Subject to Article XII of the Plan, the Plan constitutes a single plan of reorganization for all three Debtors. The following describes the significant Claims and Equity Interests in the Debtors’ Bankruptcy Cases and the manner in which they are classified and treated under the Plan.

Consistent with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not included in any Classes of Claims or Equity Interests. As defined in the Plan, “Administrative Expense Claims” are any Claims for costs and expenses of administration of the Bankruptcy Cases allowed under sections 503, 507(a)(1) or 507(b) of the Bankruptcy Code, and all fees and costs assessed against the Estate pursuant to 28 U.S.C. § 1930. Also as defined in the Plan, “Priority Tax Claims” are any Claims entitled to priority in payment under section 502(i) or section 507(a)(8) of the Bankruptcy Code.

1. Classification

The Plan provides for the classification and treatment of four Classes of Claims and Interests (treating the Debtors as a single entity). For more information regarding the proposed substantive consolidation of the Debtors for purposes of voting, distributions and confirmation of the Plan, see Article III.D.4, “Substantive Consolidation.” A Claim or Interest will be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class, and will be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of such different Class.

(a) Class 1—Priority Claims

Class 1 Claims consist of all Priority Claims. A Priority Claim is all or a portion of any Claim entitled to priority in payment under section 507(a) of the Bankruptcy Code, excluding any Claim that is an Administrative Expense Claim or a Priority Tax Claim.

(b) Class 2—Secured Claims

Class 2 Claims consist of all Secured Claims. A Secured Claim is a Claim that is secured (i) by a Lien that is valid, perfected and enforceable under the Bankruptcy Code or applicable non-bankruptcy law or by reason of a Final Order; or (ii) as a result of rights of setoff under section 553 of the Bankruptcy Code, but in any event only to the extent of the value, determined in accordance with section 506(a) of the Bankruptcy Code, of the holder's interest in the Estate's interest in such property or to the extent of the amount subject to such setoff, as the case may be.

(c) Class 3—Unsecured Claims

Class 3 Claims consist of all Unsecured Claims, which are all Claims that are not Administrative Expense Claims, Priority Claims, Priority Tax Claims, Secured Claims or Equity Interests. The Debtors' unsecured claims fall into two categories, general unsecured trade claims and litigation claims. The Debtors list various trade and other unsecured claims in the Schedules.

(d) Class 4—Equity Interests

Class 4 consists of all Equity Interests, defined as any ownership interest or share in the Debtors (including, without limitation, all options, warrants or other rights to obtain such an interest or share in the Debtors) whether or not transferable, preferred, common, voting, or denominated "stock" or a similar security.

The following chart sets forth the Debtors' estimate of the amounts of the Claims.

Summary Chart of Claims and Equity Interests

Class	Treatment
<p>Administrative Expense Claims</p> <p>Estimated Amount:</p> <p>Estimated Number:</p>	<p>Each holder of an Allowed Administrative Expense Claim will receive for such Claim (i) the unpaid amount of such Allowed Administrative Expense Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors, and the Committee. Section 14.1 of the Plan provides that all fees payable pursuant to section 1930 of Title 28 of the United States Code, will be paid by the Estate on or before the Effective Date or from the Estate Assets when otherwise due.</p>
<p>Priority Tax Claims</p> <p>Estimated Amount:</p> <p>Estimated Number:</p>	<p>Each holder of an Allowed Priority Tax Claim shall receive in full satisfaction of and in exchange for such Claim (i) the amount of such Allowed Priority Tax Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Tax Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Plan Administrator, and the Post-Effective Date Committee.</p>
<p>Class 1 - Priority Claims</p> <p>Estimated Amount:</p> <p>Estimated Number:</p>	<p>Unimpaired.</p> <p>Holders of Priority Claims will receive (i) the amount of such Allowed Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors, and the Committee.</p>

Class 2 - Secured Claims	Impaired.
Estimated Amount:	After payment of \$4.7 million from the Prepetition Claims Bucket (as defined in the Plan) to holders of Allowed Unsecured Claims, each holder of an Allowed Secured Claim (other than the Lenders whose Secured Claims shall be treated in accordance with the Stipulation (as defined in the Plan)) will receive a return of the collateral or other property that secures the Allowed Secured Claim, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Claim.
Estimated Number:	
Class 3 - Unsecured Claims	Impaired.
Estimated Amount:	Holders of Allowed Unsecured Claims shall receive their Pro Rata Share of (a) the \$4.7 million in the Prepetition Claims Bucket and (b) any further Cash distribution from the Estate Assets in accordance with the Stipulation. The timing and nature of the distributions to be made to the holders of Allowed Unsecured Claims shall be governed by Article VII of the Plan.
Estimated Number:	
Class 4 - Equity Interests	Impaired.
Estimated Amount:	Holders of Equity Interests shall receive no distribution under the Plan or in the Bankruptcy Cases, nor will they receive or retain any property under the Plan or in the Bankruptcy Cases.
Estimated Number:	

The Allowed amount of Claims may be materially higher or lower than the estimated amounts. The applicable bar dates for filing all such Claims have not yet passed. Until such time, the maximum amount of Claims cannot be determined. In addition, the foregoing estimated Claim amounts do not include any amounts for the WARN Act Claims. For more information regarding Warn Act Claims, see Article II.F, "WARN Act litigation Claims."

B. Treatment of Claims and Interests

A Claim is entitled to a distribution only to the extent that the Claim is an "Allowed" and entitled to distributions under the Plan. "Allowed" means, as it relates to any Claim, a Claim (i) which has been scheduled as undisputed, noncontingent and liquidated in the Schedules and as to which no proof of Claim has been timely filed (subject to each Debtor's right to amend the Schedules) and as to which no objection or request for estimation has been filed on or before any Claim objection deadline, if any, set by the Bankruptcy Court or the expiration of such other period fixed by the Bankruptcy Court; (ii) as to which a proof of Claim has been properly and timely filed and either (a) no objection thereto has been timely filed, or if an objection has been timely

filed, any portion of which is not subject to such objection, or (b) such Claim has been allowed (but only to the extent allowed) by a Final Order of the Bankruptcy Court; or (iii) which has been expressly allowed under the provisions of the Plan. An Allowed Claim will not, for purposes of computation of distributions under the Plan, include interest on such Claim from and after the Petition Date or include any penalty on such Claim.

A number of Claimholders will file claims in excess of their scheduled amounts, and certain Claimholders that are not listed in the Schedules (including parties to contracts and leases that have been or will be rejected by the Debtors as provided for under the Bankruptcy Code) will file Claims against the Debtors. The Debtors will review these filed Claims, attempt to reconcile them with their books and records and file objections as necessary.

In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims are not included in any Classes of Claims or Equity Interests. Each holder of an Allowed Administrative Expense Claim will receive for such Claim (i) the unpaid amount of such Allowed Administrative Expense Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors, and the Committee. Section 14.1 of the Plan provides that all fees payable pursuant to section 1930 of Title 28 of the United States Code, will be paid by the Estate on or before the Effective Date or from the Estate Assets when otherwise due.

Each holder of an Allowed Priority Tax Claim will receive for such Claim (i) the amount of such Allowed Priority Tax Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Tax Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Plan Administrator, and the Post-Effective Date Committee.

The following is a summary of the manner in which the Classes of Claims and Equity Interests are treated under the Plan. The Debtors and the Committee believe that the treatment afforded all Classes of Claims and Equity Interests under the Plan fully comports with the requirements of the Bankruptcy Code and case law.

1. Priority Claims (Class 1)

Holders of Allowed Priority Claims are unimpaired and, pursuant to §1126(f) of the Bankruptcy Code, are not entitled to vote on the Plan and are deemed to accept the Plan. Each holder of an Allowed Priority Claim will receive for such Claim (i) the amount of such Allowed Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors, and the Committee.

2. Secured Claims (Class 2)

Holders of Allowed Secured Claims (Class 2) are impaired and entitled to vote on the Plan. After payment of \$4.7 million from the Prepetition Claims Bucket (as defined in the Plan) to

holders of Allowed Unsecured Claims, each holder of an Allowed Secured Claim (other than the Lenders whose Secured Claims shall be treated in accordance with the Stipulation (as defined in the Plan) will receive for such Claim a return of the collateral or other property that secures the Allowed Secured Claim, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Claim.

3. Unsecured Claims (Class 3)

Holders of Allowed Unsecured Claims (Class 3) are impaired and entitled to vote on the Plan. Each holder of an Allowed Unsecured Claim will receive for such Claims, their Pro Rata Share of (a) the \$4.7 million in the Prepetition Claims Bucket and (b) any further Cash distribution from the Estate Assets (as defined in the Plan) to holders of Allowed Unsecured Claims in accordance with the Stipulation. The timing and nature of the distributions to be made to the holders of Allowed Unsecured Claims is governed by Article VII of the Plan. For further information regarding the timing nature of such distributions, see Article III.C, "Funding of Distributions and Provisions for Treatment of Disputed Claims."

4. Equity Interests (Class 4)

On the Effective Date, all Equity Interests of the Debtors will be cancelled, annulled and voided, and holders thereof will be entitled to no distribution whatsoever under the Plan or in the Bankruptcy Cases on account of such Equity Interests. Class 4 is impaired under the Plan, and the members of such Class will not receive or retain any property under the Plan or the Bankruptcy Cases on account of their Equity Interests. Accordingly, the members of Class 4 are presumed to have rejected the Plan under section 1126(g), and will not be entitled to vote.

C. Funding of Distributions and Provisions for Treatment of Disputed Claims

1. Liquidation of Assets

The Debtors estimate that they will have approximately \$7,000,000 in Cash and a book value of \$1 million in uncollected accounts receivable on or about the Effective Date. After the Effective Date, each Debtor through the Plan Administrator will reduce to Cash their respective non-Cash assets for the purpose of making distributions and fully consummating the Plan. Section 7.1 of the Plan provides that, on and after the Effective Date, the Debtors, through the Plan Administrator, will be authorized, with the prior approval of the Post-Effective Date Committee, to use, sell, assign, transfer, abandon or otherwise dispose of at a public or private sale any of their respective tangible or intangible assets. Such use, sale, assignment, transfer, abandonment or other disposition will not require Bankruptcy Court approval unless the Post-Effective Date Committee timely asserts an objection that the Debtors and Post-Effective Date Committee are unable to resolve.

2. Disbursing Agent

Sections 7.2 and 7.4 of the Plan provide that the Plan Administrator will make all distributions and payments provided under the Plan for and on behalf of each applicable Debtor. The Plan Administrator will not make the distributions or payments described in the Plan without the prior approval of the the Post-Effective Date Committee.

After the Effective Date, each Debtor through the Plan Administrator will reduce to Cash the non-Cash assets still belonging to its respective Estate, such as the Avoidance Actions and the other Estate Actions, subject to the consent or approval of the Post-Effective Date Committee and/or Bankruptcy Court to the extent provided in Sections 7.1, 14.2, and 14.2.1 of the Plan.

3. The Initial Distribution

On the Effective Date, or as soon thereafter as is practicable, the Plan Administrator, on behalf of the Debtors, will pay, in full and in Cash, (a) all Allowed Administrative Expense Claims, (b) all Allowed Priority Tax Claims, (c) all Allowed Priority Claims that are to be satisfied pursuant to section 4.1 of the Plan, and (d) all Allowed Secured Claims that are to be satisfied pursuant to section 4.2(i) of the Plan. The Debtors will provide to each holder of an Allowed Secured Claim that is being treated in accordance with section 4.2(ii) of the Plan, the property securing such Allowed Secured Claim. The Debtors shall also pay, in full and in Cash, all Prepetition Allowed Unsecured Creditors the amounts available for distribution in the Prepetition Claims Bucket. For purposes of calculating a Pro Rata Share for such distributions, the amount of the total Allowed Claims in each Class will be calculated as if all unresolved Disputed Claims in each Class were Allowed in the full amount thereof.

After giving effect to the Initial Distribution described in section 7.2 of the Plan, the Plan Administrator will deposit all remaining Cash in its possession, custody or control in the reserves and accounts established by the Plan and described in section 7.3 of the Plan.

After the payment of the \$4.7 million from the Prepetition Claims Bucket, any additional Net Available Proceeds (as defined in the plan) shall be divided as follows: (a) two-thirds (2/3) of such amounts shall go to SCSF for sharing between SCSF, Sun Powermate and York in accordance with agreements among such entities; and (b) one-third (1/3) of such amounts shall be paid to holders of Allowed Unsecured Claims.

4. Timing of Subsequent and Final Distributions

Section 7.4.2 of the Plan provides that, following the Initial Distribution, on each Payment Date or on the Final Distribution Date, the Plan Administrator will pay to each holder of an Allowed Unsecured Claim its Pro Rata Share of the amounts in the Distribution Reserve, with the amount of such Allowed Unsecured Claims and Available Cash calculated as set forth in section 7.4.2 of the Plan. Section 7.4.3 of the Plan provides that the Final Distribution shall have occurred when, after giving effect to a distribution of Available Cash, there are remaining Estate Assets with a de minimis value and the Plan Administrator and the Post-Effective Committee determine, or the Bankruptcy Court otherwise orders after notice and a hearing, that such distribution is the final distribution to Claimants under the Plan.

5. Minimum Distribution

The Plan Administrator will not be required to distribute less than \$25.00 to any Claimant unless either a request therefore is made in writing to the Debtors by the Claimant with respect to such Claim or the Plan Administrator after consultation with the Post-Effective Date Committee so determines to make such payment in its sole and absolute discretion.

6. Undeliverable Distributions

Section 7.10 of the Plan provides that undeliverable distributions made by the Plan Administrator and any other unclaimed distributions will be returned to the Debtors and remain in the possession of the Debtors until such time as a distribution becomes deliverable. Any unclaimed distributions pursuant to this section will be Available Cash for distribution as part of the Final Distribution.

7. Distributions Paid to Holders of Record

Section 7.12 of the Plan provides that all distributions to be made pursuant to the Plan may be made by the Plan Administrator to the holder of record as of the Record Date.

D. Implementation and Means of Consummating the Plan

1. Limited Survival and Ultimate Dissolution of Corporate Entities

From and after the Confirmation Date, the Debtors will continue in existence pursuant to the terms of the Plan for the purposes of (i) winding up their affairs as expeditiously as reasonably possible, (ii) liquidating, by converting to Cash or other methods, any remaining Estate Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Debtors, including, without limitation, the prosecution of Avoidance Actions and Estate Actions in conjunction with the marshaling of the Debtors' assets, (iv) resolving Disputed Claims, (v) administering the Plan and (vi) filing appropriate tax returns.

2. Governance of Estate Assets

All officers and directors of the Debtors serving immediately prior to the Effective Date will be deemed to have been terminated as of the Effective Date, and the Debtors and their respective Estate Assets will thereafter be managed through the Plan Administrator. Each of the Debtors, through the Plan Administrator, will be the exclusive trustee of its Estate Assets for the purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to section 1123(b)(3)(B) of the Bankruptcy Code. From and after the Effective Date, the Plan Administrator will be deemed the sole shareholder, sole director and officer of each Debtor. All corporate governance activities of the Debtors will be exercised by the Plan Administrator, subject to the terms of the Plan.

3. The Plan Administrator

RAS Management Advisors, LLC, will serve as the Plan Administrator for the Debtors. Mike Rizzo and Tom Pietraszek, as supervised by either Tim Boates or Richard Sebastiao, each of RAS Management Advisors, will be the individuals responsible for fulfilling the day-to-day duties of the Plan Administrator. Section 8.3.3 of the Plan provides that the fees for the Plan Administrator, unless modified after the Effective Date by order of the Bankruptcy Court shall be paid, without further order of the Bankruptcy Court, at the rate of \$300 per hour for services performed by Mike Rizzo or Tom Pietraszek, \$400 per hour for services performed by Tim Boates, and \$425 per hour for services performed by Richard Sebastiao. Removal of the Plan

Administrator is governed by section 8.3.4 of the Plan and requires the consent of a majority of the members of the Post-Effective Date Committee.

(a) Responsibilities

Section 8.3.1 of the Plan provides that the responsibilities of the Plan Administrator will include (i) the receipt, management, supervision, and protection of the Estate Assets for the benefit of the beneficiaries of the Estate Assets; (ii) the investigation, pursuit, initiation, commencement, filing, prosecution and/or enforcement, and if necessary and appropriate, compromise of the objections to, estimations and settlements of Disputed Claims; (iii) the investigation, pursuit, initiation, commencement, filing, prosecution and/or enforcement, and if necessary and appropriate, compromise of the claims and causes of action included among the Estate Assets, including, without limitation, Avoidance Actions and Estate Actions against third parties; (iv) calculation, implementation, and making of all distributions to be made under the Plan to holders of Allowed Claims; (v) marketing, selling, leasing, or otherwise disposing of all of the Estate Assets; (vi) filing all required tax returns and paying taxes and all other obligations of the Debtors; (vii) filing all operating reports and paying all fees required by 28 U.S.C. § 1930; and (viii) such other responsibilities as may be vested in the Debtors pursuant to the Plan and orders of the Bankruptcy Court, or as may be necessary and proper to carry out the provisions of the Plan.

(b) Powers

Section 8.3.2 of the Plan provides that the powers vested in the Debtors and the Plan Administrator under the Plan will include, subject to consultation with and/or consent and approval of the Post-Effective Date Committee as provided in the Plan, the power to (i) invest funds; (ii) make distributions provided for in the Plan; (iii) pay taxes and other obligations owed by or from the Estate Assets or incurred by the Debtors; (iv) engage and compensate from the Estate Assets, consultants, agents, employees, attorneys and professional persons to assist the Plan Administrator or the Debtors with respect to the Debtors' or Plan Administrator's responsibilities; (v) retain and compensate from the Estate Assets, the services of experienced auctioneers, brokers, and/or marketing agents to assist and/or advise in the sale or other disposition of the Estate Assets; (vi) liquidate and dispose of the Estate Assets; (vii) compromise and settle Claims, Estate Actions and Avoidance Actions; (viii) investigate, pursue, initiate, commence, file, prosecute and/or enforce, and if necessary and appropriate, compromise all adversary proceedings and contested matters (including, without limitation, the Avoidance Actions and the Estate Actions) pending in the Bankruptcy Court and in all actions and proceedings pending elsewhere; (ix) investigate, pursue, initiate, commence, file, prosecute and/or enforce, and if necessary and appropriate, compromise any and all Avoidance Actions and Estate Actions, including those involving Estate Assets, that could arise or be asserted at any time, unless otherwise waived or relinquished in the Plan; (x) with the consent of the Post-Effective Date Committee (which shall not be unreasonably withheld) utilize Estate Assets to purchase appropriate insurance to insure the acts and omissions of the Plan Administrator, or to insure other Estate Assets; and (xi) implement the Plan and orders of the Bankruptcy Court. The Plan Administrator shall also have the authority and power, with the consent of the Post-Effective Date Committee, to retain and compensate any former employee, officer and/or director of the Debtors to assist the Plan Administrator with respect to its responsibilities under the Plan.

(c) Termination

Section 8.3.6 of the Plan provides that the duties, responsibilities and powers of the Plan Administrator will terminate after all causes of action involving the Debtors on behalf of the Estate Assets are fully resolved and all the Estate Assets have been distributed on the Final Distribution Date in accordance with the Plan and a Final Decree has been entered closing the Bankruptcy Cases.

4. Substantive Consolidation

Section 8.6 of the Plan provides that the entry of the Confirmation Order will constitute the approval, pursuant to section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors solely for purposes of voting on, confirmation of, and distributions under the Plan. The Plan does not contemplate the substantive consolidation of the Debtors for any other purpose.

Consolidation of the Debtors may be approved by the Bankruptcy Court if necessary or appropriate to provide equitable treatment to all Claimholders in such Classes. In determining whether consolidation of two or more debtors is necessary or appropriate, courts consider, among other factors, whether (i) prepetition the debtors disregarded separateness so significantly that their Claimholders relied on the breakdown of entity borders and treated them as one legal entity, or (ii) postpetition such debtors' assets and liabilities are so scrambled that separating them is prohibitive and hurts all Claimholders. The Debtors and the Committee believe that, upon consideration of the foregoing factors, the Bankruptcy Court will find that substantive consolidation of the Debtors is both necessary and appropriate in the context of these cases.

5. Closing of the Bankruptcy Cases

Section 8.7 of the Plan provides that when all Disputed Claims filed against the Debtors have become Allowed Claims or have been disallowed by Final Order, and all remaining assets of the Debtors have been liquidated and converted into Cash (other than those assets abandoned by the Debtors), and such Cash has been distributed in accordance with the Plan, or at such earlier time as the Debtors and Post-Effective Date Committee deem appropriate, the Debtors or the Plan Administrator will seek authority from the Bankruptcy Court to close the Bankruptcy Cases in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules of the Bankruptcy Court.

E. Other Plan Provisions

1. Conditions to the Effective Date

Section 10.2 of the Plan provides that the following are conditions precedent to the Effective Date of the Plan, unless waived in writing by the Debtors and the Committee: (a) the Bankruptcy Court shall have entered the Confirmation Order; and (b) no stay of the Confirmation Order shall be in effect.

2. Conditions to Consummation

Section 10.3 of the Plan provides that the Plan will not become effective and operative unless and until the Effective Date occurs. In the event that one or more of the conditions specified in Section 10.2 of the Plan have not been waived or have not occurred on or before 60 days after the Confirmation Date, (a) the Confirmation Order may, upon the request of the Debtors, be vacated, (b) no distributions under the Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained in the Plan shall constitute a waiver or release of any Claims or Equity Interests by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

3. The Post-Effective Date Committee

Section 14.3 of the Plan provides that, until the Final Distribution Date, the Committee will continue in existence but that, as of the Effective Date, the Committee will be reconstituted and comprised of at least three (3) and up to five (5) members or members of the Committee prior to the Effective Date. The Committee members who are no longer members of the Committee as of the Effective Date will, as of the Effective Date, be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Committee members in the Bankruptcy Cases. In the event of death or resignation of any member of the Committee after the Effective Date, the remaining members of the Committee will have the right to designate a successor from among the holders of Allowed Unsecured Claims. If a Committee member assigns its Claim or releases the Debtors from payment of the balance of its Claim, such act will constitute a resignation from the Committee. Until a vacancy on the Committee is filled, the Post-Effective Date Committee will function in its reduced number. Notwithstanding anything in the Plan to the contrary, if at any time the Post-Effective Date Committee does not have at least three (3) members, the Plan Administrator during such time shall be authorized to enforce and discharge its responsibilities and powers under the Plan without the consent or approval of the Post-Effective Date Committee. The current counsel for the Committee, Sonnenschein Nath & Rosenthal LLP and Bayard, P.A., will continue as counsel for the Post-Effective Date Committee; provided, however, subject to Bankruptcy Court approval, the Post-Effective Date Committee will be entitled to select other or alternative counsel in its sole discretion.

4. Procedures for Resolving Disputed Claims

Section 6.1 of the Plan provides that, except as otherwise expressly provided for in the Plan, following the Effective Date, the Debtors through the Plan Administrator and the Post-Effective Date Committee will be authorized, and vested with the exclusive right, to object to any and all Claims, and initiate, file and/or prosecute such objections on behalf of the Debtors and their Estates so as to have the Bankruptcy Court determine the Allowed amount, if any, of such Claims to be paid under the Plan. From and after the Effective Date, all objections will be litigated to Final Order except to the extent that the Plan Administrator, with the consent of the Post-Effective Date Committee, elects to withdraw such objection or elects to compromise, settle

or otherwise resolve any such objection, in which event (A) as to Unsecured Claims, if (i) the amount of such Claim, as set forth in the Schedules and any applicable proof of claim, is \$25,000 or less, the Plan Administrator may settle the objection to such claim without notice to any other party or order of the Bankruptcy Court, (ii) the amount of such Claim as set forth in the Schedules or any applicable proof of claim is greater than \$25,000 and less than \$250,000, the Plan Administrator may settle the objection to such Claim for an amount within \$25,000 of the amount of such Claim set forth in the Schedules without notice to any other party or order of the Bankruptcy Court, or (iii) the amount of such Claim as set forth in the Schedules or any applicable proof of claim is \$250,000 or more the Plan Administrator may settle the objection to such Claim for an amount within \$50,000 of the amount of such Claim set forth in the Schedules without notice to any other party or order of the Bankruptcy Court, or (iv) the settlement amount is any amount other than an amount described in clauses (i) through (iii) above, the Plan Administrator may settle the objection to such Claim upon the entry of an order of the Bankruptcy Court approving such settlement after notice and an opportunity to be heard (as that term is used in section 102(1) of the Bankruptcy Code), and (B) as to Administrative Expense Claims, Priority Claims, Priority Tax Claims, and Secured Claims, if (i) the settlement amount is \$25,000 or less, the Plan Administrator may settle the objection to such claim without notice to any party or order of the Bankruptcy Court, or (ii) the settlement amount is greater than \$25,000, the Plan Administrator may settle the objection to such claim upon the entry of an order of the Bankruptcy Court approving such settlement after notice and an opportunity to be heard (as that term is used in section 102(1) of the Bankruptcy Code). Any proposed withdrawal, compromise, settlement or other resolution by the Plan Administrator of any objection to a Claim or an Administrative Expense Claim will be made only with the approval of the Post-Effective Date Committee of any such proposed withdrawal, compromise, settlement or other resolution.

5. Wind-Up and Dissolution of Non-Debtor Affiliates

Section 8.5 of the Plan provides that the Plan Administrator will be responsible for winding up the affairs of the Non-Debtor Affiliates after the Effective Date. The Plan Administrator, with the consent of the Post-Effective Date Committee, will complete such wind-up and file dissolution documents required under applicable law as promptly as practicable after the Effective Date. The Plan Administrator will have all necessary power and authority to execute, deliver and file on behalf of the Non-Debtor Affiliates any deeds, instruments, and other documents necessary, useful or appropriate to complete the wind-up of the Non-Debtor Affiliates. The costs and expenses of completing the wind-up and dissolution of the Non-Debtor Affiliates will be paid by the Plan Administrator from the Post-Confirmation Operating Account.

6. Executory Contracts

Section 9.1 of the Plan provides that, as of the Effective Date, all Executory Contracts that exist between a Debtor and any Person and that have not previously been assumed and assigned or rejected by the Debtors will be deemed rejected pursuant to section 365 of the Bankruptcy Code. Entry of the Confirmation Order will constitute approval, pursuant to section 365(a) of the Bankruptcy Code, of the rejection of executory contracts rejected pursuant to the Plan.

7. Revesting of Property and Retention of Actions and Defenses

Except as otherwise provided in the Plan, as of the Effective Date, all property of the Estates or the Debtors will be the property of, and vest in, the Debtors and will be under the exclusive dominion and control of the Debtors, acting through the Plan Administrator, for the benefit of the Claimholders of the Estates. All Estate Actions which constitute property of the Estate within the meaning of section 541 of the Bankruptcy Code, as well as all of the Debtors' Avoidance Actions, will be preserved for the benefit of the holders of Allowed Unsecured Claims and the other beneficiaries of the Estate Assets, and will be retained by and vested in the Debtors for all purposes as of the Effective Date. On and after the Effective Date, subject to Section 11.6 of the Plan, the Debtors through the Plan Administrator, with the consent or at the direction of the Post-Effective Date Committee will retain and have the exclusive right to investigate, pursue, initiate, commence, file, prosecute settle and/or enforce any and all Estate Actions and Avoidance Actions against any Person that arose before or after the Petition Date. Any proposed initiation, commencement, filing, prosecution, settlement and/or enforcement of any and all Estate Actions and Avoidance Actions against any Person shall be made only with the prior approval of the Post-Effective Date Committee of any such proposed initiation, commencement, filing, prosecution and/or enforcement.

8. Settlement and Compromise of Avoidance Actions and other Estate Actions

Section 14.2.1 of the Plan provides that the Debtors, through the Plan Administrator, with the consent or at the direction of the Post-Effective Date Committee, will have the right and authority, without notice to any party or further order of the Bankruptcy Court, to settle or compromise all Estate Actions and Avoidance Actions enforced by the Debtors, through the Plan Administrator or the Post-Effective Date Committee after the Effective Date where (i) the original amount sought in such action is \$10,000 or less, (ii) the original amount sought in such action is greater than \$10,000 and less than \$100,000 and the settlement amount is seventy percent (70%) or more of the original amount sought in such action, and (iii) the original amount sought in such action is \$100,000 or more and the settlement amount is eighty percent (80%) or more of the original amount sought in such action. The Debtors, through the Plan Administrator, shall have the right and authority, with the consent of the Post-Effective Date Committee without notice to any party or further order of the Bankruptcy Court, to settle or compromise any other Estate Actions or Avoidance Actions. Any proposed settlement or compromise of any Estate Action or Avoidance Action by the Plan Administrator will be made only with the prior approval of the Post-Effective Date Committee of any such proposed settlement or compromise.

9. Transition Consultant

Section 8.1.2 of the Plan provides that, upon the Effective Date or as soon as practicable thereafter, the Plan Administrator will, pursuant to a separate consultancy agreements, retain up to four (4) consultants to provide Consultancy Services to the Plan Administrator. The consultants have each been previously employed by the Debtors or are currently employed by the Debtors and are familiar with the books and records and pre- and postpetition operations of the Debtors. The consultancy services will consist of answering questions of the Plan Administrator with respect to the books and records and pre- and post-petition operations of the Debtors and

providing the Plan Administrator with the information regarding the Debtors and their respective estates necessary to permit the Plan Administrator to comply with its responsibilities under the Plan, in each case only to the extent such information is within such consultant's knowledge or control. Each separate consultancy agreement will contain customary terms mutually acceptable to the Plan Administrator, the Committee and the consultant and will provide for, *inter alia*, the provision of up to 50 hours of consultancy services to be provided over 6 weeks during regular business hours or such other times reasonably requested by the Plan Administrator, provided that such services will not exceed 16 hours in any week without the Plan Administrator's request and the consultant's consent. In consideration for such services, each consultant shall be paid an hourly fee consisting of no more than one hundred dollars per hour (\$100/hr). The provisions of section 8.1.2 will not prohibit the Plan Administrator from retaining and compensating the consultants, pursuant to the provisions of sections 8.3.2 and 8.3.3 of the Plan, for any additional services the Plan Administrator, with the consent of the Post-Effective Date Committee, deems appropriate or necessary.

F. Effects of Plan Confirmation

1. Satisfaction of Claims

Section 11.1 of the Plan provides that the treatment of and consideration to be received by holders of Allowed Claims pursuant to the Plan will be in full satisfaction of such holders' respective Claims against the Estates.

2. Injunction

The Plan is designed and intended to be the sole means for resolving, paying or otherwise dealing with Claims and Equity Interests. To that end, section 11.2 of the Plan provides that from and after the Effective Date all Persons that have held, currently hold or may hold a Claim or other debt or liability against any of the Debtors or their Estates, or who have held, currently hold or may hold an Equity Interest in the Debtors, will be permanently enjoined from taking any of the following actions (whether directly, indirectly, derivatively or otherwise) on account of such Claim or Equity Interest: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the Debtors, the Estates, the Plan Administrator, the Committee or the Post-Effective Date Committee with respect to any property to be distributed under the Plan including funds or reserves held or maintained by any of them pursuant to the Plan; (ii) enforcing, levying, attaching, collecting, or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree, or order against any of the Debtors, the Estates or the Plan Administrator with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan; (iii) creating, perfecting or enforcing in any manner directly or indirectly, any lien, charge or encumbrance of any kind against the Debtors, the Estates or the Plan Administrator with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan; and (iv) proceeding in any manner in any place whatsoever against any of the Debtors, the Estates, or the Plan Administrator with respect to any property to be distributed under the Plan, including funds or reserves held or maintained by any of them pursuant to the Plan in any way that does not conform to, or comply, or is inconsistent with, the provisions of

the Plan; provided, however, that nothing in section 11.2 will prohibit any Person from enforcing the terms of the Plan or the terms of the Confirmation Order in the Bankruptcy Court.

3. No Liability for Solicitation or Participation

Section 11.3 of the Plan provides that, pursuant to section 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of the Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, will not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or the offer, issuance, sale, or purchase of securities.

4. Limitation of Liability of Exculpated Persons

Section 11.4 of the Plan provides that the Exculpated Persons will not have or incur any liability to any Person for any act taken or omission made in connection with or in any way related to negotiating, formulating, implementing, confirming, consummating or administering the Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to the Plan or the Bankruptcy Cases, or any other act taken or omission made in connection with the Bankruptcy Cases; provided that the provisions of section 11.4 will have no effect on the liability of any Person that results from any act or omission that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct. In addition, no Person serving as Plan Administrator will have or incur any personal liability as the shareholder, director or officer of any of the Debtors for any act taken or omission made in connection with the wind-up or dissolution of the Non-Debtor Affiliates, except for any personal liability of such Person that would not have resulted but for an act or omission of such Person that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct.

5. Indemnification by Debtors

Section 11.5 of the Plan provides that the Debtors will indemnify, hold harmless and reimburse the Exculpated Persons, the Plan Administrator (including any Person serving as the Plan Administrator), the Post-Effective Date Committee and its members (solely in their capacity as committee members), and any of the accountants, advisors, agents, attorneys, consultants, directors, members, employees, officers, representatives, or professional persons of such Persons from and against any and all losses, claims, causes of action, damages, fees, expenses, liabilities, and actions arising from or related to any act taken or omission made in connection with or in any way related to negotiating, formulating, implementing, confirming, consummating or administering this Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to the Plan or the Bankruptcy Cases, or any other act taken or omission made in connection with the Bankruptcy Cases, and the losses, claims and expenses of such Persons will be paid from the Estate Assets as they are incurred by such Persons. The Debtors will not indemnify, hold harmless or reimburse any Person pursuant to such provisions from or against any losses, claims, causes of action, damages, fees, expenses, liabilities or actions resulting from any act or omission that is determined in a

Final Order to have constituted fraud, gross negligence or willful misconduct. All rights of the Exculpated Persons and other Persons indemnified pursuant to sections 11.4 and 11.5 of the Plan will survive confirmation and effectiveness of the Plan.

6. Releases of D&O Releasees

Section 11.6 of the Plan provides that, in consideration of the efforts expended and to be expended by the Debtors' officers and directors in conjunction with the Bankruptcy Cases and this Plan, the Debtors automatically will release and shall be deemed to release the D&O Releasees from any and all claims, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that the Debtors or their estates would have been legally entitled to assert in their own right or on behalf of the holder of any Claim or Equity Interest or other Person, based in whole or in part upon any actions, conduct or omissions occurring prior to the Effective Date and including any actions, conduct or omissions occurring in connection with the Bankruptcy Cases. The Confirmation Order shall constitute an order approving the compromise, settlement and release of any and all such claims pursuant to section 1123(b)(3)(A) of the Bankruptcy Code. The officers and directors of the Debtors released by section 11.6 are:

Powermate International

The released parties include all current and former officers and directors of the Debtors, a list of whom shall be submitted to the Court at least 7 days prior to the Disclosure Statement hearing.

Powermate Corporation

The released parties include all current and former officers and directors of the Debtors, a list of whom shall be submitted to the Court at least 7 days prior to the Disclosure Statement hearing.

Powermate Holding

The released parties include all current and former officers and directors of the Debtors, a list of whom shall be submitted to the Court at least 7 days prior to the Disclosure Statement hearing.

7. Term of Injunctions and Stays

Section 11.7 of the Plan provides that, unless otherwise provided in the Plan or in another order of the Bankruptcy Court, all injunctions or stays provided for in the Bankruptcy Case pursuant to sections 105, 362 and 524 of the Bankruptcy Code, or otherwise, and in effect on the Confirmation Date will remain in full force and effect until the Effective Date.

8. Release of Liens

Section 11.8 of the Plan provides that, except as otherwise provided in the Plan or the Confirmation Order, all Liens, security interests, deeds of trust, pledges, guaranties, indemnities or mortgages against property of the Debtor or the Estate will be released, cancelled, terminated, and nullified on the Effective Date.

9. Cancellation of Instruments

Section 11.9 provides that, unless otherwise provided for in the Plan, on the Effective Date, all notes, certificates, shares, instruments or other evidences of any Equity Interest will be cancelled and deemed null and void as of the Effective Date.

G. Bankruptcy Court to Retain Jurisdiction

Section 13.1 of the Plan provides that, following the Effective Date, and notwithstanding the entry of the Confirmation Order, the Bankruptcy Court will retain exclusive jurisdiction of the Bankruptcy Cases and all matters arising under, arising out of, or related to, the Bankruptcy Cases and the Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- a) Hear and determine motions, applications, adversary proceedings, and contested matters pending or commenced after the Effective Date;
- b) Hear and determine objections (whether filed before or after the Effective Date) to, or requests for estimation of any Claim, and to enter any order requiring the filing of proof of any Claim before a particular date;
- c) Ensure that distributions to holders of Allowed Claims are accomplished as provided in the Plan;
- d) Enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;
- e) Construe and take any action to enforce the Plan and the Confirmation Order;
- f) Issue such orders as may be necessary for the implementation, execution and consummation of the Plan and to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan and the Confirmation Order;
- g) Hear and determine any applications to modify the Plan, to cure any defect or omission or to reconcile any inconsistency in the Plan, the Disclosure Statement or in any order of the Bankruptcy Court including, without limitation, the Confirmation Order;
- h) Hear and determine all applications for Professional Claims required by the Plan;
- i) Hear and determine other issues presented or arising under the Plan, including disputes among holders of Claims and arising under agreements, documents or instruments executed in connection with the Plan;
- j) Determine such other matters and for such other purposes as may be provided in the Confirmation Order;
- k) Hear and determine any other matters related hereto and not inconsistent with chapter 11 of the Bankruptcy Code;
- l) Enter the Final Decree; and

- m) Hear and determine any action concerning the recovery and liquidation of Estate Assets, wherever located, including without limitation, litigation to liquidate and recover Estate Assets that consist of, among other things, the Avoidance Actions and the Estate Actions, or other actions seeking relief of any sort with respect to issues relating to or affecting Estate Assets; and to hear and determine any action concerning the determination of taxes, tax refunds, tax attributes, and tax benefits and similar or related matters with respect to the Debtor or the Estate including, without limitation, matters concerning federal, state and local taxes in accordance with sections 346, 505 and 1146 of the Bankruptcy Code.

CLAIMHOLDERS ARE URGED TO READ THE PLAN IN FULL SO THAT THEY MAY MAKE AN INFORMED JUDGMENT CONCERNING THE PLAN.

IV. CONFIRMATION AND CONSUMMATION PROCEDURE

A. Confirmation Hearing

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing with respect to the Plan. At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code described below are met.

The Confirmation Hearing is scheduled to commence on _____, 2009, at ____:____.m. (Prevailing Eastern Time) before the Honorable Kevin Gross, United States Bankruptcy Court, District of Delaware, 824 Market Street., 6th Floor, Courtroom #3 Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of the adjourned date made at the Confirmation Hearing.

B. Requirements of section 1129(a) of Bankruptcy Code

The Bankruptcy Court will confirm the Plan only if it finds that all of the applicable requirements enumerated in section 1129(a) of the Bankruptcy Code have been met or, if all of the requirements of section 1129(a) other than the requirements of section 1129(a)(8) have been met (i.e., that all impaired classes have accepted the plan), that all of the applicable requirements enumerated in section 1129(b) of the Bankruptcy Code have been met.

Among other things, sections 1129(a) and (b) require that the Plan be (i) accepted by all impaired Classes of Claims and Equity Interests or, if rejected by an impaired Class, that the Plan “does not discriminate unfairly” and is “fair and equitable” as to such Class, (ii) feasible, and (iii) in the “best interests” of Claimholders and equity interest holders that are impaired under the Plan.

Section 5.1 of the Plan provides that Class 4 is not receiving any distribution under the Plan and is deemed not to have accepted the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, as to such Class and any other Class that votes to reject the Plan, the Debtors are seeking confirmation of the Plan in accordance with sections 1129(a) and (b) of the Bankruptcy Code either under the terms provided herein or upon such terms as may exist if the Plan is modified in accordance with section 1127(d) of the Bankruptcy Code.

THE DEBTORS AND THE COMMITTEE BELIEVE THAT THE PLAN SATISFIES OR WILL SATISFY, AS OF THE CONFIRMATION DATE, ALL OF THE REQUIREMENTS FOR CONFIRMATION.

1. Best Interests Test

In order to confirm the Plan, the Bankruptcy Court must, pursuant to section 1129(a)(7) of the Bankruptcy Code, independently determine that the Plan is in the best interests of each holder of a Claim or Equity Interest in any impaired Class who has not voted to accept the Plan. This is often called the "best interests of Claimholders" test. Accordingly, if an impaired Class does not unanimously accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such impaired Class a recovery on account of the Class member's Claim or Equity Interest that has a value, as of the Effective Date, at least equal to the value of the distribution that each such member would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code on such date.

The Bankruptcy Cases have proceeded as liquidating chapter 11 cases since the Petition Date. As of the date of this Disclosure Statement, the Debtors and the Committee believe that more funds are likely to exist after the prosecution, collection or settlement of certain causes of action if the case continues in chapter 11 rather than if the case is converted to chapter 7 for completion. Insufficient funds exist and no prospect of sufficient additional funds exist to allow for any payment to holders of Equity Interest regardless of whether the cases are completed under chapter 11 or chapter 7 of the Bankruptcy Code.

The only issue under the best interest of Claimholders test is the value of distributions available for Claimants if the Plan is confirmed compared to the value of distributions available to Claimants if the cases are converted to chapter 7. This is a liquidating chapter 11 case. To date, the Debtors have liquidated substantially all of their assets. The Debtors and the Committee believe that larger distributions will be available to Claimants under the Plan than under chapter 7 and, therefore, that the Plan meets the best interest of Claimholders test. Conversion of the Bankruptcy Cases to chapter 7 of the Bankruptcy Code would replace the Plan Administrator with a chapter 7 trustee. As a consequence, the liquidation and completion of this case would be substantially disrupted. Disruption would occur because a chapter 7 trustee would be unfamiliar with the case, as would the chapter 7 trustee's counsel. A chapter 7 trustee may be required to employ new counsel and financial advisors that would be unfamiliar with the issues requiring resolution in the estate. The Claimants would bear the cost of educating the chapter 7 trustee and his/her new professionals, resulting in delays and reduced distributions. Furthermore, all fees of, and expenses incurred by, the chapter 7 trustee and its professionals would have priority over all Administrative Expense Claims and Unsecured Claims previously incurred in these chapter 11 Cases under section 726(b) of the Bankruptcy Code.

2. Feasibility

Section 1129(a)(11) of the Bankruptcy Code requires that confirmation should not be likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtor or any successor to the Debtor, unless such liquidation or reorganization is proposed in the Plan. Under the terms of the Plan, the Allowed Claims potentially being paid in Cash are the Allowed

Administrative Claims, Priority Tax Claims, Other Secured Claims and Priority Claims. [The Debtor presently estimates that the total amount of such payments will be less than \$1,800,000] and have on-hand more than sufficient funds to cover these payments as and when they become due.³

The Plan clearly complies with the feasibility requirement because (i) the Debtor has sufficient cash to satisfy its plan payment obligations and (ii) all of the Debtors' remaining assets are being distributed to Claimholders and therefore the company will be dissolved pursuant to the Plan. Accordingly, the Estate will no longer exist to be subject to future reorganization or liquidation.

3. Acceptance by Impaired Classes

By this Disclosure Statement, the Debtors and the Committee are seeking the affirmative vote of each impaired Class of Claims under the Plan that is proposed to receive a distribution under the Plan. Pursuant to section 1126(f) of the Bankruptcy Code, a class that is not "impaired" under a plan will be conclusively presumed to have accepted such plan; solicitation of acceptances with respect to any such class is not required. Pursuant to section 1126(g) of the Bankruptcy Code, a class of claims or interests that does not receive or retain any property under a plan of reorganization is deemed not to have accepted the plan, although members of that class are permitted to consent, or waive objections, to its confirmation.

Pursuant to section 1124 of the Bankruptcy Code, a class is "impaired" unless a plan (a) leaves unaltered the legal, equitable and contractual rights to which the claim or interest entitles the holder thereof, or (b) (i) cures any default (other than defaults resulting from the breach of an insolvency or financial condition provision), (ii) reinstates the maturity of such claim or interest, (iii) compensates the holder of such claim or interest for any damages incurred as a result of any reasonable reliance by such holder on any contractual provision or applicable law entitling such holder to demand or receive accelerated payments after the occurrence of a default, and (iv) does not otherwise alter the legal, equitable or contractual rights to which the holder of such claim or interest is entitled.

Pursuant to section 1126(c) of the Bankruptcy Code, a class of impaired claims has accepted a plan of reorganization when such plan has been accepted by Claimholders (other than an entity designated under section 1126(e) of the Bankruptcy Code) that hold at least two thirds in dollar amount and more than one half in number of the allowed claims of such class held by Claimholders (other than any entity designated under section 1126(e) of the Bankruptcy Code) that have actually voted to accept or reject the plan. A class of interests has accepted a plan if the plan has been accepted by holders of interests (other than any entity designated under section 1126(e) of the Bankruptcy Code) that hold at least two thirds in amount of the allowed interests of such class held by interest holders (other than any entity designated under section 1126(e) of the Bankruptcy Code) that have actually voted to accept or reject the plan. Section 1126(e) of the Bankruptcy Code allows the Bankruptcy Court to designate the votes of any party that did

³ This estimate assumes that no portion of the WARN Act Claims is an Allowed Administrative Claim, Priority, Tax Claim, Priority Claim or Secured Claim.

not vote in good faith or whose vote was not solicited or procured in good faith or in accordance with the Bankruptcy Code. Holders of claims or interests who fail to vote are not counted as either accepting or rejecting the plan.

4. Confirmation Without Acceptance by All Impaired Classes

Because Class 4 (Equity Interests) is deemed not to have accepted the Plan, the Debtors and the Committee are seeking confirmation of the Plan as to such Class, and as to any other Class that votes to reject the Plan, pursuant to section 1129(b) of the Bankruptcy Code. Section 1129(b) of the Bankruptcy Code provides that the Bankruptcy Court may still confirm a plan at the request of a debtor if, as to each impaired class that has not accepted the plan, the plan “does not discriminate unfairly” and is “fair and equitable.”

Section 1129(b)(2)(A) of the Bankruptcy Code provides that with respect to a non accepting class of impaired secured claims, “fair and equitable” includes the requirement that the plan provides (a) that each holder of a claim in such class (i) retains the liens securing its claim to the extent of the allowed amount of such claim and (ii) receives deferred cash payments at least equal to the allowed amount of its claim with a present value as of the effective date of such plan at least equal to the value of such creditor’s interest in the debtor’s interest in the property securing the creditor’s claim, (b) for the sale, subject to section 363(k) of the Bankruptcy Code, of the property securing the creditor’s claim, free and clear of the creditor’s liens, with those liens attaching to the proceeds of the sale, and such liens on the proceeds will be treated in accordance with clauses (a) or (c) thereof, or (c) for the realization by the creditor of the “indubitable equivalent” of its claim.

Section 1129(b)(2)(B) of the Bankruptcy Code provides that with respect to a non accepting class of impaired unsecured claims, “fair and equitable” includes the requirement that (a) the plan provide that each holder of a claim in such class receives or retains property of a value as of the effective date equal to the allowed amount of its claim, or (b) the holders of claims or interests in classes that are junior to the claims of the dissenting class will not receive or retain any property under the plan on account of such junior claim or interest.

Section 1129(b)(2)(C) of the Bankruptcy Code provides that with respect to a non accepting class of impaired equity interests, “fair and equitable” includes the requirement that (a) the plan provides that each holder of an impaired interest in such class receives or retains property of a value as of the effective date equal to the greatest 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, and (iii) the value of such interest, or (b) the holders of all interests that are junior to the interests of the dissenting class will not receive or retain any property under the plan on account of such junior interest.

The Debtors and the Committee believe that the Plan does not discriminate unfairly against, and is fair and equitable as to, each impaired Class under the Plan.

V. CERTAIN FEDERAL INCOME TAX CONSEQUENCES

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY

DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY HOLDERS OF CLAIMS OR INTERESTS FOR PURPOSES OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY QUAKER FABRIC CORPORATION AND QUAKER FABRIC CORPORATION OF FALL RIVER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. Introduction

Implementation of the Plan may have federal, state, local or foreign tax consequences to the Debtors as well as to Claimants and Equity Interest holders in the Debtors. No tax opinion or ruling has been sought or will be obtained with respect to any tax consequences of the Plan, and the following discussion does not constitute and is not intended to constitute either a tax opinion or tax advice to any person.

The following discussion does not address every aspect of the U.S. federal income tax laws that may be relevant to Claimants or Equity Interest holders in light of their individual circumstances, or to certain types of Claimants or Equity Interest holders subject to special treatment under U.S. federal income tax laws, such as foreign persons, banks, insurance companies, financial institutions, regulated investment companies, broker-dealers, investors in pass through entities, tax-exempt organizations, and Claimants who hold their Claims as part of a hedging transaction, straddle, conversion transaction, or other integrated transaction. The following discussion does not attempt to consider any facts or limitations applicable to any particular Claimants or Equity Interest holder which may modify or alter the consequences described below. This disclosure also does not address state, local, or foreign tax consequences, or the consequences of any federal tax other than the federal income tax.

The following discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended, the Treasury Regulations promulgated thereunder, and published rulings and court decisions in effect as of the date hereof, all of which are subject to change, possibly retroactively. Any such changes could modify or adversely affect the tax consequences summarized below.

Each Claimant or Equity Interest holder in the Debtors is urged to consult with its own tax advisor in determining the federal, state, local, and foreign income and other tax consequences of the transactions contemplated by the Plan.

B. Federal Income Tax Consequences to the Debtors

1. Sale of Assets

The Debtors have sold substantially all of their operating assets and continue to liquidate their remaining assets. If the Debtors' asset sales generate a net gain for federal income tax purposes, the Debtors will incur tax on such gain to the extent that it exceeds the Debtors' available net

operating loss carryforwards, or to the extent of any alternative minimum tax liability that may not be fully offset by available net operating loss carryforwards.

2. Cancellation of Indebtedness Income

In general, the discharge of a debt obligation by the obligor for an amount less than the adjusted issue price gives rise to cancellation of indebtedness income that must be included in the obligor's gross income for federal income tax purposes, unless the payment of that liability would have given rise to a deduction. However, cancellation of indebtedness income is not included in gross income if the obligor is under the jurisdiction of the court in a Title 11 case and the discharge is granted by the court or is pursuant to a plan approved by the court. Instead, the amount excluded from gross income is applied to reduce the following tax attributes in the following order: (a) net operating losses and net operating loss carryovers; (b) general business credits; (c) minimum tax credits; (d) capital loss carryovers; (e) basis of property of the taxpayer; (f) passive activity loss or credit carryovers; and (g) foreign tax credit carryovers. Tax attributes generally are reduced by one dollar for each dollar excluded from gross income, except that tax credits are reduced by one-third of the amount excluded from gross income.

3. Alternative Minimum Tax

In general, an alternative minimum tax ("AMT") is imposed on a corporation's alternative minimum taxable income at a rate of twenty percent (20%) to the extent such tax exceeds the corporation's regular federal income tax liability. In computing alternative minimum taxable income, certain tax deductions and other adjustments are modified or eliminated. In particular, even though a corporation might otherwise be able to offset all of its taxable income for regular tax purposes by available net operating losses, only ninety percent (90%) of a corporation's alternative minimum taxable income may be offset by available net operating losses (as recomputed for AMT purposes). Accordingly, to the extent that the Debtors have taxable income, the Debtors may be subject to AMT even though such income would be offset by available net operating losses for general tax purposes.

C. Federal Income Tax Consequences To Claimholders

1. Recognition of Gain or Loss

A Claimant will recognize gain or loss on the exchange of such Claimant's Claim for cash and any other consideration received pursuant to the Plan in an amount equal to the difference between (i) the amount realized in respect of such Claim (other than amounts attributable to accrued interest) and (ii) the Claimant's tax basis in such Claim. In general, the amount realized in respect of a Claim will equal the sum of any cash and the aggregate fair market value of any other consideration received for such Claim pursuant to the Plan.

The character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the nature and origin of the Claim (e.g., Claims arising in the ordinary course of a trade or business or made for investment purposes), the tax status of the Claimant, whether the Claim constitutes a capital asset in the hands of the Claimant and how long it has been held, whether the Claim was acquired at a

market discount, and whether and to what extent the Claimant had previously claimed a bad debt deduction.

Because consideration for Claims may be distributed at various times after the Effective Date, Claimants may be required to treat a portion of the consideration received after the Effective Date as imputed interest. Claimants should consult their tax advisors regarding the effect of distributions of consideration after the Effective Date on the timing, character, and amount of income, gain, or loss recognized by such Claimants. For example, Claimants may recognize ordinary income in the amount treated as imputed interest and may recognize a larger capital loss or smaller capital gain in respect of their Claims.

2. Accrued Interest

A Claimant will recognize ordinary income to the extent that any consideration received pursuant to the Plan is allocable to accrued but unpaid interest not previously included in such Claimant's taxable income. If the amount of accrued but unpaid interest previously included in such Claimant's taxable income exceeds the amount of consideration allocable to such interest, the Claimant should be treated as recognizing an ordinary loss.

Pursuant to the Plan, consideration received in respect of a Claim will be allocated first to the principal amount of such Claim, with any excess allocated to unpaid accrued interest. However, there is no assurance that the Internal Revenue Service would respect this allocation for federal income tax purposes. Claimants are urged to consult their tax advisors regarding the allocation and treatment of consideration received for accrued but unpaid interest for tax purposes.

3. Backup Withholding

All distributions to Claimants under the Plan are subject to any applicable withholding tax requirements. Under federal income tax law, payments to the Claimants, may, under certain circumstances, be subject to "backup withholding" at a rate that is currently 28%. Backup withholding generally applies if the Claimant (a) fails to furnish its social security number or other taxpayer identification number ("TIN") and to state that the holder is a U.S. citizen or other U.S. person, (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends, or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax; provided the Claimant timely provides the required information to the IRS. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

D. Federal Income Tax Consequences to Holders of Equity Interests

Under the Plan, all Equity Interests in the Debtors will be cancelled, and the holders thereof will not be entitled to any distribution under the Plan. Each holder of an Equity Interest in the Debtors will be entitled to recognize a loss on his Equity Interests at the time such Equity Interests became worthless for tax purposes, in an amount equal to his tax basis in the Equity Interests. If the Equity Interests were held as a capital asset, the loss will be a long-term capital

loss, if the Equity Interest holder's holding period is greater than one year, or a short-term capital loss, if the Equity Interest holder's holding period is not greater than one year.

E. General Disclaimer

The foregoing discussion is not intended to be a substitute for careful tax planning, particularly since certain of the federal income tax consequences of the Plan will not be the same for all Claimholders or Equity Interest holders due to their individual circumstances. Each Claimholder and Equity Interest holder of the Debtors is urged to consult with its own tax advisor in determining the federal, state, local, and foreign income and other tax consequences of the transactions contemplated by the Plan.

VI. CONCLUSION AND RECOMMENDATION

The Debtors and the Committee believe that the confirmation and consummation of the Plan is preferable to all other alternatives.

THE DEBTORS AND THE COMMITTEE URGE ALL CLAIMHOLDERS TO ACCEPT THE PLAN BY RETURNING THEIR BALLOTS TO THE DEBTORS SO THAT THEY WILL BE RECEIVED BY _ :00 _M. (ET) ON _____, 2009.

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Exhibit A – Debtors' Liquidating Chapter 11 Plan

THIS PLAN HAS NOT BEEN APPROVED BY THE COURT FOR DISSEMINATION. UNTIL APPROVED, IT SHOULD NOT BE RELIED UPON BY ANY PERSON OR ENTITY, NOR MAY IT BE USED IN CONNECTION WITH ANY SOLICITATION OF VOTES.

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

----- x
In re: : Chapter 11
: :
POWERMATE HOLDING CORP., : Case No. 08-10498 (KG)
a Delaware corporation, et al.,¹ : :
: Jointly Administered
Debtors. :
----- x

**LIQUIDATING CHAPTER 11 PLAN PROPOSED BY THE DEBTORS AND THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS**

<p>YOUNG CONAWAY STARGATT & TAYLOR, LLP Michael R. Nestor (No. 3526) Kenneth J. Enos (No. 4544) The Brandywine Building 1000 West Street, 17th Floor P.O. Box 391 Wilmington, DE 19801 Telephone: (302) 571-6600 Facsimile: (302) 571-1253</p> <p>and</p> <p>MORGAN, LEWIS & BOCKIUS LLP Neil E. Herman Kizzy L. Rosenblatt 101 Park Avenue New York, NY 10178 Telephone: 212-309-6000</p> <p>Counsel to the Debtors and Debtors in Possession</p>	<p>BAYARD, P.A. Charlene D. Davis (No. 2336) Justin R. Alberto (No. 5126) 222 Delaware Avenue, Suite 900 Wilmington, Delaware 19899 Telephone: (302) 655-5000</p> <p>and</p> <p>SONNENSCHN NATH & ROSENTHAL LLP John A. Bicks (<i>admitted pro hac vice</i>) 1221 Avenue of the Americas New York, NY 10020 Telephone: (212) 768-6700</p> <p>and</p> <p>Monika J. Machen (<i>admitted pro hac vice</i>) 7800 Sears Tower 233 South Wacker Drive Chicago, Illinois 60606-6404 Telephone: (312) 876-8000</p> <p>Counsel to the Official Committee of Unsecured Creditors</p>
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Dated: July 30, 2009

¹ The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Powermate Holding Corp. (6385); Powermate Corporation (7482) and Powermate International, Inc. (6105). The address for each of the Debtors is 3901 Liberty Street, Aurora, IL 60504.

**NO MATERIALS OTHER THAN THE DISCLOSURE STATEMENT AND
RELATED MATERIALS APPROVED BY THE BANKRUPTCY COURT HAVE
BEEN AUTHORIZED FOR USE IN SOLICITING ACCEPTANCES OR
REJECTIONS OF THIS PLAN**

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INTRODUCTION

Powermate Holding Corp., Powermate Corporation, and Powermate International, Inc. (collectively, the "Debtors") and the Official Committee of Unsecured Creditors (the "Committee") appointed in these chapter 11 cases hereby propose the following Liquidating Chapter 11 Plan pursuant to the provisions of Section 1121 of the Bankruptcy Code. Reference is made to the Disclosure Statement (as that term is defined herein), distributed contemporaneously herewith, for a discussion of the Debtors' history, business, properties and operations, risk factors, a summary and analysis of this Plan (as that term is defined herein); and certain related matters. Subject to Section 12.1 hereof and certain restrictions and requirements set forth in 11 U.S.C. § 1127 and Fed. R. Bankr. P. 3019, the Debtors reserve the right to alter, amend, modify, revoke or withdraw this plan prior to its substantial consummation.

The Plan involves a liquidating Chapter 11 plan for the Debtors. The majority of the Debtors' assets have been liquidated pursuant to the Sales (as defined below). The Plan provides for the Estate Assets (as defined below) to be allocated in accordance with the terms of the Plan and distributed to holders of the Allowed Claims. On the Effective Date, all of the Estate Assets will be contributed to a Liquidation Trust and administered by the Plan Administrator (as defined below), who will, among other things, liquidate the remaining assets, resolve any disputed Claims, wind-down the affairs of the Debtors, prosecute potential Estate Actions (as defined below) and make initial and final distributions from the Liquidation Trust pursuant to the Plan. The Debtors will be dissolved as soon as practicable after the Liquidation Trust is established and funded pursuant to the Plan. The Liquidation Trust will be dissolved as soon as practicable after the final distribution is made pursuant to the Plan.

All Holders of Claims and Interests are encouraged to read the Plan and the Disclosure Statement in their entirety. No materials, other than the Disclosure Statement and the exhibits and schedules attached thereto or referenced therein, have been approved by the Plan Proponents for use in soliciting acceptances or rejections of the Plan.

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Rules of Interpretation. Unless otherwise specified, all Section, Article and Exhibit references in this Plan are to the respective Section in, Article of, or Exhibit to this Plan, as the same may be amended, waived or modified from time to time. The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof. Words denoting the singular number shall include the plural number and vice versa, unless the context requires otherwise. Pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. The words "herein", "hereof", "hereto", "hereunder", and others of similar import refer to this Plan as a whole, and not to any particular section, subsection, or clause contained in the Plan. In construing this Plan, the rules of construction set forth in Section 102 of the Bankruptcy Code shall apply. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

1.2 Definitions. Terms and phrases, whether capitalized or not, that are used and not defined in this Plan, but that are defined in the Bankruptcy Code or Bankruptcy Rules, have the meanings ascribed to them in the Bankruptcy Code or Bankruptcy Rules, as applicable. Unless otherwise provided in this Plan, the following terms have the respective meanings set forth below, and such meanings shall be equally applicable to the singular and plural forms of the terms defined, unless the context otherwise requires.

1.2.1 **“Administrative Expense Claim”** means a Claim for costs and expenses of administration of the Bankruptcy Cases Allowed under Sections 503, 507(a)(1) or 507(b) of the Bankruptcy Code, and all fees and costs assessed against the Estate pursuant to 28 U.S.C. § 1930. Administrative Expense Claims shall include, but are not limited to, Professional Claims and all Allowed Claims, if any, that are entitled to be treated as Administrative Expense Claims pursuant to a Final Order of the Bankruptcy Court or under any Section 546(c)(2) of the Bankruptcy Code.

1.2.2 **“Allowed”** means, as it relates to any type of Claim, a Claim (i) which has been scheduled as undisputed, noncontingent and liquidated in the Schedules and as to which no proof of Claim has been timely filed (subject to each Debtor's right to amend the Schedules) and as to which no objection or request for estimation has been filed on or before any Claim objection deadline, if any, set by the Bankruptcy Court or the expiration of such other period fixed by the Bankruptcy Court; (ii) as to which a proof of Claim has been properly and timely filed and either (a) no objection thereto has been timely filed, or if an objection has been timely filed, any portion of which is not subject to such objection, or (b) such Claim has been allowed (but only to the extent allowed) by a Final Order of the Bankruptcy Court; or (iii) which has been expressly allowed under the provisions of this Plan. “Allowed Claim” shall not, for purposes of computation of distributions under this Plan, include interest on such Claim from and after the Petition Date or include any penalty on such Claim.

1.2.3 **“Available Cash”** means all Cash of each Estate to be distributed to holders of Allowed Claims against each Estate, pursuant to the provisions of this Plan, as well as all Cash that subsequently becomes an Estate Asset or an asset of the Debtors, including, without limitation, (i) Cash in any accounts wherever located; (ii) Cash proceeds realized from the sale, disposition, collection, or other realization of value in respect of the Estate Assets (including interest earned thereon if applicable), LESS (a) the Cash or property contained in the PBGC Escrow, the Disputed APS Claims Reserve, the Disputed Unsecured Claims Reserve, and any other similar reserve or escrow accounts established or maintained by the Debtors after the Petition Date or pursuant to the provisions of this Plan, and (b) the amount determined by the Plan Administrator and Post-Effective Date Committee to be necessary and appropriate to reserve for future costs of administration of the Estate Assets (including, without limitation, the compensation, fees and costs of the Plan Administrator and the compensation, fees, and costs of all Professionals, consultants, agents and employees retained or to be retained by the Debtors, the Plan Administrator and the Committee), including the costs of liquidating the Estate Assets and of investigating, analyzing, and pursuing Estate Actions and Avoidance Actions pursuant to the terms of this Plan.

1.2.4 “**Avoidance Actions**” means any and all present or future causes of action, suits, claims, counterclaims, defenses, rights of offset or recoupment, and intangible rights of any sort which have not previously been released pursuant to an order of the Bankruptcy Court and which a trustee, the Debtors, the Debtors in Possession, the Plan Administrator, the Committee or other appropriate party in interest may assert on behalf of the Estates under Chapter 5 of the Bankruptcy Code, including actions under one or more provisions of Sections 510, 542, 544, 545, 547, 548, 549, 550, 551 and/or 553 of the Bankruptcy Code.

1.2.5 “**Ballot**” means the ballot, the form of which has been approved by the Bankruptcy Court, accompanying the Disclosure Statement provided to each holder of a Claim entitled to vote to accept or reject this Plan, on which such holder may vote to accept or reject this Plan.

1.2.6 “**Bankruptcy Cases**” means collectively the bankruptcy cases initiated by the Debtors in the Bankruptcy Court on March 17, 2008, enumerated as Case Nos. 08-10498 (KG), 08-10499 (KG) and 08-10500 and jointly administered under Case No. 08-10498 (KG).

1.2.7 “**Bankruptcy Code**” means Title 11 of the United States Code, Section 101, et. seq., as now in effect or as hereafter amended.

1.2.8 “**Bankruptcy Court**” means the United States Bankruptcy Court for the District of Delaware or, if such court ceases to exercise jurisdiction, the court or adjunct thereof that exercises jurisdiction over the Bankruptcy Cases.

1.2.9 “**Bankruptcy Rules**” means the Federal Rules of Bankruptcy Procedure, as amended and promulgated under Section 2075 of Title 28 of the United States Code, together with the local bankruptcy rules for the Bankruptcy Court as now in effect or as the same may from time to time hereafter be amended.

1.2.10 “**Bar Date**” means the date(s) set by the Bankruptcy Court as the last day for filing of proofs of Claim in the Bankruptcy Cases.

1.2.11 “**Budget**” means the budget attached to the Stipulation as Exhibit A and any subsequent budgets approved by the Debtors, the Committee and the Lenders or by an order of the Bankruptcy Court.

1.2.12 “**Business Day**” means any day which is not a Saturday, Sunday, or “legal holiday” within the meaning of Bankruptcy Rule 9006(a).

1.2.13 “**Cash**” means lawful currency of the United States and its equivalents; provided, however, that any distributions by the Debtors under this Plan will be deemed to be made in Cash if made by check drawn on any United States bank.

1.2.14 “**Claim**” means a claim against a Debtor or its property, as such term is defined in Section 101(5) of the Bankruptcy Code.

1.2.15 “**Claimant**” means the holder of any Allowed Claim entitled to distributions with respect to such Allowed Claim.

1.2.16 “**Class**” means one of the categories of Claims or Equity Interests established under Article III of this Plan pursuant to Sections 1122 and 1123(a) of the Bankruptcy Code.

1.2.17 “**Committee**” means the Statutory Committee of General Unsecured Creditors appointed by the Office of the United States Trustee for the District of Delaware on March 26, 2008 in the Bankruptcy Cases pursuant to Section 1102 of the Bankruptcy Code, as the constituency of such Committee may be altered from time to time, and shall include and mean the Post-Effective Date Committee at all times after the Effective Date, as applicable.

1.2.18 “**Committee Expenses**” means professional fees and expenses of the Committee.

1.2.19 “**Confirmation Date**” means the date on which the clerk of the Bankruptcy Court enters the Confirmation Order on its docket.

1.2.20 “**Confirmation Hearing**” means the hearing(s) before the Bankruptcy Court pursuant to Section 1128 of the Bankruptcy Code to consider confirmation of this Plan, as such hearing(s) may be continued, rescheduled or delayed.

1.2.21 “**Confirmation Order**” means the order of the Bankruptcy Court confirming this Plan pursuant to Section 1129 of the Bankruptcy Code, as such order may be amended, modified, or supplemented.

1.2.22 “**Creditor**” means any entity that has a Claim against a Debtor that arose at the time of or before the Petition Date.

1.2.23 “**D&O Releasees**” means all officers, directors, employees, attorneys, financial advisors, accountants, investment bankers, agents and representatives of the Debtors and their affiliates who served in such capacity on or after the Petition Date, in each case in their respective capacity as such.

1.2.24 “**Debtors**” means Powermate Holding Corp., Powermate Corporation, and Powermate International, Inc.

1.2.25 “**Debtors-in-Possession**” means the Debtors operating in their respective capacities as debtors-in-possession pursuant to Chapter 11 of the Bankruptcy Code.

1.2.26 “**Disallowed Claim**” means a Claim or portion thereof that (i) has been disallowed by a Final Order; (ii) is identified in the Schedules in the amount of zero dollars or as contingent, unliquidated, or disputed and as to which a proof of Claim was not filed by the Bar Date; (iii) is not identified in the Schedules and as to which no proof of Claim has been filed or deemed filed by the Bar Date or Administrative Expense

Claim Bar Date, as applicable; or (iv) was not filed in a timely manner as provided by a relevant Order of the Bankruptcy Court.

1.2.27 **"Disclosure Statement"** means the Disclosure Statement with respect to this Plan, approved by the Bankruptcy Court as containing adequate information for the purpose of dissemination and solicitation of votes on and confirmation of this Plan, as it may be altered, amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

1.2.28 **"Disputed"** means any Claim or any portion thereof which is not a Disallowed Claim and which is (a) a filed Claim for which no amount was scheduled by the Debtors in the Schedules (b) a Claim, proof of which was filed in an amount or priority which is greater than was scheduled by the Debtors in the Schedules, (c) a Claim which is contingent and/or unliquidated, (d) a Claim which is a duplicate of another Claim, (e) a Claim which amends a prior filed Claim, or (f) a Claim that is the subject of a pending application, motion, complaint, objection, or any other legal proceeding seeking to disallow, limit, subordinate, or estimate such Claim. Because holders of Allowed Equity Interests will not receive any distribution on account of such Equity Interests, it is unnecessary to characterize any Equity Interest, or part thereof, as Disputed.

1.2.29 **"Disputed APS Claims Reserve"** means the interest bearing reserve account established by the Debtors pursuant to Section 7.3 of this Plan to be used to satisfy Disputed Administrative Expense Claims, Disputed Priority Tax Claims, Disputed Priority Claims, and Disputed Secured Claims, in accordance with the Plan if and when such Claims become Allowed.

1.2.30 **"Disputed Claims Reserves"** means the Disputed APS Claims Reserve, Disputed Unsecured Claims Reserve, and the Distribution Reserve.

1.2.31 **"Disputed Unsecured Claims Reserve"** means the interest bearing reserve account established by the Debtors pursuant to Section 7.3 of this Plan to be used to satisfy Disputed Unsecured Claims in accordance with the Plan if and when such Claims become Allowed.

1.2.32 **"Distribution Date"** means any date on which distributions of Cash and other Estate Assets are to be made, except for the Effective Date and the Final Distribution Date.

1.2.33 **"Distribution Reserve"** means the interest bearing reserve account established by the Debtors pursuant to Section 7.3 of this Plan from which all distributions under this Plan shall be made to holders of Allowed Unsecured Claims, except the Initial Distribution.

1.2.34 **"Effective Date"** means the eleventh (11th) day after the Confirmation Date, or as soon as practicable after the date on which the conditions specified in Section 10.2 of this Plan have been satisfied or waived in writing by the Debtors and the Committee.

1.2.35 **"Equity Interest"** means any ownership interest or share in the Debtors (including, without limitation, all options, warrants or other rights to obtain such an interest or share in the Debtors) whether or not transferable, preferred, common, voting, or denominated "stock" or a similar security.

1.2.36 **"Estate(s)"** means, individually, the estate created for each of the Debtors and, collectively, the estates created for all the Debtors pursuant to Section 541 of the Bankruptcy Code upon the commencement of the Bankruptcy Cases.

1.2.37 **"Estate Actions"** means all present or future causes of action, suits, claims, counterclaims, defenses, rights of offset or recoupment, and intangible rights of any sort, in law, equity or otherwise, not previously released by the Debtors, whether arising under the Bankruptcy Code or federal, state, or common law, belonging to, held by or entitled to be asserted by a trustee, the Debtors, the Debtors in Possession, the Plan Administrator, Post-Effective Date Committee or other appropriate party in interest on behalf of the Estate, including the Avoidance Actions.

1.2.38 **"Estate Assets"** means the respective assets of the Debtors and their Estates as of the Effective Date, including any and all proceeds, rents, products, offspring, profits arising from or generated by such property after the Effective Date and including the Estate Actions.

1.2.39 **"Excess Committee Expenses"** means Committee Expenses in excess of those provided for in the Budget.

1.2.40 **"Executory Contract"** means, collectively, "executory contracts" and "unexpired leases" of the Debtors as of the Petition Date as such terms are used within Section 365 of the Bankruptcy Code.

1.2.41 **"Exculpated Person"** means, except as limited and restricted in Section 11.4 of this Plan, the Debtors and the Committee and its members (solely in their capacity as Committee members), and any of the accountants, advisors, agents, attorneys, consultants, directors, shareholders, members, employees, officers, representatives, or professional persons of such Persons employed or serving in any such capacity at any time on or after the Petition Date.

1.2.42 **"Final Administrative Expense Claim Bar Date"** means the date 30 days after the Effective Date or such other date set by the Bankruptcy Court as the last day for the filing of a proof of Administrative Expense Claim or a request for payment of an Administrative Expenses Claim arising later than June 30, 2008, other than Professional Claims, subject to the exceptions set forth in this Plan.

1.2.43 **"Final Decree"** means the final decree entered by the Bankruptcy Court after the Effective Date pursuant to Bankruptcy Rule 3022.

1.2.44 **"Final Distribution"** means the distribution of Available Cash made to Claimants pursuant to this Plan which (i) after giving effect to such distribution, results in

remaining Estate Assets with a de minimis value; and (ii) is determined or ordered to be the final distribution to Claimants as set forth in section 7.5.3 of this Plan.

1.2.45 “**Final Distribution Date**” means the date of the Final Distribution.

1.2.46 “**Final Order**” means a judgment, order, ruling, or other decree issued and entered by the Bankruptcy Court or by any state or other federal court or other tribunal having jurisdiction over the subject matter thereof which judgment, order, ruling, or other decree has not been reversed, stayed, modified, or amended and as to which (i) the time to appeal or petition for review, rehearing or certiorari or move for reargument has expired or shall have been waived in writing in form and substance satisfactory to the Debtors and as to which no appeal or petition for review, rehearing or certiorari or motion for reargument is pending; or (ii) any appeal or petition for review, rehearing, certiorari or reargument has been finally decided and no further appeal or petition for review, rehearing, certiorari or reargument can be taken or granted provided, however, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure, or any analogous rule under the Bankruptcy Rules or applicable state court rules of civil procedure, may be filed with respect to such order shall not cause such order not to be a Final Order.

1.2.47 “**Initial Administrative Expense Claim Bar Date**” means August 18, 2008, which was the last day for the filing of a proof of Administrative Expense Claim or a request for payment of an Administrative Expenses Claim that arose from the Petition Date through and including June 30, 2008, other than Professional Claims, subject to the exceptions set forth in this Plan.

1.2.48 “**Initial Distribution**” means the distribution of Cash or other property made pursuant to Section 7.2 of this Plan.

1.2.49 “**Lenders**” means Sun Powermate, York and SCSF, together with their respective successors and assigns.

1.2.50 “**Liens**” means valid and enforceable liens, mortgages, security interests, pledges, charges, encumbrances, or other legally cognizable security devices of any kind against any Estate Asset.

1.2.51 “**Liquidation Trust**” means the Liquidation Trust created under the Liquidation Trust Agreement for the benefit of holders of Allowed Claims against the Debtor.

1.2.52 “**Net Available Proceeds**” means all Cash in the Estate or recovered by the Debtors for the benefit of the Estate, except (a) Cash in the PBGC Escrow; and (b) amounts necessary to pay Allowed Administrative Expense Claims including a payment of \$75,000 to Ivan Friedman for his services as a director of the Debtors. Net Available Proceeds shall be calculated after taking into account Committee Expenses, provided, however, that if and to the extent that (i) the Committee Expenses exceed those provided for the Committee in the Budget and (ii) the aggregate professional fees and expenses for all Estate retained professionals exceed the aggregate amounts budgeted for those

professionals in the Budget, then such Excess Committee Expenses shall be paid out of the Prepetition Claims Bucket.

1.2.53 “**Non-Debtor Affiliates**” means Powermate Canada, Inc. and Powermate, S. DE R.L. DE C.V.

1.2.54 “**Payment Date**” means the first Business Day concluding each four (4) month period after the date of the Initial Distribution until the Final Distribution Date, provided, however, the Plan Administrator, upon consultation with the Post-Effective Date Committee, may shorten or lengthen such periods following the Effective Date.

1.2.55 “**PBGC**” means the Pension Benefit Guaranty Corporation.

1.2.56 “**PBGC Escrow**” means that certain escrow account representing proceeds of the liquidations of the Non-Debtor Affiliates, against which the PBGC has asserted liens and/or claims.

1.2.57 “**PBGC Settlement**” means that certain Settlement Agreement between the Debtors, the PBGC, the Committee, Sun Powermate (and any members of its controlled group), SCSF, and Sun Powermate, approved by this Court on June 18, 2009.

1.2.58 “**Person**” means and includes natural persons, corporations, limited partnerships, general partnerships, limited liability companies, joint ventures, trusts, land trusts, business trusts, unincorporated organizations, or other legal entities, irrespective of whether they are governments, agencies or political subdivisions thereof.

1.2.59 “**Petition Date**” means March 17, 2008, the date on which the Debtors commenced the Bankruptcy Cases by filing their voluntary petitions for relief under Chapter 11 of the Bankruptcy Code.

1.2.60 “**Plan**” means this liquidating Chapter 11 plan (including all exhibits annexed hereto and the Plan Supplement), either in its present form or as it may be altered, amended or modified from time to time in accordance with the provisions of the Bankruptcy Code and the Bankruptcy Rules.

1.2.61 “**Plan Administrator**” means RAS Management Advisors, LLC, who will control and manage the Debtors after the Confirmation Date and act as the disbursing agent for distributions being made to Creditors pursuant to the Plan.

1.2.62 “**Plan Proponents**” means the Debtors.

1.2.63 “**Plan Supplement**” means the collection of Plan related documents to be filed with the Court at least 10 days prior to the Voting Deadline, which may consist of one or multiple filings.

1.2.64 “**Post-Confirmation Operating Account**” means the account to be utilized by the Debtors in order to pay for all costs of administering or collecting the Estate Assets.

1.2.65 “**Post-Effective Date Committee**” means the Committee as it shall be reconstituted and function after the Effective Date in accordance with Section 14.3 of this Plan.

1.2.66 “**Prepetition Allowed Unsecured Creditors**” means holders of Allowed Unsecured Claim other than Sun Powermate, SCSF and York.

1.2.67 “**Prepetition Claims Bucket**” means the segregated account created by the Debtors for distribution to the Prepetition Allowed Unsecured Creditors containing the first \$4.7 million in Net Available Proceeds and such additional distributions as the Prepetition Allowed Unsecured Creditors may be entitled to receive under the Stipulation.

1.2.68 “**Priority Claim**” means all or a portion of a Claim entitled to priority in payment under Section 507(a) of the Bankruptcy Code, excluding any Claim that is an Administrative Expense Claim or a Priority Tax Claim.

1.2.69 “**Priority Tax Claim**” means a Claim entitled to priority in payment under Section 502(i) or Section 507(a)(8) of the Bankruptcy Code.

1.2.70 “**Professional**” means any Person employed or to be compensated pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code, or employed pursuant to the terms of this Plan after the Effective Date.

1.2.71 “**Professional Claim**” means a Claim by a Professional for compensation and/or reimbursement of expenses pursuant to Sections 327, 328, 330, 331, 503(b) or 1103 of the Bankruptcy Code in connection with an application made to the Bankruptcy Court in the Bankruptcy Cases.

1.2.72 “**Pro Rata Share**” means, with respect to any distribution to a Class under this Plan, as of any particular Distribution Date, or the Final Distribution Date, proportionate sharing pursuant to which the ratio of the cumulative amount of all funds distributed on account of an Allowed Claim to the amount of such Allowed Claim is the same as the ratio of the cumulative amount distributed to such Class to the total amount of all Allowed Claims and Disputed Claims classified into such Class.

1.2.73 “**Record Date**” means, for purposes of voting on this Plan, the date on which the Bankruptcy Court approves the Disclosure Statement, and for purposes of making distributions under the Plan, the Confirmation Date.

1.2.74 “**Schedules**” means the Schedules of Assets and Liabilities and Statement of Financial Affairs filed by the Debtors with the clerk of the Bankruptcy Court pursuant to Bankruptcy Rule 1007, as they have been or may be amended or supplemented from time to time in accordance with Bankruptcy Rule 1009.

1.2.75 “**SCSF**” means SCSF Powermate, LLC (together with its successors and assigns).

1.2.76 "**Secured Claim**" means a Claim that is secured (i) by a Lien that is valid, perfected and enforceable under the Bankruptcy Code or applicable non bankruptcy law or by reason of a Final Order; or (ii) as a result of rights of setoff under Section 553 of the Bankruptcy Code, but in any event only to the extent of the value, determined in accordance with Section 506(a) of the Bankruptcy Code, of the holder's interest in the Estate's interest in such property or to the extent of the amount subject to such setoff, as the case may be.

1.2.77 "**Stipulation**" means that certain Stipulation and Settlement among the Debtors, the Committee, Sun Powermate, SCSF, York and the Sun Director Designees, approved by the Court on November 18, 2008.

1.2.78 "**Sun Powermate**" means Sun Powermate, LLC (together with its successors and assigns).

1.2.79 "**Unsecured Claim**" means any Claim that is not an Administrative Expense Claim, a Priority Claim, a Priority Tax Claim, a Secured Claim or an Equity Interest.

1.2.80 "**Voting Deadline**" means the deadline set by the Bankruptcy Court for parties to submit their ballots to accept or reject the Plan.

1.2.81 "**York**" means York Mezzanine Partners, L.P.

ARTICLE II

PROVISION FOR PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS AND PRIORITY TAX CLAIMS

2.1 **Treatment of Allowed Administrative Expense Claims.** Each holder of an Allowed Administrative Expense Claim shall receive in full satisfaction of and in exchange for such Claim (i) the unpaid amount of such Allowed Administrative Expense Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Administrative Expense Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors, and the Committee. In the event that there is insufficient Cash in the estates to pay Allowed Administrative Expense Claims on the Effective Date, such shortfall shall be paid out from the Prepetition Claims Bucket, provided that all other estate Cash (including the funded professional fee carve-out in the amount of \$650,000) has been fully drawn.

2.1.1 **Final Bar Date for the Filing and Assertion of Administrative Expense Claims, Excluding Professional Claims.** Pursuant to the Plan and except as otherwise provided by separate order of the Bankruptcy Court, the date that is thirty (30) days after the Effective Date shall be the Final Administrative Expense Claim Bar Date for all parties to file with the Bankruptcy Court any requests for payment or any other means of preserving and obtaining payment of an Administrative Expense Claim to the extent such Claim (i) arose or was incurred on or before the Effective Date, but subsequent to the Initial Administrative Claim Bar Date and (ii) has not been paid, released, or otherwise

settled, excluding all requests for payment of Professional Claims. Any request for payment of an Administrative Expense Claim (other than a Professional Claim) that was not timely asserted by the Initial Administrative Expense Claim Bar Date, or is not timely filed as set forth above will be forever barred, and holders of such Claims will not be able to assert such Claims in any manner against the Debtors, the Estates, or the Plan Administrator or any of the foregoing parties' accountants, advisors, agents, attorneys, consultants, directors, employees, members, officers, representatives, or Professionals.

2.1.2 Approval of Payments. Except as otherwise provided herein, all payments made or to be made by the Debtors for costs and expenses for or in connection with the Bankruptcy Cases, or in connection with this Plan and incident to the Bankruptcy Cases, shall be subject to approval of the Bankruptcy Court as reasonable, following application and the opportunity for notice and a hearing.

2.1.3 Bar Date for the Filing and Assertion of Professional Claims. All requests for payment or any other means of preserving and obtaining payment of a Professional Claim that arose prior to the Effective Date and that were not already paid, released, or otherwise settled must be filed with the Bankruptcy Court and served upon counsel to the Debtors, counsel to the Post-Effective Date Committee, and the United States Trustee (and notice thereof must also be served on all parties who have requested notice in the Bankruptcy Cases) by no later than forty-five (45) days after the Effective Date, or such extended date as the Bankruptcy Court may allow. Any request for payment of a Professional Claim that is not timely filed as set forth above will be forever barred, and holders of such Claims will not be able to assert such Claims in any manner against the Debtors, the Estates or the Plan Administrator. All compensation and reimbursement of expenses for Professionals allowed by the Bankruptcy Court shall be paid by the Debtors through the Plan Administrator within ten (10) days after entry of the order allowing such fees and expenses on the docket of the Bankruptcy Court. All Professional fees and expenses incurred after the Effective Date of the Plan are not subject to Bankruptcy Court approval and shall be paid in accordance with Section 8.3.3 of this Plan.

2.2 Treatment of Allowed Priority Tax Claims. Each holder of an Allowed Priority Tax Claim shall receive in full satisfaction of and in exchange for such Claim (i) the amount of such Allowed Priority Tax Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Tax Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Plan Administrator, and the Post-Effective Date Committee.

ARTICLE III

CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS

3.1 Creation of Classes. Subject to Article XII of the Plan, this Plan constitutes a single plan of liquidation for all three Debtors. Pursuant to Sections 1122 and 1123 of the Bankruptcy Code, set forth below is a designation of Classes of Claims and Equity Interests. Administrative

Expense Claims and Priority Tax Claims have not been classified and are excluded from the following classes in accordance with Section 1123(a)(1) of the Bankruptcy Code. A Claim or Equity Interest is placed in a particular Class only to the extent that the Claim or Equity Interest falls within the description of that Class and is classified in other Classes to the extent that any portion of the Claim or Equity Interest falls within the description of such other Classes. A Claim or Equity Interest is also placed in a particular Class for the purpose of receiving distributions pursuant to this Plan only to the extent that such Claim or Interest is an Allowed Claim or Equity Interest in that Class and such Claim or Equity Interest has not been paid, released, or otherwise settled prior to the Effective Date. For purposes of organization, voting and all confirmation matters with respect to other Claims and Equity Interests, this Plan classifies the Claims against and the Equity Interests in the Debtors as follows:

Class	Status	Voting Rights
Class 1 - Allowed Priority Claims	Unimpaired	Deemed to accept the Plan; not entitled to vote
Class 2 - Allowed Secured Claims	Impaired	Entitled to vote
Class 3 - Allowed Unsecured Claims	Impaired	Entitled to vote
Class 4 - Equity Interests	Impaired	Deemed to reject the Plan; not entitled to vote

3.2 **Impaired Classes of Claims.** Other than the Classes listed as “Unimpaired” in Section 3.1 above, all other Classes are impaired under this Plan.

3.3 **Impairment Controversies.** If a controversy arises as to whether any Class of Claims or Class of Equity Interests is impaired under this Plan, such Class shall be treated as specified in this Plan unless the Bankruptcy Court shall determine such controversy differently upon motion of the party challenging the characterization of a particular Class of Claims or Class of Equity Interests under this Plan.

ARTICLE IV

PROVISIONS FOR TREATMENT OF CLASSES OF CLAIMS AND EQUITY INTERESTS

4.1 **Class 1 – Allowed Priority Claims.** Each holder of an Allowed Priority Claim shall receive in full satisfaction of and in exchange for such Claim (i) the amount of such Allowed Priority Claim, without interest, in Cash, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Priority Claim; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim, the Debtors, and the Committee.

4.2 **Class 2 – Allowed Secured Claims.** After the payment of \$4.7 million from the Prepetition Claims Bucket to holders of Allowed Unsecured Claims, each holder of an Allowed Secured Claim (other than the Lenders whose Secured Claims shall be treated in accordance with

the Stipulation) shall receive in full satisfaction of and in exchange for such Claim a return of the collateral or other property that secures the Allowed Secured Claim, on or as soon as practicable after the later of (a) the Effective Date, or (b) the date that is ten (10) Business Days after such Claim becomes an Allowed Secured Claim.

Pursuant to the terms of the Stipulation, the claims of Sun Powermate, SCSF and York shall be deemed Allowed, provided, however, that Sun Powermate, SCSF and York shall waive any Unsecured Claims (including deficiency claims) against the Debtors and their Estates. The timing and nature of the distributions to be made to Sun Powermate, SCSF and York shall be governed by Article VII of this Plan and the Stipulation.

4.3 Class 3 – Allowed Unsecured Claims. Holders of Allowed Unsecured Claims shall receive in full satisfaction of and in exchange for such Claims, their Pro Rata Share of (a) the \$4.7 million in the Prepetition Claims Bucket and (b) any further Cash distribution from the Estate Assets to holders of Allowed Unsecured Claims in accordance with the Stipulation. The timing and nature of the distributions to be made to the holders of Allowed Unsecured Claims shall be governed by Article VII of this Plan.

4.4 Class 4 – Equity Interests. On the Effective Date, all Equity Interests of the Debtors shall be canceled, annulled and voided, and holders thereof shall be entitled to no distribution whatsoever under this Plan or in the Bankruptcy Cases on account of such Equity Interests.

ARTICLE V

ACCEPTANCE OR REJECTION OF PLAN; CRAMDOWN

5.1 Classes and Claims Entitled to Vote. Each holder of an Allowed Claim in an impaired Class of Claims as of the Record Date shall be entitled to vote separately to accept or reject this Plan as provided for in the order entered by the Bankruptcy Court establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject this Plan (a copy of which was distributed together with the Disclosure Statement). Classes of Claims not impaired under this Plan shall not be entitled to vote to accept or reject this Plan and shall be presumed to have accepted this Plan pursuant to Section 1126(f) of the Bankruptcy Code. Class 1 is not impaired and hence is presumed to have accepted this Plan. Classes 2 and 3 are impaired and the members of such Classes will receive or retain property under this Plan and therefore are entitled to vote to accept or reject this Plan. Class 4 is impaired under this Plan, and the members of such Class will not receive or retain any property under this Plan or the Bankruptcy Cases on account of their Equity Interests. Accordingly, the members of Class 4 are presumed to have rejected this Plan under Section 1126(g), and shall not be entitled to vote.

5.2 Acceptance by a Class of Creditors. Consistent with Section 1126(c) of the Bankruptcy Code and except as provided for in Section 1126(e) of the Bankruptcy Code, a Class of Creditors shall have accepted this Plan if it is accepted by at least two-thirds in dollar amount and more than one-half in number of the holders of Allowed Claims of such Class that have timely and properly voted to accept or reject this Plan.

5.3 **Non-consensual Confirmation.** If any impaired Class of Claims entitled to vote shall not accept the Plan by the requisite majorities provided in Section 1126(c) of the Bankruptcy Code, the Debtors and the Post-Effective Date Committee reserve the right to amend the Plan or undertake to have the Bankruptcy Court confirm the Plan under Section 1129(b) of the Bankruptcy Code or both. With respect to impaired Classes of Claims that are deemed to reject the Plan or that reject the Plan, the Debtors shall request the Bankruptcy Court to confirm the Plan under Section 1129(b) of the Bankruptcy Code. In no event will the Debtors seek to amend this Plan in any manner which violates, amends or contradicts the terms of the Stipulation.

ARTICLE VI

PROVISIONS FOR THE RESOLUTION OF OBJECTIONS TO CLAIMS AND EQUITY INTERESTS

6.1 **Objections to Claims.** Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, and except as otherwise expressly provided for in this Plan, following the Effective Date, the Debtors through the Plan Administrator and the Post-Effective Date Committee shall be authorized, and vested with the exclusive right, to object to any and all Claims, and initiate, file and/or prosecute such objections on behalf of the Debtors and their Estates so as to have the Bankruptcy Court determine the Allowed amount, if any, of such Claims to be paid under this Plan. All objections to Claims must be filed with the Bankruptcy Court and served upon the holder of the Claim, and all parties who have requested notice in the Bankruptcy Cases, by no later than one hundred twenty (120) days after the Effective Date, or, to the extent applicable, the date set forth in Section 9.1.2, or such other date set by order of the Bankruptcy Court upon the motion of the Debtors, without notice and a hearing. Responses and litigation over the allowance of any Claim that is the subject of an objection shall be governed by the Bankruptcy Code and the Bankruptcy Rules, and any other applicable order of the Bankruptcy Court. From and after the Effective Date, all objections shall be litigated to Final Order except to the extent that the Plan Administrator, with the consent of the Post-Effective Date Committee, elects to withdraw such objection or elects to compromise, settle or otherwise resolve any such objection, in which event (A) as to Unsecured Claims, if (i) the amount of such Claim, as set forth in the Schedules and any applicable proof of claim, is \$25,000 or less, the Plan Administrator may settle the objection to such claim without notice to any other party or order of the Bankruptcy Court, (ii) the amount of such Claim as set forth in the Schedules or any applicable proof of claim is greater than \$25,000 and less than \$250,000, the Plan Administrator may settle the objection to such Claim for an amount within \$25,000 of the amount of such Claim set forth in the Schedules without notice to any other party or order of the Bankruptcy Court, or (iii) the amount of such Claim as set forth in the Schedules or any applicable proof of claim is \$250,000 or more the Plan Administrator may settle the objection to such Claim for an amount within \$50,000 of the amount of such Claim set forth in the Schedules without notice to any other party or order of the Bankruptcy Court, or (iv) the settlement amount is any amount other than an amount described in clauses (i) through (iii) of this Section 6.1, the Plan Administrator may settle the objection to such Claim upon the entry of an order of the Bankruptcy Court approving such settlement after notice and an opportunity to be heard (as that term is used in Section 102(1) of the Bankruptcy Code), and (B) as to Administrative Expense Claims, Priority Claims, Priority Tax Claims, and Secured Claims, if (i) the amount of such

Allowed Unsecured Creditors the amounts available for distribution in the Prepetition Claims Bucket.

7.2.1 Cash Distributions to Establish Reserves. After giving effect to the Cash distributions described in this Section 7.2, the Plan Administrator shall deposit all remaining Cash in its possession, custody or control in the reserves and accounts established by this Plan, as described in Section 7.3 below.

7.3 Establishment of Accounts and Reserves. On or before the Effective Date, the Debtors shall establish the Post-Confirmation Operating Account, the Disputed APS Claims Reserve, the Disputed Unsecured Claims Reserve, and the Distribution Reserve, all of which shall be interest bearing accounts. On the Effective Date, the Debtors shall fund (i) the Disputed APS Claims Reserve with Cash in an amount sufficient to pay the full amount of all Disputed Administrative Expense Claims, all Disputed Priority Tax Claims, all Disputed Priority Claims, all Disputed Secured Tax Claims, and all estimated unpaid Professional Claims; and (ii) the Post-Confirmation Operating Account with Cash in an amount sufficient to pay for the estimate of all costs of administration of the Estate Assets. On the Effective Date, after funding the Disputed APS Claims Reserve and the Post-Confirmation Operating Account and after making or providing for the Initial Distribution, the Debtors shall deposit sixty-seven (67) percent of any Available Cash into (x) the Distribution Reserve in an amount sufficient to pay the holders of Allowed Unsecured Claims their respective Pro Rata Share of Available Cash and (y) the Disputed Unsecured Claims Reserve with Cash in an amount sufficient to pay the Pro Rata Share of all Disputed Unsecured Claims as if they were Allowed Unsecured Claims, in the lesser of (a) the amount claimed in the filed proof of claim by the holder of such Disputed Claim, or (b) the estimated amount of such Claim, as determined by order of the Bankruptcy Court. To the extent a Debtor determines to pay an undisputed, Allowed portion of any Disputed Claim of the type described above, the Debtor shall be allowed to reduce the amount reserved for that Claim in the appropriate account. All accounts established and reserves funded by the Debtors pursuant to this Plan shall be established, funded and managed, as applicable, by the Plan Administrator in each case for and on behalf of each applicable Debtor. Upon request of the Post-Effective Date Committee, the Plan Administrator shall provide a summary and accounting of the funds in each account and reserve established pursuant to this Section 7.3.

Thereafter, as and when Estate Assets are liquidated and reduced to Cash, the Debtors through the Plan Administrator shall add to the Post-Confirmation Operating Account in sufficient amounts such that the aggregate amount in the Post-Confirmation Operating Account is sufficient to pay all costs of administering or collecting the Estate Assets. Sixty-seven (67) percent of any cash remaining after so funding the Post-Confirmation Operating Account shall be added (i) to the Distribution Reserve and (ii) to the Disputed Unsecured Claims Reserve in an amount sufficient to pay the Pro Rata Share of all Disputed Unsecured Claims as if they were Allowed Unsecured Claims, in the lesser of (a) the amount claimed in the filed proof of claim by the holder of such Disputed Claim, or (b) the estimated amount of such Claim, as determined by order of the Bankruptcy Court.

Claim is \$25,000 or less, the Plan Administrator may settle the objection to such claim without notice to any party or order of the Bankruptcy Court, or (ii) the amount of such Claim is greater than \$25,000, the Plan Administrator may settle the objection to such claim upon the entry of an order of the Bankruptcy Court approving such settlement after notice and an opportunity to be heard (as that term is used in Section 102(1) of the Bankruptcy Code).

6.2 Amendments to Claims; Claims Filed After the Confirmation Date. No Claim that was required to be filed by the Bar Date, the Initial Administrative Expense Claims Bar Date, or the Final Administrative Expense Claims Bar Date (as the case may be) shall be filed with the Bankruptcy Court or amended (except to reduce the amount of the Claim) after such applicable Bar Date or Administrative Expense Claim Bar Date. Any Claim that was required to be filed by the Bar Date or one of the Administrative Expense Claims Bar Date (as the case may be) that is instead filed or amended (except to reduce the amount of the Claim or except as otherwise permitted to be filed or amended by a separate order of the Bankruptcy Court with respect to such Claim) after such applicable Bar Date or Administrative Expense Claim Bar Date shall be deemed disallowed without further action or order of the Bankruptcy Court or the Debtors.

ARTICLE VII

FUNDING OF DISTRIBUTIONS AND PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS

7.1 Liquidation of Assets. On and after the Effective Date, the Debtors, through the Plan Administrator, may, without further approval of the Bankruptcy Court, use, sell, assign, transfer, abandon or otherwise dispose of at a public or private sale any of the Debtors' remaining tangible or intangible assets for the purpose of liquidating and converting such assets to Cash, making distributions and fully consummating this Plan. Unless otherwise provided herein, any proposed use, sale, assignment, transfer, abandonment, or other disposition by the Plan Administrator of any of the Debtors' remaining tangible or intangible assets shall be made only with the prior approval of the Post-Effective Date Committee of any such proposed use, sale, assignment, transfer, abandonment or other disposition.

7.2 The Initial Distribution. Except as otherwise provided herein or by order of the Bankruptcy Court, distributions to be made on the Effective Date on account of Claims that are Allowed as of the Effective Date and are entitled to receive distributions under the Plan shall be made on the Effective Date or as promptly thereafter as practicable. For purposes of calculating a Pro Rata Share, the amount of the total Allowed Claims in each Class shall be calculated as if all unresolved Disputed Claims in each Class were Allowed in the full amount thereof. On the Effective Date, or as soon thereafter as is practicable, the Plan Administrator, on behalf of the Debtors, shall pay, in full and in Cash, (a) all Allowed Administrative Expense Claims, (b) all Allowed Priority Tax Claims, (c) all Allowed Priority Claims that are to be satisfied pursuant to Section 4.1 of this Plan, and (d) all Allowed Secured Claims that are to be satisfied pursuant to Section 4.2(i) of this Plan. The Debtors shall provide to each holder of an Allowed Secured Claim that is being treated in accordance with Section 4.2(ii) of this Plan, the property securing such Allowed Secured Claim. The Debtors shall also pay, in full and in cash, all Prepetition

7.4 Subsequent Distributions.

7.4.1 Source and Deposit of Funds for Subsequent Distributions. (a) It is anticipated that after the Effective Date, each Debtor through the Plan Administrator will reduce to Cash the non-Cash assets still belonging to it or its Estate, such as the Avoidance Actions and the other Estate Actions, subject to the limitations of Sections 7.1, 14.2, and 14.2.1 hereof. In addition, as Disputed Claims become Disallowed Claims or are only partially Allowed, some funds held on reserve on account thereof may then be distributed to holders of Allowed Unsecured Claims. Accordingly, as those events occur, such proceeds shall first be used to replenish the Post-Confirmation Operating Account, to the extent more funds are needed for the operations of administering the Estate Assets, in the reasonable judgment of the Plan Administrator after consultation with the Post-Effective Date Committee. Thereafter, proceeds shall be placed in the Distribution Reserve for subsequent distributions in accordance with this Plan

(b) After the payment of the \$4.7 million from the Prepetition Claims Bucket, any additional Net Available Proceeds shall be divided as follows: (a) two-thirds (2/3) of such amounts shall go to SCSF for sharing between SCSF, Sun Powermate and York in accordance with agreements among such entities; and (b) one-third (1/3) of such amounts shall be paid to holders of Allowed Unsecured Claims.

7.4.2 Timing of Subsequent Distributions. Following the Initial Distribution, on each Payment Date or on the Final Distribution Date, the Plan Administrator shall pay each holder of an Allowed Unsecured Claim its Pro Rata share of the amounts in the Distribution Reserve, with the amount of such Allowed Unsecured Claims and Available Cash calculated as of the date that is fifteen (15) Business Days prior to such Payment Date. Distributions in accordance with this section shall continue until the Final Distribution Date.

7.4.3 Timing of Final Distribution. The Final Distribution shall have occurred when, after giving effect to a distribution of Available Cash, there are remaining Estate Assets with a de minimis value and the Plan Administrator and the Post-Confirmation Committee determine, or the Bankruptcy Court otherwise orders after notice and a hearing, that such distribution is the final distribution to Claimants under the Plan.

7.5 Distributions on Account of Disputed Claims. Notwithstanding any provision in the Plan or Confirmation Order to the contrary, except as otherwise agreed to by the Plan Administrator and Post-Effective Date Committee in their sole discretion, or as otherwise ordered by the Bankruptcy Court, no partial payments and no partial distributions shall be made with respect to a Disputed Claim until the resolution of such disputes by settlement or Final Order. A Disputed Claim, to the extent it becomes an Allowed Claim for distribution purposes, shall be paid on the first applicable Payment Date after such claim becomes an Allowed Claim in the same manner as all other Allowed Claims of the same Class. Notwithstanding the foregoing, any Person who holds both an Allowed Claim(s) and a Disputed Claim(s) shall receive the appropriate payment or distribution on the Allowed Claim(s), although, except as otherwise agreed by the Plan Administrator and the Post-Effective Date Committee in their sole discretion,

no payment or distribution shall be made on the Disputed Claim(s) until such dispute is resolved by settlement or Final Order.

7.6 Disputed Payments or Distributions. In the event of any dispute between or among Claimants as to the right of any Person to receive or retain any distribution to be made to such Claimant under this Plan, the Plan Administrator may, in lieu of making such distribution to such entity, make it instead into an escrow for payment or distribution as ordered by the Bankruptcy Court or as the interested parties to such dispute may otherwise agree in writing among themselves.

7.7 Estimation. The Debtors, through the Plan Administrator, or the Post-Effective Date Committee may, at any time, request that the Bankruptcy Court estimate any Disputed Claim, which is a contingent and/or unliquidated Claim, pursuant to Section 502(c) of the Bankruptcy Code regardless of whether the applicable Debtor or the Post-Effective Date Committee has previously objected to such Claim, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time, including, without limitation, during litigation concerning any objection to such Claim. In the event that the Bankruptcy Court estimates any Disputed Claim, that estimated amount may constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors and the Post-Effective Date Committee may elect to pursue any supplemental proceedings to object to any ultimate payment of such Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not necessarily exclusive of one another. On and after the Confirmation Date, Claims which have been estimated subsequently may be compromised, settled, withdrawn or otherwise resolved as provided in Section 7.1 of this Plan.

7.8 Investment of Disputed Claims Reserve. The Debtors through the Plan Administrator shall be permitted, from time to time, to invest all or a portion of the Cash in the Disputed Claims Reserve in United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities, money market accounts or investments permitted by Section 345 of the Bankruptcy Code or otherwise as authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate credit risk or interest rate risk. All interest earned on such Cash shall be held in the Disputed Claims Reserve and, after satisfaction of any expenses incurred in connection with the maintenance of such Disputed Claims Reserves, including taxes payable on such interest income, if any, shall be transferred out of such Disputed Claims Reserves and, in the discretion of the Plan Administrator and the Post-Effective Date Committee, be used to satisfy the costs of administering and fully consummating this Plan or become Available Cash for distribution in accordance with this Plan.

7.9 Minimum Distribution. Notwithstanding anything to the contrary in this Plan, the Plan Administrator shall not be required to make distribution of less than \$25.00 to any Claimant unless either a request therefor is made in writing to the Debtors by the Claimant with respect to such Claim or the Plan Administrator after consultation with the Post-Effective Date Committee so determines to make such payment in its sole and absolute discretion.

7.10 Undeliverable Distributions. If any distribution to a Claimant is returned as undeliverable, no further distributions shall be made to such Claimant unless and until the

Debtors are notified in writing of such Claimant's then-current address. Undeliverable distributions made by the Plan Administrator and any other unclaimed distributions shall be returned to the Debtors and shall remain in the possession of the Debtors pursuant to this Section 7.10 until such time as a distribution becomes deliverable. Any unclaimed distributions pursuant to this section shall be Available Cash for distribution as part of the Final Distribution. The Debtors shall have no obligation to attempt to locate any Claimant with regard to whom a distribution has been returned as undeliverable, forwarding time expired or similar indication. Undeliverable distributions shall not be entitled to any interest, dividends or other accruals of any kind. If the Plan Administrator, in consultation with the Post-Effective Date Committee, determines that there are de minimis undistributed funds held in any of the reserves, such de minimis funds may be donated to a charity selected by the Post-Effective Date Committee. De minimis undistributed funds shall mean an amount less than \$10,000 or such greater amount as may be approved by the Bankruptcy Court prior to the entry of a final decree.

7.11 **Setoff.** In accordance with this Plan, Section 553 of the Bankruptcy Code and applicable non-bankruptcy law, the Debtors may, but shall not be required to, set off against any Claim, and the distributions to be made pursuant to this Plan with respect to such Claim, claims of any nature whatsoever that the Debtors or the Estate may have against the holder of such Claim. Notwithstanding the foregoing, the failure to affect such a setoff or the allowance of any claim hereunder will not constitute a waiver or release by the Debtors or the Estates of any such claim, right or cause of action against such holder.

7.12 **Distributions Paid to Holders of Record.** All distributions to be made pursuant to this Plan with respect to Claims of any nature whatsoever may be made by the Plan Administrator to the holder of record as of the Record Date. To the extent that any Claims are transferred, assigned or alienated in any way after the Record Date, the Plan Administrator, on behalf of the Debtors, has the right, in its sole discretion, to ignore and disregard such transfer or assignment and to make the distribution to the holder of record of such Claim as of the Record Date.

7.13 **Distributions in Cash.** Any Cash payment to be made by the Plan Administrator pursuant to this Plan may be made by check drawn on a domestic bank or by wire transfer.

ARTICLE VIII

IMPLEMENTATION AND MEANS OF CONSUMMATING THIS PLAN

8.1 **Limited Survival and Ultimate Dissolution of Corporate Entities.** From and after the Confirmation Date, the Debtors shall continue in existence pursuant to the terms of this Plan for the purposes of (i) winding up their affairs as expeditiously as reasonably possible, (ii) liquidating, by converting to Cash or other methods, any remaining Estate Assets, as expeditiously as reasonably possible, (iii) enforcing and prosecuting claims, interests, rights and privileges of the Debtors, including, without limitation, the prosecution of Avoidance Actions and Estate Actions in conjunction with the marshaling of the Debtors' assets, (iv) resolving Disputed Claims, (v) administering this Plan and (vi) filing appropriate tax returns.

8.1.1 Shareholder, Officer and Director of the Debtors. All officers and directors of the Debtors serving immediately prior to the Effective Date shall be deemed to have been terminated as of the Effective Date. From and after the Effective Date, the Plan Administrator shall be deemed the sole shareholder and shall be appointed as the sole director and officer of each Debtor (and all bylaws, articles or certificates of incorporation, and related corporate documents are deemed amended by this Plan to permit and authorize such appointment) and shall serve in such capacity through the earlier of the date the applicable Debtor is dissolved in accordance with this Plan and the date such Plan Administrator resigns, is terminated or otherwise unable to serve; provided, however, that, any successor Plan Administrator appointed pursuant to Section 8.3.5 of this Plan, shall serve in such capacities after the effective date of such persons appointment as Plan Administrator.

8.1.2 Transition Consultant. Upon the Effective Date or as soon as practicable thereafter, the Plan Administrator shall, pursuant to separate consultancy agreements, retain up to four (4) consultants to provide the Consultancy Services (as defined below). Each separate consultancy agreement shall contain customary terms mutually acceptable to the Plan Administrator, the Committee and the consultant and shall provide for, inter alia, the provision by the consultant of up to 50 hours of consultancy services to be provided over 6 weeks during regular business hours or such other times reasonably requested by the Plan Administrator, provided that such services shall not exceed more than 16 hours in any week without the Plan Administrator's request and the consultant's consent. In consideration for such services, each consultant shall be paid (without further Court order) an hourly fee consisting of no more than one hundred dollars per hour (\$100/hr). The Plan Administrator will be authorized to pay a portion of the consultant's fee in the form of a retainer paid to the consultant on the later of Effective Date and the effective date of the applicable consultancy agreement. The Consultancy Services shall consist of answering questions of the Plan Administrator with respect to the books and records and pre- and post-petition operations of the Debtors and providing the Plan Administrator with the information regarding the Debtors and their respective estates necessary to permit the Plan Administrator to comply with its responsibilities under this Plan, in each case only to the extent such information is within the consultants' knowledge or control. The Plan Administrator shall also reimburse the consultants' documented out-of-pocket costs incurred in connection with providing such services. Nothing in this section 8.1.2 shall prohibit the Plan Administrator from retaining and compensating the consultants, pursuant to the provisions of sections 8.3.2 and 8.3.3 of this Plan, for any additional services the Plan Administrator, with the consent of the Post-Effective Date Committee, deems appropriate or necessary.

8.1.3 Corporate Governance. All corporate governance activities of the Debtors shall be exercised by the Plan Administrator, subject to the terms of this Plan. Once the Plan Administrator and the Post-Effective Date Committee determine that the Final Distribution Date is approaching or has passed, the Debtors, shall be dissolved, without any further action by the stockholders or directors of the Debtors, upon the filing by the Plan Administrator of a certification to that effect with the Bankruptcy Court. The Plan Administrator shall file a certificate of dissolution of the Debtors and shall take all other actions necessary or appropriate to affect the dissolution of the Debtor under the

laws of the state where each Debtor is incorporated, and under the laws of any other jurisdiction where formal dissolution or other steps are required. All applicable regulatory or governmental agencies shall take all steps necessary to allow and affect the prompt dissolution of the Debtors as provided herein, without the payment of any fee, tax, or charge and without need for the filing of reports or certificates.

8.2 Governance of Estate Assets. The Estate Assets will be managed by the Debtors, through the Plan Administrator, subject to the provisions of this Plan and the Confirmation Order.

8.3 The Debtors and the Plan Administrator. Each Debtor, through the Plan Administrator, will be the exclusive trustee of its Estate Assets for the purposes of 31 U.S.C. § 3713(b) and 26 U.S.C. § 6012(b)(3), as well as the representative of the Estate appointed pursuant to Section 1123(b)(3)(B) of the Bankruptcy Code. Each Debtor and the Plan Administrator shall have fiduciary duties to the beneficiaries of the Estate Assets in the same manner that members of an official committee of creditors appointed pursuant to Section 1102 of the Bankruptcy Code have fiduciary duties to the Creditor constituents represented by such a committee. RAS Management Advisors, LLC shall serve as the Plan Administrator for the Debtors. The Plan Administrator shall be compensated from the Estate Assets in an amount as specified in Section 8.3.3 of this Plan. Removal of the Plan Administrator shall be governed according to Section 8.3.4 of this Plan.

8.3.1 Responsibilities. Except as otherwise specifically provided by this Plan or pursuant to Order of the Bankruptcy Court, the responsibilities of the Plan Administrator shall include (i) the receipt, management, supervision, and protection of the Estate Assets for the benefit of the beneficiaries of the Estate Assets; (ii) the investigation, pursuit, initiation, commencement, filing, prosecution and/or enforcement, and if necessary and appropriate, compromise of the objections to, estimations and settlements of Disputed Claims; (iii) the investigation, pursuit, initiation, commencement, filing, prosecution and/or enforcement, and if necessary and appropriate, compromise of the claims and causes of action included among the Estate Assets, including, without limitation, Avoidance Actions and Estate Actions against third parties; (iv) calculation, implementation, and making of all distributions to be made under this Plan to holders of Allowed Claims; (v) marketing, selling, leasing, or otherwise disposing of all of the Estate Assets; (vi) filing all required tax returns and paying taxes and all other obligations of the Debtors; (vii) filing all operating reports and paying all fees required by 28 U.S.C. § 1930; and (viii) such other responsibilities as may be vested in the Debtors pursuant to this Plan and orders of the Bankruptcy Court, or as may be necessary and proper to carry out the provisions of this Plan.

8.3.2 Powers. Except as otherwise specifically provided by this Plan or pursuant to Order of the Bankruptcy Court, the powers vested in the Debtors and the Plan Administrator under this Plan shall include, subject to consultation with and/or consent and approval of the Post-Effective Date Committee as provided in this Plan, the power to (i) invest funds; (ii) make distributions provided for in this plan; (iii) pay taxes and other obligations owed by or from the Estate Assets or incurred by the Debtors; (iv) engage and compensate from the Estate Assets, consultants, agents, employees, attorneys and

professional persons to assist the Plan Administrator or the Debtors with respect to the Debtors' or Plan Administrator's responsibilities; (v) retain and compensate from the Estate Assets, the services of experienced auctioneers, brokers, and/or marketing agents to assist and/or advise in the sale or other disposition of the Estate Assets; (vi) liquidate and dispose of the Estate Assets; (vii) compromise and settle Claims, Estate Actions and Avoidance Actions; (viii) investigate, pursue, initiate, commence, file, prosecute and/or enforce, and if necessary and appropriate, compromise all adversary proceedings and contested matters (including, without limitation, the Avoidance Actions and the Estate Actions) pending in the Bankruptcy Court and in all actions and proceedings pending elsewhere; (ix) investigate, pursue, initiate, commence, file, prosecute and/or enforce, and if necessary and appropriate, compromise any and all Avoidance Actions and Estate Actions, including those involving Estate Assets, that could arise or be asserted at any time, unless otherwise waived or relinquished in this Plan; (x) with the consent of the Post-Effective Date Committee (which shall not be unreasonably withheld) utilize Estate Assets to purchase appropriate insurance to insure the acts and omissions of the Plan Administrator, or to insure other Estate Assets; and (xi) implement this Plan and orders of the Bankruptcy Court. The Debtors and the Plan Administrator shall exercise such powers in accordance with the provisions of this Plan. Without limiting the foregoing, the Plan Administrator shall have the authority and power, with the consent of the Post-Effective Date Committee, to retain and compensate any former employee, officer and/or director of the Debtors to assist the Plan Administrator with respect to its responsibilities under this Plan. The Plan Administrator and Debtors shall rely on legal counsel for the Post-Effective Date Committee to enforce and discharge its responsibilities and powers under this Plan. Notwithstanding the foregoing, either with the consent of the Post-Effective Date Committee or the approval of the Bankruptcy Court after notice and a hearing, the Plan Administrator may retain separate legal counsel for the purposes consented to by the Post-Effective Date Committee or approved by the Bankruptcy Court.

8.3.3 Compensation of Plan Administrator and Related Professionals. After the Effective Date, in addition to reimbursement for the actual, reasonable and necessary expenses incurred, the Plan Administrator, and any employees, agents, consultants, financial advisors, attorneys, accountants or Professionals engaged or retained by the Plan Administrator, the Committee, or the Debtors shall be entitled to reasonable compensation from the Estate Assets to perform the duties of the Plan Administrator, the Debtors or the Committee, as the case may be. The terms on which any such Professionals are retained shall be reasonably acceptable to the Post-Effective Date Committee. The fees for the RAS as the Plan Administrator, unless modified after the Effective Date by order of the Bankruptcy Court (and until the Plan Administrator is selected by the Committee), shall be paid, without further order of the Bankruptcy Court, at the rate of \$300 per hour for services performed by Mike Rizzo or Tom Pietraszek, \$400 per hour for services performed by Tim Boates, and \$425 per hour for services performed by Richard Sebastiao. The fees and expenses of any Professionals employed by the Plan Administrator, the Debtors, or the Post-Effective Date Committee shall be subject to the approval of the Plan Administrator upon receipt of a detailed invoice, copies of which shall be provided contemporaneously to the Plan Administrator and the Post-Effective Date Committee. Unless a party entitled to receive notice as set forth

above files an objection with the Bankruptcy Court within fifteen (15) days of the receipt of such notice, the Plan Administrator shall be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, one hundred percent (100%) of the reasonable fees and one hundred percent (100%) of the reasonable expenses incurred by the Professionals retained by the Debtor, the Post-Effective Date Committee and Plan Administrator. If an objection is filed, then the Plan Administrator shall still be fully authorized without an order of the Bankruptcy Court to pay, on a monthly basis, one hundred percent (100%) of the fees and one hundred percent (100%) of the expenses incurred by the Professionals that are not the subject of an objection. The Disputed portion of such invoice shall not be paid until the dispute is resolved; the undisputed portion shall be paid as otherwise provided in this section 8.3.3. The Bankruptcy Court shall retain jurisdiction over any objections to such fees and expenses that are filed.

8.3.4 Removal of Plan Administrator. Only the Post-Effective Date Committee has standing to remove the Plan Administrator or any successor Plan Administrator appointed pursuant to this Plan upon filing a notice of such removal with the Bankruptcy Court and serving a copy upon the Plan Administrator and its counsel, if any. Removal of the Plan Administrator shall require the consent of a majority of the members of the Post-Effective Date Committee.

8.3.5 Successor Plan Administrator. In the event that the Plan Administrator is removed, resigns or otherwise ceases to serve as Plan Administrator, the Post-Effective Date Committee shall select a proposed successor Plan Administrator within five (5) Business Days or as soon thereafter as practicable following such resignation, removal, or cessation of service by the incumbent Plan Administrator. Notice of any Successor Plan Administrator shall be filed with the Bankruptcy Court and shall be effective upon the issuance of such notice. Any successor Plan Administrator shall be subject to the same qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in the same position, as the originally named Plan Administrator. Wherever reference is made in this Plan to the Plan Administrator, the same shall be deemed to refer to the successor Plan Administrator acting hereunder.

8.3.6 Termination. The duties, responsibilities and powers of the Plan Administrator shall terminate after all causes of action involving the Debtors on behalf of the Estate Assets are fully resolved and all the Estate Assets have been distributed on the Final Distribution Date in accordance with this Plan and a Final Decree has been entered closing the Bankruptcy Cases. The Estate Assets shall be distributed no later than five (5) years from the Effective Date. However, if warranted by the facts and circumstances provided for in this Plan, and subject to the approval of the Bankruptcy Court upon a finding that an extension is necessary for the purpose of distributing Estate Assets, the term for distributing Estate Assets may be extended for a finite period based on the particular circumstances at issue. Each such extension must be approved by the Bankruptcy Court within six (6) months of the beginning of the extended term, after notice and a hearing.

8.3.7 Records. The Debtors and the Plan Administrator shall maintain good and sufficient books and records of account relating to the Estate Assets, the Available

Cash, the management thereof, all transactions undertaken by such parties, all expenses incurred by or on behalf of the Estate Assets, and all distributions contemplated or effectuated under this Plan. Upon the entry of a Final Decree closing the Chapter 11 case, the Debtors and Plan Administrator may destroy or otherwise dispose of all records maintained by the Debtors and/or Plan Administrator.

8.4 Transfer of Estate Assets. The transfer and assignment of any Estate Assets shall be made pursuant to the terms of this Plan and, accordingly, to the fullest extent permitted by law, shall be exempt from all stamp taxes and similar taxes within the meaning of Section 1146(c) of the Bankruptcy Code.

8.5 Wind-Up and Dissolution of Non-Debtor Affiliates. (a) The Plan Administrator shall be responsible for winding up the affairs of the Non-Debtor Affiliates after the Effective Date. The Plan Administrator, with the consent of the Post-Effective Date Committee, shall complete such wind-up and file dissolution documents required under applicable law as promptly as practicable after the Effective Date. The Plan Administrator shall have all necessary power and authority to execute, deliver and file on behalf of the Non-Debtor Affiliates any deeds, instruments, and other documents necessary, useful or appropriate to complete the wind-up of the Non-Debtor Affiliates. The costs and expenses of completing the wind-up and dissolution of the Non-Debtor Affiliates shall be paid by the Plan Administrator from the Post-Confirmation Operating Account.

(b) Proceeds from the sale or liquidation of the Non-Debtor Affiliates shall be held in the PBGC Escrow for the purposes of satisfying the PBGC Claims and shall be disbursed in accordance with the terms of the PBGC Settlement. After satisfaction of the PBGC Claims, any excess proceeds from the Non-Debtor Affiliates' sale or liquidation shall be released from the PBGC Escrow and transferred to the Debtors for distribution in accordance with Article VII of the Plan.

8.5.1 Responsibilities. Upon the resignation of the officers and directors of the Non-Debtor Affiliates on or immediately prior to the Effective Date in accordance with applicable law, the Plan Administrator shall have all power to and shall arrange for, in each case to the extent permitted by applicable non-bankruptcy law, (i) the receipt, management, supervision and protection of the assets of the Non-Debtor Affiliates for the benefit of the beneficiaries of their respective estates; (ii) marketing, selling, leasing, or otherwise disposing of all of the assets of the estates of the Non-Debtor Affiliates; (iii) filing all required tax returns and paying taxes and all other obligations of the Non-Debtor Affiliates; and (iv) such other tasks as may be necessary and proper to wind-up and liquidate the Non-Debtor Affiliates.

8.5.2 Powers. The Plan Administrator shall have all powers under the organizational documents of the Non-Debtor Affiliates and applicable law to wind-up and liquidate the Non-Debtor Affiliates.

8.6 Substantive Consolidation. Entry of the Confirmation Order shall constitute the approval, pursuant to Section 105(a) of the Bankruptcy Code, effective as of the Effective Date, of the substantive consolidation of the Debtors solely for purposes of voting on, confirmation of,

and distributions under the Plan. This Plan does not contemplate the substantive consolidation of the Debtors for any other purpose. On and after the Effective Date, (i) all guaranties of any Debtor of the payment, performance, or collection of another Debtor shall be deemed eliminated and cancelled, (ii) any obligation of one of the Debtors and all guarantees with respect thereto executed by the other Debtor shall be treated as a single obligation and any obligation of both Debtors, and all multiple Claims against such entities on account of such joint obligations shall be treated and Allowed only as a single Claim against the consolidated Debtors, (iii) each Claim filed or to be filed against any Debtor shall be deemed filed against the consolidated Debtors and shall be deemed a single Claim against and a single obligation of the consolidated Debtors, and (iv) no distributions shall be made under the Plan on account of the Claims of one Debtor against the other Debtor. On the Effective Date, and in accordance with the terms of this Plan and the consolidation of the assets and liabilities of the Debtors, all Claims based upon guarantees of collection, payment, or performance made by one Debtor as to the obligations of another Debtor shall be released and of no further force and effect. Except as set forth in this Section 8.6, such substantive consolidation shall not (other than for purposes related to this Plan) (i) affect the legal or corporate structures of the Debtors, (ii) cause any Debtor to be liable for any Claim under this Plan for which it otherwise is not liable, and the liability for any such Claim shall not be affected by such substantive consolidation, (iii) affect the Debtors' interests in the Non-Debtor Affiliates, (iv) affect any obligations under the Asset Purchase Agreement, or (v) affect any obligations to pay quarterly fees to the United States Trustee.

8.7 Closing of the Bankruptcy Cases. When all Disputed Claims filed against the Debtors have become Allowed Claims or have been disallowed by Final Order, and all remaining assets of the Debtors have been liquidated and converted into Cash (other than those assets abandoned by the Debtors), and such Cash has been distributed in accordance with this Plan, or at such earlier time as the Post-Effective Date Committee deems appropriate, the Plan Administrator shall seek authority from the Bankruptcy Court to close the Bankruptcy Cases in accordance with the Bankruptcy Code, the Bankruptcy Rules and the Local Rules of the Bankruptcy Court.

ARTICLE IX

EXECUTORY CONTRACTS

9.1 Rejection. Effective on and as of the Effective Date, all Executory Contracts that exist between a Debtor and any Person and that have not previously been assumed and assigned or rejected by the Debtors will be deemed rejected pursuant to Section 365 of the Bankruptcy Code. Entry of the Confirmation Order shall constitute approval, pursuant to Section 365(a) of the Bankruptcy Code, of the rejection of executory contracts rejected pursuant to this Plan.

9.1.1 Claims for Rejection Damages. Proofs of Claim for damages allegedly arising from the rejection pursuant to this Plan or the Confirmation Order of any Executory Contract must be filed with the Bankruptcy Court and served on the Plan Administrator and Post-Effective Date Committee not later than thirty (30) days after the Effective Date. All proofs of Claim for such damages not timely filed and properly served as prescribed herein shall be forever barred and the holder of such a Claim shall not be entitled to participate in any distribution under this Plan.

9.1.2 **Objections to Proofs of Claim Based On Rejection Damages.** The objection to any such proof of Claim shall be filed not later than Ninety (90) days after the later of (a) the date that such proof of Claim is filed, and (b) the Effective Date.

ARTICLE X

CONDITIONS PRECEDENT

10.1 **Condition Precedent to Confirmation.** [Omitted]

10.2 **Conditions Precedent to the Effective Date.** The following are conditions precedent to the Effective Date of this Plan, unless waived in writing by the Debtors and the Committee:

- (a) The Bankruptcy Court has entered the Confirmation Order; and
- (b) No stay of the Confirmation Order is in effect.

10.3 **Conditions Precedent to Consummation.** This Plan shall not become effective and operative unless and until the Effective Date occurs. In the event that one or more of the conditions specified in Section 10.2 of the Plan have not been waived pursuant to Section 10.2 of this Plan or have not occurred on or before 60 days after the Confirmation Date, (a) the Confirmation Order may, upon the request of the Debtors, be vacated, (b) no distributions under the Plan shall be made, (c) the Debtors and all holders of Claims and Equity Interests shall be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date as though the Confirmation Date never occurred and (d) the Debtors' obligations with respect to Claims and Equity Interests shall remain unchanged and nothing contained herein shall constitute or be deemed a waiver or release of any Claims or Equity Interests by or against the Debtors or any other Person or to prejudice in any manner the rights of the Debtors or any Person in any further proceedings involving the Debtors.

ARTICLE XI

EFFECTS OF PLAN CONFIRMATION

11.1 **Satisfaction of Claims.** The treatment of and consideration to be received by holders of Allowed Claims pursuant to this Plan shall be in full satisfaction of such holders' respective Claims against the Estates. Notwithstanding the foregoing, unless an Estate Action or Avoidance Action is expressly waived, relinquished, exculpated, released, compromised or settled in this Plan or another Final Order of the Bankruptcy Court, all Estate Actions and Avoidance Actions, including without limitation, those listed in the Plan Supplement, are expressly reserved for later adjudication and therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such Estate Actions or Avoidance Actions upon or after the confirmation or consummation of the Plan, and the Debtors, through the Plan Administrator with the consent or at the direction of the Post-Effective Date Committee, and the Post-Effective Date Committee retain the exclusive right to enforce any and

all present and future rights, claims or causes of action against any Person consistent with Section 14.2 of this Plan.

11.2 **Injunction.** From and after the Effective Date all Persons that have held, currently hold or may hold a Claim or other debt or liability against any of the Debtors or their Estates, or who have held, currently hold or may hold an Equity Interest in the Debtors, are permanently enjoined from taking any of the following actions (whether directly, indirectly, derivatively or otherwise) on account of such Claim or Equity Interest: (i) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind against or affecting the Debtors, the Estates, the Plan Administrator, the Committee or the Post-Effective Date Committee with respect to any property to be distributed under this Plan including funds or reserves held or maintained by any of them pursuant to this Plan; (ii) enforcing, levying, attaching, collecting, or otherwise recovering in any manner or by any means, whether directly or indirectly, any judgment, award, decree, or order against any of the Debtors, the Estates or the Plan Administrator with respect to any property to be distributed under this Plan, including funds or reserves held or maintained by any of them pursuant to this Plan; (iii) creating, perfecting or enforcing in any manner directly or indirectly, any lien, charge or encumbrance of any kind against the Debtors, the Estates or the Plan Administrator with respect to any property to be distributed under this Plan, including funds or reserves held or maintained by any of them pursuant to this Plan; and (iv) proceeding in any manner in any place whatsoever against any of the Debtors, the Estates, or the Plan Administrator with respect to any property to be distributed under this Plan, including funds or reserves held or maintained by any of them pursuant to this Plan in any way that does not conform to, or comply, or is inconsistent with, the provisions of this Plan; provided, however, that nothing in this Section 11.2 shall prohibit any Person from enforcing the terms of this Plan or the Confirmation Order in the Bankruptcy Court.

11.3 **No Liability for Solicitation or Participation.** Pursuant to Section 1125(e) of the Bankruptcy Code, Persons that solicit acceptances or rejections of this Plan and/or that participate in the offer, issuance, sale, or purchase of securities offered or sold under this Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or the offer, issuance, sale, or purchase of securities.

11.4 **Limitation of Liability of Exculpated Persons.** The Exculpated Persons shall not have or incur any liability to any Person for any act taken or omission made in connection with or in any way related to negotiating, formulating, implementing, confirming, consummating or administering this Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to this Plan or the Bankruptcy Cases, or any other act taken or omission made in connection with the Bankruptcy Cases; provided that the foregoing provisions of this section shall have no effect on the liability of any Person that results from any act or omission that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct. Notwithstanding anything in this Plan to the contrary, no Person serving as Plan Administrator shall have or incur any personal liability as the shareholder, director or officer of any of the Debtors for any act taken or omission made in connection with the wind-up or dissolution of the Non-Debtor Affiliates, except for any personal

liability of such Person that would not have resulted but for an act or omission of such Person that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct.

11.5 Indemnification by Debtors. The Debtors will indemnify, hold harmless and reimburse the Exculpated Persons, the Plan Administrator (including any Person serving as the Plan Administrator), the Post-Effective Date Committee and its members (solely in their capacity as committee members), and any of the accountants, advisors, agents, attorneys, consultants, directors, members, employees, officers, representatives, or professional persons of such Persons from and against any and all losses, claims, causes of action, damages, fees, expenses, liabilities, and actions arising from or related to any act taken or omission made in connection with or in any way related to negotiating, formulating, implementing, confirming, consummating or administering this Plan, the Disclosure Statement, or any contract, instrument, release, or other agreement or document created in connection with or related to this Plan or the Bankruptcy Cases, or any other act taken or omission made in connection with the Bankruptcy Cases, and the losses, claims and expenses of such Persons shall be paid from the Estate Assets as they are incurred by such Persons; provided that the Debtors will not indemnify, hold harmless or reimburse any Person pursuant to the foregoing provisions of this section from or against any losses, claims, causes of action, damages, fees, expenses, liabilities or actions resulting from any act or omission that is determined in a Final Order to have constituted fraud, gross negligence or willful misconduct. All rights of the Exculpated Persons and other Persons indemnified pursuant to Sections 11.4 and 11.5 of this Plan shall survive confirmation and effectiveness of this Plan.

11.6 Releases of D&O Releasees. In consideration of the efforts expended and to be expended by the Debtors' officers and directors in conjunction with the Bankruptcy Cases and this Plan, as of the Effective Date, the Debtors automatically shall release and shall be deemed to release the D&O Releasees from any and all claims, obligations, rights, suits, damages, causes of action, remedies and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, that the Debtors or their estates would have been legally entitled to assert in their own right or on behalf of the holder of any Claim or Equity Interest or other Person, based in whole or in part upon any actions, conduct or omissions occurring prior to the Effective Date and including any actions, conduct or omissions occurring in connection with the Bankruptcy Cases. The Confirmation Order shall constitute an order approving the compromise, settlement and release of any and all such claims pursuant to Section 1123(b)(3)(A) of the Bankruptcy Code.

11.7 Term of Injunctions and Stays. Unless otherwise provided herein or in another order of the Bankruptcy Court, all injunctions or stays provided for in the Bankruptcy Cases pursuant to Sections 105, 362 and 524 of the Bankruptcy Code, or otherwise, and in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

11.8 Release of Liens. Except as otherwise provided in this Plan or the Confirmation Order, all Liens, security interests, deeds of trust, pledges, guaranties, indemnities or mortgages against property of the Debtor or the Estate shall and shall be deemed to be released, cancelled, terminated, and nullified on the Effective Date.

11.9 **Cancellation of Instruments.** Unless otherwise provided for herein, on the Effective Date, all notes, certificates, shares, instruments or other evidences of any Equity Interest shall be cancelled and deemed null and void as of the Effective Date.

ARTICLE XII

MODIFICATION, REVOCATION OR WITHDRAWAL OF THIS PLAN

12.1 **Modification of This Plan.** The Debtors may alter, amend or modify this Plan under Section 1127 of the Bankruptcy Code or as otherwise permitted by applicable law at any time prior to the Confirmation Date. After the Confirmation Date and prior to the substantial consummation of this Plan, any party in interest in the Bankruptcy Cases may, so long as the treatment of holders of Claims or Equity Interests under this Plan are not materially adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in this Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and intents of this Plan; provided, however, prior notice of such proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court. No modification of the Plan shall be allowed which amends, modifies, vacates or contradicts the terms of the Stipulation.

12.2 **Revocation or Withdrawal of This Plan.** The Debtors reserve the right to revoke or withdraw this Plan at any time prior to the Confirmation Date with respect to any or all of the Debtors. If the Debtors withdraw this Plan prior to the Confirmation Date with respect to any of the Debtors, this Plan shall be deemed null and void only as to such Debtor. In such event, nothing contained herein shall be deemed to constitute a waiver or release of any claims by or against such Debtor or any other Person or to prejudice in any manner the rights of such Debtor or any Person in any further proceedings involving such Debtor.

ARTICLE XIII

RETENTION OF JURISDICTION

13.1 **Jurisdiction of Bankruptcy Court.** Following the Effective Date, and notwithstanding the entry of the Confirmation Order, the Bankruptcy Court shall retain exclusive jurisdiction of the Bankruptcy Cases and all matters arising under, arising out of, or related to, the Bankruptcy Cases and this Plan to the fullest extent permitted by law, including, among other things, jurisdiction to:

- (a) Hear and determine motions, applications, adversary proceedings, and contested matters pending or commenced after the Effective Date;
- (b) Hear and determine objections (whether filed before or after the Effective Date) to, or requests for estimation of any Claim, and to enter any order requiring the filing of proof of any Claim before a particular date;
- (c) Ensure that distributions to holders of Allowed Claims are accomplished as provided in this Plan;

(d) Enter and implement such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, or vacated;

(e) Construe and take any action to enforce this Plan and the Confirmation Order;

(f) Issue such orders as may be necessary for the implementation, execution and consummation of this Plan and to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan and the Confirmation Order;

(g) Hear and determine any applications to modify this Plan, to cure any defect or omission or to reconcile any inconsistency in this Plan, the Disclosure Statement or in any order of the Bankruptcy Court including, without limitation, the Confirmation Order;

(h) Hear and determine all applications for Professional Claims required by this Plan;

(i) Hear and determine other issues presented or arising under this Plan, including disputes among holders of Claims and arising under agreements, documents or instruments executed in connection with this Plan;

(j) Determine such other matters and for such other purposes as may be provided in the Confirmation Order;

(k) Hear and determine any other matters related hereto (including but not limited to the Stipulation) and not inconsistent with Chapter 11 of the Bankruptcy Code;

(l) Enter the Final Decree; and

(m) Hear and determine any action concerning the recovery and liquidation of Estate Assets; wherever located, including without limitation, litigation to liquidate and recover Estate Assets that consist of, among other things, the Avoidance Actions and the Estate Actions, or other actions seeking relief of any sort with respect to issues relating to or affecting Estate Assets; and to hear and determine any action concerning the determination of taxes, tax refunds, tax attributes, and tax benefits and similar or related matters with respect to the Debtor or the Estate including, without limitation, matters concerning federal, state and local taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code.

13.2 Failure of Bankruptcy Court to Exercise Jurisdiction. If the Bankruptcy Court abstains from exercising or declines to exercise jurisdiction, or is otherwise without jurisdiction, over any matter arising under, arising in or related to the Bankruptcy Cases, including with respect to the matters set forth above in Section 13.1 of this Plan, this Article shall not prohibit or limit the exercise of jurisdiction by any other court having competent jurisdiction with respect to such subject matter.

ARTICLE XIV

MISCELLANEOUS PROVISIONS

14.1 **Payment of Statutory Fees.** All fees payable pursuant to Section 1930 of Title 28 of the United States Code, as determined by the Bankruptcy Court at the hearing pursuant to Section 1128 of the Bankruptcy Code, shall be paid by the Estate on or before the Effective Date or from the Estate Assets when otherwise due.

14.2 **Revesting of Property and Retention of Actions and Defenses.** Except as otherwise provided for herein, as of the Effective Date, all property of the Estates or the Debtors shall be the property of, and vest in, the Debtors and shall be under the exclusive dominion and control of the Debtors, acting through the Plan Administrator, for the benefit of the creditors of the Estates. All Estate Actions which constitute property of the Estate within the meaning of Section 541 of the Bankruptcy Code, as well as all of the Debtors' Avoidance Actions, shall be and hereby are preserved for the benefit of the holders of Allowed Unsecured Claims and the other beneficiaries of the Estate Assets, and shall be and hereby are retained by and vested in the Debtors for all purposes as of the Effective Date. On and after the Effective Date, subject to Section 11.6 of this plan, the Debtors, through the Plan Administrator, with the consent or at the direction of the Post-Effective Date Committee and the Post-Effective Date Committee will retain and have the exclusive right, to investigate, pursue, initiate, commence, file, prosecute and/or enforce any and all Estate Actions and Avoidance Actions against any Person that arose before or after the Petition Date. Any proposed initiation, commencement, filing, prosecution and/or enforcement of any and all Estate Actions and Avoidance Actions against any Person shall be made only with the prior approval of the Post-Effective Date Committee of any such proposed initiation, commencement, filing, prosecution and/or enforcement.

14.2.1 **Settlement and Compromise of Avoidance Actions and other Estate Actions.** The Debtors, through the Plan Administrator, shall have the right and authority, without notice to any party or further order of the Bankruptcy Court, to settle or compromise all Estate Actions and Avoidance Actions enforced by the Debtors, through the Plan Administrator after the Effective Date where (i) the original amount sought in such action is \$10,000 or less, (ii) the original amount sought in such action is greater than \$10,000 and less than \$100,000 and the settlement amount is seventy percent (70%) or more of the original amount sought in such action, and (iii) the original amount sought in such action is \$100,000 or more and the settlement amount is eighty percent (80%) or more of the original amount sought in such action. The Debtors, through the Plan Administrator, shall have the right and authority, without notice to any party or further order of the Bankruptcy Court, to settle or compromise any other Estate Actions or Avoidance Actions; provided, however, that any proposed settlement or compromise of any Estate Action or Avoidance Action by the Plan Administrator shall be made only with the prior approval of the Post-Effective Date Committee of any such proposed settlement or compromise. Consistent with Section 14.14 of this Plan, the Debtors and the Plan Administrator shall also have the authority to execute any documents or take any other action required to effectuate such settlements or compromises.

14.3 Post-Effective Date Committee. Until the Final Distribution Date, the Committee shall continue in existence; provided, however, that as of the Effective Date, the Committee shall be reconstituted and shall be comprised of at least three (3) and up to five (5) members or members of the Committee prior to the Effective Date. The Committee members who are no longer members of the Committee as of the Effective Date shall, as of the Effective Date, be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Committee members in the Bankruptcy Cases. In the event of death or resignation of any member of the Committee after the Effective Date, the remaining members of the Committee shall have the right to designate a successor from among the holders of Allowed Unsecured Claims. If a Committee member assigns its Claim or releases the Debtors from payment of the balance of its Claim, such act shall constitute a resignation from the Committee. Until a vacancy on the Committee is filled, the Post-Effective Date Committee shall function in its reduced number. Notwithstanding anything in this Plan to the contrary, if at any time the Post-Effective Date Committee does not have at least three (3) members, the Plan Administrator during such time shall be authorized to enforce and discharge its responsibilities and powers under this Plan without the consent or approval of the Post-Effective Date Committee. The current counsel for the Committee shall continue as counsel for the Post-Effective Date Committee; provided, however, subject to Bankruptcy Court approval, the Post-Effective Date Committee shall be entitled to select other or alternative counsel in its sole discretion.

14.3.1 Compensation of Post-Effective Date Committee Members. The individual members of the Post-Effective Date Committee shall serve without compensation, except that they shall be entitled to reimbursement of reasonable, actual and necessary out-of-pocket expenses (which shall not include any professional fees and expenses for attorney's or other professionals retained by an individual committee member) from the Debtors pursuant to the procedures set forth in Section 8.3.3 of this Plan.

14.3.2 Powers and Duties of Post-Effective Date Committee. Following the Effective Date, the powers and duties of the Post-Effective Date Committee shall include (a) performing the functions specifically provided for in this Plan, and (b) performing such additional functions as may be agreed to by the Debtors or the Plan Administrator, are provided for in the Confirmation Order, or provided for by further order of the Court entered after the Effective Date.

14.3.3 Dissolution of Post-Effective Date Committee. On the Final Distribution Date and following all payments being made to the holders of Allowed Unsecured Claims under this Plan and the closing of these Bankruptcy Cases, the Post-Effective Date Committee shall be dissolved and the members thereof shall be released and discharged of and from all further authority, duties, responsibilities and obligations related to and arising from their service as Post-Effective Date Committee members, and the retention or employment of the Committee's attorneys, financial advisors, accountants, and other agents shall terminate, except that the employment of the counsel for the Post-Effective Date Committee shall continue as necessary for the winding up and dissolution of the Debtors.

14.4 **No Admissions.** Notwithstanding anything herein to the contrary, nothing contained in this Plan shall be deemed an admission by the Debtors, the Plan Administrator or the Committee with respect to any matter set forth herein including, without limitation, liability on any Claim or Equity Interest or the propriety of any classification of any Claim or Equity Interest.

14.5 **Plan Controls.** To the extent there is an inconsistency or ambiguity between any term or provision contained in the Disclosure Statement and this Plan, the terms and provisions of this Plan shall control. To the extent of any inconsistency between this Plan and the Stipulation, the Stipulation shall control.

14.6 **Governing Law.** Except to the extent the Bankruptcy Code, the Bankruptcy Rules or other federal or state laws are applicable, the laws of the State of Delaware shall govern the construction, implementation and enforcement of this Plan and all rights and obligations arising under this Plan, without giving effect to the principles of conflicts of law.

14.7 **Substantial Consummation of Plan.** This Plan shall be deemed to be substantially consummated when the Debtors through the Plan Administrator make the Initial Distribution.

14.8 **Successors and Assigns.** The rights, benefits and obligations of any Person named or referred to in this Plan will be binding upon, and will inure to the benefit of, the heir, executor, administrator, representative, successor, or assign of such Person.

14.9 **Severability.** Should the Bankruptcy Court determine, on or prior to the Confirmation Date, that any provision of this Plan is either illegal or unenforceable on its face or illegal or unenforceable as applied to any Claim or Equity Interest or Debtor, the Bankruptcy Court, at the request of the Debtors and the Committee, shall have the power to alter and modify such provision to make it valid and enforceable to the maximum extent practicable consistent with the original purpose of such provision. Notwithstanding any such determination, interpretation, or alteration, the remainder of the terms and provisions of this Plan shall remain in full force and effect.

14.10 **Notices and Distributions.** On and after the Effective Date, all notices, requests and distributions to a holder of a Claim or Equity Interest shall be sent to the last known address of (i) the holder or its attorney of record as reflected in the holder's Proof of Claim or Administrative Expense Claim filed by or on behalf of such holder; or (ii) if there is no such evidence of a last known address, to the last known address of the holder according to the books and records of the Debtors. Any holder of a Claim or Equity Interest may designate another address for the purposes of this Section by providing the Debtors written notice of such address, which notice will be effective upon receipt by the Debtors of the written designation. Any notices to the Debtors, the Plan Administrator or the Committee or the Post Effective-Date Committee under or in connection with this Plan shall be in writing and served either by (1) certified mail, return receipt requested, postage prepaid, (2) via facsimile with a copy sent via First Class Mail, postage prepaid, or (3) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the following parties:

To the Debtors:

Tim Boates
RAS Management Advisors, LLC
111 Lenox Street
Suite 106, Box 316
Norwood, MA 02062

with copies to:

Neil E. Herman
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, NY 10178

and

Michael R. Nestor, Esq.
Young, Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street, 17th Floor
Wilmington, DE 19801

To the Plan Administrator:

Tim Boates
RAS Management Advisors, LLC
111 Lenox Street
Suite 106, Box 316
Norwood, MA 02062

with copies to:

Neil E. Herman
Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, NY 10178

and

Michael R. Nestor, Esq.
Young, Conaway Stargatt & Taylor, LLP
The Brandywine Building
1000 West Street, 17th Floor
Wilmington, DE 19801

To the Committee or the Post-Effective Date Committee:

[]

with copies to:

John A. Bicks, Esq.
1221 Avenue of the Americas
New York, NY 10020-1089

and

Monika J. Machen, Esq.
7800 Sears Tower
233 South Wacker Drive
Chicago, IL 60606-6404

14.11 **Unclaimed Property.** If any property distributed by the Debtors or the Plan Administrator remains unclaimed, or in the case of a check, not negotiated, for a period of ninety (90) calendar days after it has been delivered (or delivery has been attempted and such has been returned as undeliverable or otherwise) or has otherwise been made available, such unclaimed property shall be forfeited by the Person entitled to receive the property and the unclaimed property and the right to receive it shall revert to and vest in the Estate Assets free and clear of any rights, claims or interests. In addition, the Debtors and the Plan Administrator shall make no further distributions to the Person that failed to claim such property, and any subsequent distributions that would have been made to such Person shall instead be distributed Pro Rata to holders of Allowed Unsecured Claims. The use of regular mail, postage prepaid, to the last known address of a holder of a Claim shall constitute delivery for purposes of this Section.

14.12 **Binding Effect.** This Plan shall be binding on and inure to the benefit of (and detriment to, as the case may be) the Debtors, the Committee, the Plan Administrator, the Post-Effective Date Committee, all holders of Claims or Equity Interests (whether or not they have accepted this Plan) and their respective personal representatives, successors and assigns.

14.13 **Withholding and Reporting.** In connection with this Plan and all instruments issued in connection therewith and distributions thereon, the Debtors through the Plan Administrator shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority and all distributions hereunder shall, to the extent applicable, be subject to any such withholding and reporting requirements. Notwithstanding anything herein to the contrary, in calculating and making the payments due to Allowed Claims hereunder, the Debtors through the Plan Administrator shall be authorized to deduct from such payments any necessary withholding amount.

14.14 **Other Documents and Actions.** With the consent of the Post-Effective Date Committee (which consent shall not be unreasonably withheld) the Debtors and the Plan Administrator may execute, deliver, file or record such documents, contracts, instruments, releases and other agreements, and take such other action as is reasonable, necessary, or appropriate to effectuate the transactions provided for in this Plan or the terms of this Plan,

without any further action by or approval of the Bankruptcy Court or the Board of Directors of the Debtor.

14.15 **Accounts.** The Debtors through the Plan Administrator may establish one or more interest-bearing accounts as they determine may be necessary or appropriate to effectuate the provisions of this Plan consistent with Section 345 of the Bankruptcy Code and any orders of the Bankruptcy Court.

14.16 **Investment of Cash on Hand.** The Debtors through the Plan Administrator shall be permitted, from time to time, in their discretion to invest all or a portion of the Cash on hand in United States Treasury Bills, interest-bearing certificates of deposit, tax exempt securities or investments permitted by Section 345 of the Bankruptcy Code or otherwise authorized by the Bankruptcy Court, using prudent efforts to enhance the rates of interest earned on such Cash without inordinate credit risk or interest rate risk.

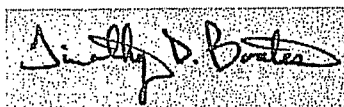
14.17 **Allocation of Plan Distributions.** All distributions in respect of Claims will be allocated first to the original principal amount of such Claims (as determined for federal income tax purposes), and any excess to the remaining portion of such Claims.

CONFIRMATION REQUEST

The Debtors and the Committee hereby request confirmation of this Plan pursuant to Section 1129(a) and 1129(b) of the Bankruptcy Code.

Dated: July 30, 2009

**POWERMATE HOLDING CORP.
POWERMATE CORPORATION
POWERMATE INTERNATIONAL, INC.**



Timothy D. Boates
Chief Restructuring Officer

Dated: July 30, 2009

**COUNSEL TO THE OFFICIAL COMMITTEE
OF UNSECURED CREDITORS OF
POWERMATE HOLDING CORP., ET AL.**

BAYARD, P.A.

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