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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	**Chapter 11**
GRUMMAN OLSON INDUSTRIES, INC.,	**Case No. 02 B 16131 (SMB)**
Debtor.	

DISCLOSURE STATEMENT FOR THE FIRST AMENDED AND RESTATED CHAPTER 11 PLAN FOR GRUMMAN OLSON INDUSTRIES, INC. JOINTLY PROPOSED BY GRUMMAN OLSON INDUSTRIES, INC. AND OLSON ACQUISITION CORPORATION

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

I.
INTRODUCTION

This Disclosure Statement for the First Amended And Restated Chapter 11 Plan For Grumman Olson Industries, Inc. Jointly Proposed By Grumman Olson Industries, Inc. and Olson Acquisition Corporation ("Disclosure Statement") has been prepared by Grumman Olson Industries, Inc., as debtor and debtor in possession ("Debtor"), and is being provided to all known creditors and equity security holders of the Debtor in order to disclose the information deemed by the Debtor to be material, important and necessary for Debtor's creditors and equity security holders to arrive at a reasonably informed decision in exercising their vote for acceptance or rejection of the *First Amended And Restated Chapter 11 Plan For Grumman Olson Industries, Inc. Jointly Proposed By Grumman Olson Industries, Inc. and Olson Acquisition Corporation* (the "Plan"), filed with the Court pursuant to Section 1121(a) of the Bankruptcy Code by the Debtor and Olson Acquisition Corporation (collectively, the "Plan Proponents"). A copy of the Plan accompanies this Disclosure Statement as ***Exhibit "A"***.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRAL PACKAGE. EACH MUST BE READ IN CONJUNCTION WITH THE OTHER IN ORDER THAT THE READER BE ADEQUATELY INFORMED. THE TERMS OF THE PLAN SHALL CONTROL IF THERE IS ANY DISCREPANCY WITH THIS DISCLOSURE STATEMENT.

II.
DEFINITIONS

For purposes of this Disclosure Statement and the Plan, the following terms shall have the following meanings. Unless otherwise indicated, the singular shall include the plural. Capitalized terms shall at all times refer to the terms as defined in this section of this Disclosure Statement.

2.1 **Administrative Claim** means an unsecured Claim for payment of costs or expenses of administration specified in sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation: (a) the actual, necessary costs and expenses incurred after the Petition Date of preserving the Estate and operating the business of the Debtor (such as wages, salaries, or commissions for services rendered); (b) Allowed Claims for reclamation of goods pursuant to section 546(c) of the Bankruptcy Code; and (c) all fees and charges assessed against the Estate pursuant to section 1930 of title 28 of the United States Code.

2.2 **Allowed Claim** means a Claim (a) either: (i) to the extent such Claim is: scheduled by the Debtor pursuant to the Bankruptcy Code and Bankruptcy Rules in a liquidated amount and not listed as contingent, unliquidated or disputed; or (ii) proof of which has been timely filed, or deemed timely filed with the Court pursuant to the Bankruptcy Code, the Bankruptcy Rules and/or any applicable orders of the Court, or late filed with leave of the Bankruptcy Court; and (b) either (i) not objected to within the period fixed by the Bankruptcy

Code, the Bankruptcy Rules and/or applicable orders of the Court, or (ii) that has otherwise been allowed by a Final Order or pursuant to the Plan. An Allowed Claim includes a previously Disputed Claim to the extent such Disputed Claim becomes an Allowed Claim when the context so requires.

2.3 **Allowed [Class Designation] Claim or Allowed [Class Designation] Interest** means an Allowed Claim or an Allowed Interest in the specified Class. For example, an Allowed [Class 4] Claim is an Allowed Claim in the Claims Class designated in the Plan as Class 4.

2.4 **Asset Purchase Agreement** means the Asset Purchase Agreement, dated as of December 10, 2002, between the Debtor and the Purchaser, a copy of which has been filed with the Bankruptcy Court and attached to the Plan as ***Exhibit A***.

2.5 **Assets** mean all of the Debtor's right, title and interest of any nature in property, wherever located, as specified in section 541 of the Bankruptcy Code.

2.6 **Assumed Liabilities** means those liabilities of the Debtor that are being assumed by the Purchaser pursuant to the terms and conditions of the Asset Purchase Agreement.

2.7 **Ballot** means the ballot distributed to each eligible claimant by the Claims Agent, on which ballot such claimant may, *inter alia,* vote for or against the Plan.

2.8 **Ballot Deadline** means the date and time set by the Court by which the Claims Agent must receive all Ballots.

2.9 **Bank** means TBCC, the Debtor's principal pre-petition senior secured lender.

2.10 **Bank Claims** means all Claims of TBCC, as Bank and Prepetition Bank Agent, arising under or relating to amounts outstanding under the Prepetition Loan Agreement, which are Allowed Claims and are not subject to any setoff, claim or defense.

2.11 **Bankruptcy Code** means Title 11 of the United States Code, 11 U.S.C. § 101 *et. seq.*, as now in effect or hereafter amended.

2.12 **Bankruptcy Rules** means the Federal Rules of Bankruptcy Procedure and the local rules of the Court, as now in effect or hereafter amended.

2.13 **Bar Date** means the date fixed by the Bankruptcy Court for the filing of proofs of claim other than claims of Governmental Units and other than for Administrative Claims.

2.14 **Business Day** means any day on which commercial banks are open for business in New York, New York.

2.15 **Cash** means cash and cash equivalents, including but not limited to bank deposits, checks, and other similar items.

2.16 **Chapter 11 Case** means the chapter 11 case of the Debtor pending before the Court.

2.17 **Claim** means a claim against the Debtor, as such term is defined in section 101(5) of the Bankruptcy Code.

2.18 **Claims Agent** means the entity designated by Court order to process proofs of claim and interest and distribute, collect and tally Ballots from claimants.

2.19 **Class or Subclass** means any group of substantially similar Claims or Equity Interests classified pursuant to section 1123(a)(1) of the Bankruptcy Code.

2.20 **Closing** has the meaning assigned to such term in the Asset Purchase Agreement.

2.21 **Closing Date** has the meaning assigned to such term in the Asset Purchase Agreement.

2.22 **Code** means the Internal Revenue Code of 1986, as amended.

2.23 **Collateral** means all of the Assets subject to and securing repayment of the Prepetition Loan Agreement or the DIP Facility, or both, including, but not limited to accounts, inventory, cash, equipment, general intangibles, including patents, trademarks, and applications for the same real estate and proceeds of the foregoing.

2.24 **Committee** means the statutory committee of unsecured creditors appointed in the Chapter 11 Case by the Office of the United States Trustee in accordance with section 1102(a) of the Bankruptcy Code.

2.25 **Common Stock** means the outstanding shares of common stock, par value $.01 per share, of the Debtor, all of which shares are beneficially owned by Olson Holdings, LLC.

2.26 **Confirmation Date** means the date the Court enters the Confirmation Order on its docket.

2.27 **Confirmation Hearing** means the hearing pursuant to which the Court enters the Confirmation Order.

2.28 **Confirmation Order** means the order of the Court confirming the Plan pursuant to section 1129 of the Bankruptcy Code, which shall be satisfactory in form and substance to TBCC and Olson Financing.

2.29 **Contingent or Unliquidated Claims** means those Claims listed as contingent or unliquidated in the Debtor's Schedules.

2.30 **Court** means the United States Bankruptcy Court for the Southern District of New York, or any other court exercising competent jurisdiction over the Chapter 11 Case or any proceeding therein.

2.31 **Creditor** means a creditor, as such term is defined in section 101(10) of the Bankruptcy Code, of the Debtor.

2.32 **Creditor Distribution LLC** means the Grumman Olson Creditor Distribution Limited Liability Company as provided in Section 7.3 of the Plan.

2.33 **Debtor** means Grumman Olson Industries, Inc., a New York corporation.

2.34 **Debtor Designee** means a Person, to be designated by the Debtor prior to the Confirmation Hearing, who shall be specified in the Confirmation Order, with authority, *inter alia*, to file and resolve objections to Claims pursuant to section 7.4.2 of the Plan and request the determination described in section 7.4.3 of the Plan. Without limitation, the "Debtor Designee" may be the Manager.

2.35 **Debtor-in-Possession** means the Debtor in its capacity as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

2.36 **DIP Agent** means TBCC as the agent for the DIP Lenders under the DIP Facility.

2.37 **DIP Facility** means the Debtor-in-Possession Loan and Security Agreement, by and among the Debtor, the DIP Agent, the DIP Lenders and Olson Financing, as Subordinated DIP Lender, dated as of December 9, 2002, as approved by the DIP Order, together with all documents, instruments, agreements and amendments executed or entered into in connection therewith, and any amendments thereto.

2.38 **DIP Facility Claims** means all claims of DIP Lenders and the Subordinated DIP Lender under the DIP Facility, which are Allowed Claims and are not subject to any setoff, claim or defense.

2.39 **DIP Lenders** means TBCC and the other lenders under the DIP Facility, and Olson Financing, as Subordinated DIP Lender, in each case under the DIP Facility.

2.40 **DIP Order** means the Final Order of the Bankruptcy Court approving the DIP Facility, and any subsequent Final Order of the Bankruptcy Court relating to the DIP Facility.

2.41 **Disbursing Agent** means the party to make distributions in accordance with Bankruptcy Rule 3020(a). Following the Effective Date, the Manager shall be the Disbursing Agent.

2.42 **Disclosure Statement** means this Disclosure Statement, which shall be in form and substance satisfactory to TBCC and Olson Financing, that relates to the Plan and is approved by the Court pursuant to section 1125 of the Bankruptcy Code, as it may be amended, modified, or supplemented (and all exhibits and schedules annexed hereto or referred to herein).

2.43 **Disclosure Statement Order** means the order of the Court approving this Disclosure Statement as containing adequate information pursuant to section 1125 of the Bankruptcy Code, which shall be satisfactory in form and substance to TBCC and Olson Financing.

2.44 **Disputed Claim** means a Claim or that portion (including, when appropriate, the whole) of a Claim that is not an Allowed Claim as to which: (a) a proof of claim has been filed, or deemed filed under applicable law or order of the Court, with the Court; or (b) an objection has been or may be timely filed if such objection has not been: (i) withdrawn; (ii) overruled or denied in whole or part by a Final Order, or (iii) granted in whole or part by a Final Order. For the purposes of the Plan, a Claim shall be considered a Disputed Claim in its entirety before the time that an objection has been or may be filed if: (A) the amount or classification of the Claim specified in the relevant proof of claim exceeds the amount or classification of any corresponding Claim scheduled by the Debtor in its Schedule of Assets and Liabilities; (B) any corresponding Claim scheduled by the Debtor has been scheduled as disputed, contingent or unliquidated; or (C) no corresponding Claim has been scheduled by the Debtor in its Schedule of Assets and Liabilities.

2.45 **Disputed, Contingent and Unliquidated Claims Reserve** means the amount of Cash (including Cash from the collections of accounts receivable) to be reserved by the Disbursing Agent in a segregated, interest-bearing account to be established by the Disbursing Agent with a bank acceptable to the Court, in respect of all Disputed Claims and all Contingent or Unliquidated Claims, as set forth more fully in Subsection 7.4.4 of the Plan.

2.46 **Distribution** means the payment or distribution under the Plan of property or interests in property to the holders of Allowed Claims or Equity Interests. Unless otherwise agreed by the holder of an Allowed Claim any payment in Cash to be made by the Disbursing Agent shall be made, at the election of the Disbursing Agent, by check drawn on a domestic bank or by wire transfer from a domestic bank.

2.47 **Distribution Date** means, with respect to any Claim, the Effective Date, if such Claim is then an Allowed Claim, or the first Business Day after such Claim becomes an Allowed Claim, if not an Allowed Claim on the Effective Date.

2.48 **Distribution Address** means the address set forth in the relevant proof of claim or proof of interest. If no proof of claim or proof of interest is filed in respect to a particular Claim or Equity Interest, such defined term means the address set forth in the Debtor's Schedules of Assets and Liabilities or register maintained for registered securities. Notwithstanding anything to the contrary herein, to the extent a Distribution is required to be made to a Paying Agent, the Distribution Address for the relevant Claim or Equity Interest shall be the address of the relevant Paying Agent.

2.49 **Distribution Record Date** means the date and time so designated in the Confirmation Order for the Disbursing Agent to determine which holders of Claims and Equity Interests are entitled to a distribution hereunder.

2.50 **Effective Date** means the date on which all of the conditions specified in Article IX of the Plan have been satisfied or waived, which date shall be no later than June 20, 2003, unless TBCC and Olson Financing agree in writing to a later date.

2.51 **Encumbrance** means any lien, claim, security interest, mortgage, hypothecation, assignment, pledge, option, charge, easement, lease or other encumbrance or adverse interest, whether or not consensual, held by a Person in property.

2.52 **Equity Interest** means any ownership or equity interest in the Debtor, including without limitation, the Preferred Stock, Common Stock or warrants, options or other rights to purchase any ownership or equity interests in the Debtor.

2.53 **Estate** means the estate created pursuant to section 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Case.

2.54 **Estimated Amount** shall have the meaning given such term in Section 7.4.3 of the Plan.

2.55 **Estimation Order** means an order or orders of the Court estimating for voting and/or distribution purposes (under section 502(c) of the Bankruptcy Code) the aggregate Face Amount of Disputed Claims in each Class. The defined term Estimation Order includes the Confirmation Order if the Confirmation Order grants the same relief that would have been granted in a separate Estimation Order.

2.56 **Excluded Assets** shall have the meaning given such term in the Asset Purchase Agreement.

2.57 **Executory Contract** means any contract, including any unexpired lease, to which the Debtor is a party, which is capable of being assumed or rejected pursuant to section 365 of the Bankruptcy Code.

2.58 **Face Amount** means: (a) with respect to any Claim for which a proof of claim is filed, an amount equal to: (i) the liquidated amount, if any, set forth therein; (ii) any other amount set forth in an Estimation Order; or (b) with respect to any Claim scheduled in the Debtor's Schedule of Assets and Liabilities, but for which no proof of claim is filed, the amount of the Claim scheduled as undisputed, noncontingent and liquidated.

2.59 **Fee Application** means an application of a Professional Person under Section 330 or 503 of the Bankruptcy Code for final allowance of compensation and reimbursement of expenses incurred in the Chapter 11 Case from the Petition Date to the Effective Date.

2.60 **Fee Claim** means a Claim that is the subject of a Fee Application filed in the Chapter 11 Case.

2.61 **Final Order** means an order or judgment of the Court, as entered on the docket of the Court that has not been reversed, stayed, modified, or amended, and as to which: (a) the time to appeal, seek review or rehearing or petition for certiorari has expired and no timely-filed appeal or petition for review, rehearing, remand or certiorari is pending; or (b) any appeal taken or petition for certiorari filed has been resolved by the highest court to which the order or judgment was appealed or from which certiorari was sought, 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 other rules governing procedure in cases

before the Court, may be filed with respect to such order shall not cause such order not to be a Final Order.

2.62 **FC** means Ford Motor Credit Company, a Delaware corporation.

2.63 **FC Collateral** means the Collateral of FC consisting of Ford Motor Company truck chassis financed by FC and possessed by the Debtor from time to time.

2.64 **FC Claim** means the Claim of FC against the Debtor, which is secured by the FC Collateral.

2.65 **GMAC** means General Motors Acceptance Corporation, a New York corporation.

2.66 **GMAC Collateral** means the Collateral of GMAC consisting of General Motors Corporation truck chassis financed by GMAC and possessed by the Debtor from time to time.

2.67 **GMAC Secured Claim** means the Claim of GMAC against the Debtor, which is secured by the GMAC Collateral.

2.68 **Governmental Unit** means any governmental unit, within the meaning of section 101 of the Bankruptcy Code.

2.69 **Intercompany Claim** means a Claim of the Debtor or any affiliate thereof, against the Debtor or any affiliate thereof arising prior to the Petition Date.

2.70 **Manager** means the manager of Creditor Distribution LLC, as described in the Operating Agreement.

2.71 **Member** means a member of Creditor Distribution LLC, as described in Subsection 7.3.1 of the Plan.

2.72 **Member Interest** has the meaning assigned to such term in Subsection 7.3.1 of the Plan.

2.73 **Non-Bank Secured Claim** means (i) a Claim (other than a DIP Facility Claim, Bank Claim, GMAC Secured Claim or FC Secured Claim) secured by a lien on any Assets or other third party assets, which lien is valid, perfected and enforceable under applicable law and is not subject to avoidance under the Bankruptcy Code or applicable non-bankruptcy law, and which is duly established in the Chapter 11 Case, but only to the extent of the value of the holder's interest in the Collateral or the Prepetition Facility, or both, that secures payment of the Claim; (ii) a Claim against the Debtor that is subject to a valid right of recoupment or setoff under section 553 of the Bankruptcy Code, but only to the extent of the allowed amount subject to recoupment or set-off as provided in section 506(a) of the Bankruptcy Code; and (iii) a Claim allowed under the Plan as a Non-Bank Secured Claim.

2.74 **Northrop FC Guaranty** means the Guaranty (undated) made by Northrop Grumman in favor of FC.

2.75 **Northrop GMAC Guaranty** means the Guaranty, dated December 12, 1997 made by Northrop Grumman in favor of GMAC.

2.76 **Northrop Grumman** means Northrop Grumman Corporation, a Delaware corporation.

2.77 **Northrop Grumman Claims** means the Claims of Northrop Grumman against the Debtor, including, without limitation, Claims arising out of the (a) Northrop GMAC Guaranty, (b) Northrop FC Guaranty, (c) Northrop Grumman Letter of Credit, and (d) reimbursement obligations arising under that certain Agreement and Plan of Merger, dated as of December 19, 1997, by and among Northrop Grumman, Olson Holdings, LLC and Grumman Allied Industries, Inc., among others, and other related agreements contemplated therein.

2.78 **Northrop Grumman Letter of Credit** means the letter of credit dated December 15, 1997 in the face amount of $5.0 million issued by Chase Manhattan Bank for the account of Northrop Grumman which names GMAC as beneficiary and secures the Northrop GMAC Guaranty.

2.79 **Notice Address** means the address to which notices must be sent to parties in interest pursuant to Bankruptcy Rule 2002(g) and/or any orders of the Court.

2.80 **Notice of Confirmation** means the notice of entry of the Confirmation Order to be mailed by the Clerk of the Court or by the Claims Agent, as agent for the Clerk, to all holders of Claims and Equity Interests.

2.81 **Olson Financing** means Olson Financing Corporation, a Delaware corporation.

2.82 **Operating Agreement** means the limited liability company agreement of Creditor Distribution LLC, which shall govern Creditor Distribution LLC and include such other provisions as described in Section 7.3 of the Plan.

2.83 **Paying Agent** means the Disbursing Agent, any stock transfer agents, agents contractually authorized and/or obligated to make Distributions to certain claimants and similar intermediaries and agents participating in making or conveying Distributions as required by the Plan.

2.84 **Person** means any individual, corporation, partnership, limited liability company, association, indenture trustee, organization, joint stock company, joint venture, estate, trust, governmental unit or any political subdivision thereof, the Creditors' Committee, Equity Interest holders, current or former employees of the Debtor, or any other entity.

2.85 **Petition Date** means December 9, 2002.

2.86 **Plan** means the First Amended And Restated Chapter 11 Plan For Grumman Olson Industries, Inc. Jointly Proposed By Grumman Olson Industries, Inc. and Olson Acquisition Corporation, a copy of which is attached as ***Exhibit "A"*** to this Disclosure Statement, together with any amendments or modifications thereto as the Debtor may file

hereafter (such amendments or modifications only being effective if approved by order of the Court).

2.87 **Plan Proponents** means the Debtor and the Purchaser.

2.88 **Preferred Stock** means the issued and outstanding shares of the Debtor's Class A Participating Preferred Stock, par value $1.00 per share, all of which are beneficially owned by Northrop Grumman.

2.89 **Prepetition Bank Agent** means TBCC (as successor in interest to Transamerica Business Credit Corporation), as agent under the Prepetition Loan Agreement.

2.90 **Prepetition Loan Agreement** means that certain Loan and Security Agreement, dated as of October 28, 1999, among the Debtor, each of the financial institutions parties thereto, and the Prepetition Bank Agent.

2.91 **Prepetition Deficiency Claim** means a general Unsecured Claim against the Debtor arising from the deficiency portion, if any, of a Secured Claim.

2.92 **Priority Claim** means any Claim, if allowed, entitled to priority pursuant to section 507(a) of the Bankruptcy Code, other than: (a) an Administrative Claim; or (b) a Priority Tax Claim.

2.93 **Priority Tax Claim** means a Claim, if allowed, entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.

2.94 **Professional Person** means a Person retained or required to be compensated for services rendered or costs incurred on or after the Petition Date and on or prior to the Effective Date pursuant to Sections 327, 328, 330, 331, 503(b), or 1103 of the Bankruptcy Code in this Chapter 11 Case.

2.95 **Purchase Price** means the purchase price payable by the Purchaser for the acquisition of the Acquired Assets (as defined in paragraph 3.1 of the Asset Purchase Agreement), pursuant to the terms and conditions of the Asset Purchase Agreement.

2.96 **Purchaser** means Olson Acquisition Corporation, a Delaware corporation.

2.97 **Reinstated or Reinstatement** means leaving unaltered the legal, equitable, and contractual rights to which a Claim entitles the holder of such Claim in accordance with section 1124 of the Bankruptcy Code, including, if applicable under section 1124 of the Bankruptcy Code: (a) curing all prepetition and postpetition defaults other than defaults relating to the insolvency or financial condition of the Debtor or its status as a debtor under the Bankruptcy Code; (b) reinstating the maturity date of the Claim; and (c) compensating the holder of such Claim for damages incurred as a result of its reasonable reliance on a provision allowing the Claim's acceleration.

2.98 **Released Party** means any current or former officer, director or employee of the Debtor.

2.99 **Schedule of Assets and Liabilities** means the schedule of assets and liabilities of the Debtor filed with the Court pursuant to sections 521(1) and 1106(a)(2) of the Bankruptcy Code.

2.100 **Secured Claim** means, pursuant to section 506 of the Bankruptcy Code, a Claim (other than a Prepetition Loan Agreement Claim) that is secured by a lien on property in which the Debtor has an interest.

2.101 **Subordinated DIP Lender** means Olson Financing as the subordinated DIP lender under the DIP Facility.

2.102 **Tax Claim** means a Claim against the Debtor that is of a kind specified in Section 507(a)(8) of the Bankruptcy Code.

2.103 **TBCC** means Transamerica Business Capital Corporation.

2.104 **Transfer Documents** means those documents pursuant to which the Debtor conveys to the Purchaser the Acquired Assets pursuant to the Asset Purchase Agreement.

2.105 **Unsecured Claim** means a Claim against the Debtor that is not an Administrative Expense Claim, Priority Claim, Priority Tax Claim, or Secured Claim but which includes, and is not limited to, (a) Claims of the Debtor's trade creditors, (b) Contingent or Unliquidated Claims, and (c) Claims arising as a result of the rejection of Executory Contracts pursuant to section 365 or 1123(b)(2) of the Bankruptcy Code.

2.106 **Other Definitions**: Unless the context otherwise requires, any capitalized term used herein and not defined herein or in the Plan, but that is defined in the Bankruptcy Code or Bankruptcy Rules, shall have the meaning set forth therein. Wherever from the context it appears appropriate, each term stated in either of the singular or the plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine or the neuter. The words "herein," "hereof," "hereto" and "hereunder" and others of similar import refer to this Disclosure Statement as a whole and not to any particular section, subsection, or clause contained in this Disclosure Statement. The word "including" shall mean "including, without limitation."

III.
DISCLAIMER OF REPRESENTATIONS

NO REPRESENTATIONS CONCERNING DEBTOR, PARTICULARLY REGARDING THE VALUE OF DEBTOR'S ASSETS, HAVE BEEN AUTHORIZED BY DEBTOR EXCEPT AS SET FORTH IN THIS DISCLOSURE STATEMENT. YOU SHOULD NOT RELY ON ANY OTHER REPRESENTATIONS OR INDUCEMENTS PROFFERED TO YOU TO SECURE YOUR ACCEPTANCE IN ARRIVING AT YOUR DECISION IN VOTING ON THE PLAN. ANY PERSON MAKING REPRESENTATIONS OR INDUCEMENTS CONCERNING ACCEPTANCE OR REJECTION OF THE PLAN SHOULD BE REPORTED TO COUNSEL FOR DEBTOR AT THE ADDRESSES SET FORTH AT THE END OF THIS DISCLOSURE STATEMENT AND TO THE UNITED STATES TRUSTEE.

WHILE EVERY EFFORT HAS BEEN MADE TO PROVIDE THE MOST ACCURATE INFORMATION AVAILABLE, DEBTOR IS UNABLE TO WARRANT OR REPRESENT THAT ALL INFORMATION HEREIN OR IN THE PLAN IS WITHOUT INACCURACY. NO KNOWN INACCURACIES ARE INTENTIONALLY INCLUDED. WHILE REASONABLE EFFORTS HAVE BEEN MADE TO INSURE THAT THE ASSUMPTIONS ARE VALID UNDER THE CIRCUMSTANCES, DEBTOR DOES NOT UNDERTAKE TO CERTIFY OR WARRANT THE ABSOLUTE ACCURACY OF THE INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT.

THE VALUES PLACED UPON THE DEBTOR'S ASSETS AND SUMMARIZED BELOW ARE THE DEBTOR'S BEST ESTIMATE OF THE VALUES OF ITS PROPERTY AS OF THE TIME OF THE FILING OF THE PLAN AND THIS DISCLOSURE STATEMENT. THESE VALUES MAY DIFFER FROM VALUES PLACED ON THE SAME PROPERTY AT THE TIME OF THE FILING OF THE PETITION FOR RELIEF OR IN DEBTOR'S SCHEDULES FILED HEREIN.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE AN INTEGRATED PACKAGE. BOTH MUST BE READ IN CONJUNCTION WITH THE OTHER FOR THE READER TO BE ADEQUATELY INFORMED. IN THE EVENT OF ANY DISCREPANCY BETWEEN THE PLAN AND DISCLOSURE STATEMENT, THE TERMS OF THE PLAN SHALL BE CONTROLLING. ANY CAPITALIZED TERMS USED, BUT NOT SPECIFICALLY DEFINED, HEREIN SHALL HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN.

IV.
GENERAL BACKGROUND

4.1 **Grumman Olson Industries, Inc.; Organizational History.**

The Debtor is a New York corporation formed in 1974.

The Debtor has its principal office and maintains its book and records at 1801 Nottawa Street, Sturgis, Michigan. The Debtor owns and operates production facilities located in Sturgis, Michigan, Montgomery, Pennsylvania and Tulare, California. The Debtor also owns

a plant located in Alvaton, Georgia which it operated until September, 2002, and now leases to a third party.

Prior to December 1997, the Debtor was a wholly-owned subsidiary of Northrop Grumman which acquired the Debtor as part of a 1994 merger. Subsequent to the merger, Northrop Grumman decided to focus on its core aerospace and defense businesses and to sell the Debtor and other non-core businesses. In December 1997, Olson Holdings LLC ("Holdings"), an Indiana limited liability company, acquired the Debtor in conjunction with a management-led buyout. The members of Holdings, all of whom are current or former key management employees of the Debtor, and their respective percentage membership interests in Holdings, are as follows: James McConnell (55.3%), William Wachino (21.8%), Thomas Byrne (5.3%), Albert Freve (5.3%), John Sundquist (3.2%), Joseph Grecu (2.7%), James Rose (2.2%), Lawrence Martin (2.2%), Thomas Whitten (1.1%), Robert Zeaton (.8%) and Ronald Magargle (0.1%).

James McConnell, the majority membership owner of Holdings, has served as President of Debtor since 1994 (prior to Holdings' acquisition of Debtor), and, since 1997, has also been the Debtor's Chief Executive Officer. As of the Petition Date, Mr. McConnell was the Company's sole director.

4.2 **Debtor's Business.**

The Debtor is a designer and manufacturer of truck bodies. The Debtor, either directly or through predecessor companies, has been engaged in that business for approximately 55 years. The Debtor's main product lines are aluminum walk-in truck bodies and dry freight van bodies. The Debtor also produces specialty truck bodies, including the body for the United States Postal Service ("USPS") Long Life Vehicle program which the Debtor produced from 1987 through 1995. The Debtor maintains service parts operations associated with the specialty truck body lines and in support of its other product lines. The Debtor also manufactures a line of refrigerated truck bodies it introduced in 1999.

4.3 **Customer Markets**.

The Debtor traditionally has marketed its truck body products to a customer base composed of three major segments. One segment consists of owners of large truck fleets, and includes major national and regional delivery services such as Federal Express Corporation (Ground) and United Parcel Service, Inc.. The second segment includes truck leasing companies, such as Enterprise, Penske Truck Leasing Co., Inc., and G.E. Capital Corp.. The third segment of the Debtor's customer base is made up of truck sales dealerships and distributors who place orders for resale to their customers.

4.4 **Sources of Chassis**.

The Debtor's products are designed for a variety of truck chassis sizes. Workhorse Custom Chassis, LLP, Freightliner Custom Chassis Corporation, Ford Motor Company ("Ford") and International Truck Engine Corp. ("International") manufacture chassis on which the Debtor's "walk-in" products are mounted. The Debtor's "dry freight" and refrigerated truck bodies are mounted on medium duty truck chassis, cutaway chassis, and cab-

over chassis manufactured by General Motors Corporation ("GM"), Ford, International, American Isuzu Motors, Inc., Mitsubishi Fuso Truck of America, Inc. and others.

Large truck fleet owners and truck leasing companies placing orders with the Debtor typically acquire the chassis for their vehicles directly from the manufacturer and have the chassis delivered to the Debtor to mount the truck bodies. The chassis for trucks ordered by dealerships and distributors for resale to their customers normally are provided to the Debtor by the chassis manufacturer with which the dealer or distributor is affiliated pursuant to converter agreements between the chassis manufacturers and the Debtor.

4.5 **Pre-Petition Financing Arrangements With TBCC**.

Since 1999, the Debtor has obtained financing for its business operations from TBCC, which provided the Debtor with various term loans and revolving loans (both in the form of advances and letters of credit) under the Prepetition Loan Agreement. As of the Petition Date, the principal balance of the Debtor's outstanding loans from TBCC aggregated $20,519,813.39, (inclusive of contingent reimbursement obligations related to Letters of Credit issued under the Prepetition Loan Agreement in the face amount of $3,058,741.00). As of the Petition Date, the Debtor had no availability under its borrowing base for its prepetition working capital revolving loans with TBCC.

The Debtor believes that the amounts due TBCC under the Prepetition Loan Agreement are secured by valid, first-priority liens on all of Debtor's assets, including accounts, inventory, equipment and other goods, general intangibles, real estate and fixtures. Since June 9, 2001, Debtor was in default under various financial covenants in the Prepetition Loan Agreement.

4.6 **Other Relationships and Transactions.**

4.6.1. **Northrop Grumman**. In connection with Holdings' acquisition of the Debtor, Northrop Grumman was issued shares of non-voting Preferred Stock of the Debtor which are entitled to forty percent (40%) of the Equity Interest of Debtor. In addition, Northrop Grumman executed the Northrop GMAC Guaranty and Northrop FC Guaranty in favor of GMAC and FC, respectively, to provide credit support for the Debtor's obligations under its converter agreements for chassis supplied to it by GM and Ford. The Northrop GMAC Guaranty is secured by a $5 million letter of credit issued at Northrop Grumman's request in favor of GMAC. The Northrop Grumman Claims include contingent, unliquidated Claims against the Debtor based on the Northrop GMAC Guaranty and the Northrop FC Guaranty.

In conjunction with the 1997 sale, Northrop Grumman also agreed to continue to administer pending workers compensation and products liability claims asserted against the Debtor prior to the 1997 sale, for which insurance coverage was available under insurance policies of Northrop Grumman. The Debtor is obligated under the 1997 Agreement and Plan of Merger to reimburse Northrop Grumman for certain costs and expenses advanced or incurred by Northrop Grumman in connection with the administration of these workers compensation and products liability claims. The estimated amount of the Debtor's reimbursement obligations to

Northrop Grumman, which also constitute part of the Northrop Grumman Claims, is approximately $1,074,000.

4.6.2. **Chassis Converter Agreements**.

In 1998, the Debtor entered into certain chassis converter agreements with GM and Ford, along with certain related loan and security agreements with GMAC and FC. The converter agreements set out the terms under which GM and Ford supplied the Debtor with chassis for the orders placed with the Debtor by truck dealers and distributors affiliated with GM or Ford. Under the related financing and security agreements, GMAC financed the chassis supplied to the Debtor by GM under its converter agreement with the Debtor, and FC financed the chassis supplied by Ford to the Debtor under its converter agreement with the Debtor. The Debtor's obligations to GMAC and FC under the loan and security agreements are secured by liens in favor of GMAC and FC on the chassis they each financed. GMAC and FC have each also entered into separate inter-creditor agreements with TBCC relating to the chassis financed by them for the Debtor.

4.6.3. **License Agreement With Terry Cawley**

In connection with the Debtor's acquisition of the business assets of Complete Refrigerated Truck Bodies, Inc. ("CRTB") in November 1999, the Debtor and the owner of CRTB, Terry Cawley ("Cawley"), entered into a certain License Agreement pursuant to which, among other things, Cawley was granted a security interest in tangible personal property of CRTB existing at the time of the transaction and which was acquired by the debtor in the sale transaction, in order to secure sums payable to Cawley by the Debtor under the License Agreement. The Debtor does not believe that this security interest was properly perfected as of the Petition Date, and the Debtor has listed the claim of Cawley relating to this security interest as "disputed" in the Debtor's Schedules. The Debtor also intends to file an adversary proceeding in the Chapter 11 Case against Cawley to seek the avoidance of Cawley's unprotected security interest pursuant to section 544 of the Bankruptcy Code.

V.
CHAPTER 11 PROCEEDING

5.1 **Events Leading to the Bankruptcy Filing.**

The Debtor generated pretax income of approximately $5.1 million in 1998, its first full year of operations following Holdings' acquisition of the Debtor. In response to industry changes, the Debtor decided in 1999 to expand its operations by entering into the refrigerated truck body market. In November 1999, the Debtor acquired the business assets of CRTB, an existing refrigerated truck body manufacturer located in Alvaton, Georgia. The Alvaton, Georgia facility did not become profitable and the Debtor ceased operations at that location in September 2002. Following the shut down, the Debtor agreed to lease the Alvaton facility to Mr. Kevin Cawley on a month-to-month basis. The Debtor continues to produce refrigerated truck bodies at its other production facilities.

The Debtor increased sales slightly in 1999, but still experienced pretax losses of approximately $1.0 million due to decreased margins resulting from intense price competition in the truck body industry. The Debtor's sales increased again in 2000, but continued price competition in the industry, combined with the slowdown in the national economy occurring in the latter half of 2000, resulted in additional margin deterioration. The Debtor suffered pretax losses for 2000 of approximately $4 million, despite cost reduction efforts. In 2001, the Debtor's financial problems were exacerbated when two large truck fleet customers elected to defer major orders previously placed with the Debtor and to postpone the exercise of options to purchase additional units. The Debtor continued to experience poor margins in 2001, and suffered pretax losses in 2001 of approximately $5.5 million.

By the end of 2001, the Debtor was experiencing significant liquidity problems. Although Debtor's management implemented numerous cost-cutting measures, including substantial workforce reductions, sluggish sales in the early part of 2002 increased the Debtor's liquidity problems. The Debtor's lack of liquidity placed severe strains on its operations and caused the Debtor to go into default with respect to various financial covenants and conditions in the Prepetition Loan Agreement.

By March of 2002, Debtor's management had concluded that the Debtor's financial problems required that the Debtor either obtain significant new equity capital or complete a sale of all or part of its business operations. Both directly and through a business broker, the Debtor contacted approximately thirty potential equity investment sources or purchasers, including numerous private equity firms and other companies involved in the truck body industry. The Debtor's attempts to locate new equity investors were not successful. However, a number of the parties contacted by the Debtor expressed some level of interest with regard to a possible acquisition of the Debtor's business. The Debtor entered into further discussions with three parties whom Debtor's management determined, based on their initial proposals, would be most likely to enter into a transaction that would produce a favorable outcome for the Debtor's creditors as a whole. These three parties were: (1) HIG Capital, LLC ("HIG"), the equity sponsor of Specialized Vehicles Corporation, Inc. ("SVC"), a manufacturer of refrigerated truck and beverage delivery truck bodies; (2) J.B. Poindexter Co., Inc. ("Poindexter") the owner of Morgan Trailer Mfg. Co., a manufacturer of various delivery truck bodies; and (3) Wynnchurch Capital Ltd., a private equity fund.

On July 28, 2002, the Debtor entered into a non-binding letter of intent with Poindexter regarding a proposed sale and purchase of the Debtor's business. However, after completion of initial due diligence, the Debtor and Poindexter agreed to terminate the letter of intent. The Debtor then renewed discussions with HIG regarding its interest in a possible acquisition of the Debtor's business. Based on those additional discussions, the Debtor, Holdings and HIG entered into a letter of intent dated September 17, 2002 (the "Letter of Intent"), regarding a proposed purchase of the Debtor's business by an entity to be formed by HIG.

In conjunction with the execution of the Letter of Intent, the members of Holdings other than Larry Martin and Al Freve granted HIG (i) a "call" option on their member units in Holdings, exercisable for a nominal exercise price, and (ii) an irrevocable proxy to vote their member units. As of the date of this Disclosure Statement, HIG had not exercised any of its "call" options on member units of Holdings nor had it exercised its voting proxies to effect the

make-up of the Debtor's board of directors. Also in conjunction with the execution of the Letter of Intent, James McConnell entered into a consulting agreement with SVC and was granted certain stock options in SVC.

At the request of HIG, the Debtor entered into an agreement with the consulting firm of Alvarez & Marsal, Inc. ("A&M"), pursuant to which, among other things, A&M made available Sajan P. George to serve as the Chief Restructuring Officer ("CRO") of the Debtor, and also made available Martin Borders to serve as an additional officer of the Debtor (collectively, the "Restructuring Officers"). In addition to other duties, the Restructuring Officers were engaged to conduct an independent financial review and assessment of the Debtor and its business. Following his employment by the Debtor, Mr. George participated on behalf of the Debtor in discussions with TBCC and other creditors pertaining to the proposed sale and restructuring of the Debtor's business.

Pursuant to the terms of the agreement between the Debtor and A&M, if approved by the Bankruptcy Court, A&M is entitled to receive an Incentive Fee in the amount of $350,000 payable upon the earlier of (i) the sale, transfer, or refinance of all or a substantial portion of the assets or equity of the Debtor in one or more transactions; or (ii) the consummation of a Chapter 11 plan of reorganization. Pursuant to the terms of the Asset Purchase Agreement, the success fee payable to A&M upon a closing of the transaction contemplated therein will be paid by the Purchaser as an Assumed Liability under the Asset Purchase Agreement.

5.2 **The Chapter 11 Proceeding.**

On December 9, 2002 (the "Petition Date"), the Debtor filed a voluntary petition for relief in bankruptcy under Chapter 11 of the Bankruptcy Code, and currently is operating its business as a debtor-in-possession pursuant to Bankruptcy Code sections 1107(a) and 1108. On December 11, 2002, the Debtor, subject to Bankruptcy Court approval, entered into the Asset Purchase Agreement with Olson Acquisition Corporation, a Delaware corporation formed for this purpose by HIG.

5.2.1. **Post-Petition Financing.**

On the Petition Date, the Debtor filed a motion (the “DIP Financing Motion”) requesting that the Court, on an interim and final basis, authorize the Debtor to enter into the DIP Facility with TBCC, as DIP Lender and as DIP agent, and Olson Financing, an affiliate of HIG formed for that purpose, as Subordinated DIP Lender, and obtain post-petition financing thereunder. The DIP Facility is intended to fund the continued operation of the Debtor's business pending confirmation of the Plan and closing of the proposed sale of the Assets to the Purchaser under the Asset Purchase Agreement. Pursuant to the terms of the DIP Facility, the DIP Lenders have agreed to provide the Debtor, as debtor in possession, with term loans aggregating $8,622,461 and revolving loans (both in the form of advances and letters of credit) up to a maximum of $16,700,000. The revolving loans would be available to the extent of specified percentages of eligible inventory and eligible accounts receivable, plus an additional amount of $1,500,000 over the available borrowing base to be advanced by TBCC as DIP Lender and, up to $1.0 million to be provided by Olson Financing, as Subordinated DIP Lender. Pursuant to the terms of the DIP Facility, TBCC, as DIP Lender, is not required to make revolving loans under

this overadvance component of the DIP Facility unless Olson Financing makes to the Debtor proportional advances thereunder. Olson Financing, in turn, is not required to make subordinated overadvances if a material adverse change in the Debtor's business, prospects, operations, results of operations, assets, liabilities or condition (financial or otherwise) has occurred since the Petition Date, or an Event of Default (as defined in the DIP Facility) occurs. An Event of Default under the DIP Facility, will occur, if, among other things, the Asset Purchase Agreement is terminated or the Debtor supports a plan of reorganization other than the Plan.

The DIP Facility, if approved by a final order of the Bankruptcy Court, will be used to fully satisfy the Debtor's obligations to TBCC under the Prepetition Loan Agreement, and for working capital. All amounts advanced under the DIP Facility will become due on the earliest of (i) the Plan's Effective Date, (ii) six months after the Petition Date, or (iii) occurrence of a Termination Event as defined in the DIP Loan Agreement. The DIP Facility will be secured by valid, first-priority liens on all of Debtor's Assets, including accounts, inventory, equipment and other goods, general intangibles, real estate and fixtures.

On December 11, 2002, the Bankruptcy Court entered an Interim Order authorizing the Debtor to obtain secured borrowings from the DIP Lenders under the DIP Facility and to use Cash Collateral on an interim basis up to a maximum aggregate amount of $4.8 million, as necessary to avoid irreparable harm to the Debtor pending the final hearing on the DIP Financing Motion. The Interim Order scheduled a final hearing on the DIP Financing Motion at 10:00 A.M. on December 30, 2002.

5.2.2. **Employment of Professionals; Retention of Officers**.

As part of initial proceedings in the Chapter 11 Case, The Debtor filed applications to employ the law firms Baker & Daniels and Sanford P. Rosen & Associates, P.C. as Debtor's counsel and co-counsel, respectively, in the Chapter 11 Case, which applications were granted by the Bankruptcy Court. The Debtor also filed an application to employ the accounting firm of Crowe Chizek, LLP as accountants for the Debtor, which application was granted by the Bankruptcy Court. The Debtor intends to file an application to employ The Murphy Group as an additional financial consultant to the Debtor.

In addition, on December 18, 2002, the Debtor filed a motion pursuant to section 363 of the Bankruptcy Code requesting authorization to retain Sajan George and Martin Borders as the Bankruptcy Officers of the Debtor pursuant to the terms of the Debtor’s prepetition agreement with A&M.

5.2.3. **Creditors' Committee.**

On December 16, 2002, the United States Trustee for the Southern District of New York appointed an official Committee of Unsecured Creditors in the Debtor's Chapter 11 Case.

5.3 **Debts and Assets Analysis.**

5.3.1. **Assets**

On December 20, 2002, the Debtor filed its Statement of Financial Affairs and accompanying Schedules of Assets and Liabilities (the "Schedules"). The following is a summary of the information regarding the Debtor's Assets contained in the Schedules, together with a summary of certain corresponding information regarding the Debtor's Assets contained in the Liquidation Analysis attached hereto as ***Exhibit B***.

Category	**Petition Date**	**Estimated Liquidation Value**
Cash	-0-	-0-
Accounts Receivable	$8,860,270.00	$8,153,000.00
Inventories	11,956,906.00	12,916,000.00
Prepaid Expenses	817,000.00	443,000.00
Non-Current Assets:		
Property, Plant & Equipment	13,646,465.70	9,699,000.00
Other	630,000.00	-0-
Total Assets	$35,910,641.00	$31,211,000.00

The Estimated Liquidation Values listed above represent the Debtor's good faith estimate of the amounts that would be realized from the liquidation of the described Assets by a Chapter 7 bankruptcy trustee of the Debtor. A spreadsheet and supporting schedules providing a more detailed Liquidation Analysis are attached to this Disclosure Statement as ***Exhibit B***.

5.3.2. **Debts**

The following is a summary of the Debtor's debts based on the information set forth in its Schedules. The amounts are presented as an indication of the Debtor's financial status as of the commencement of the case. A more detailed analysis with supporting schedules is included in the Liquidation Analysis attached to this Disclosure Statement as ***Exhibit B***.

Secured Creditors	$30,149,701.17	
Unsecured Creditors	$13,981,631.00	(inclusive of claims listed by the Debtor as disputed, contingent or unliquidated).
Priority Claims	$ 348,078.48	

VI.
ACCEPTANCE AND CONFIRMATION OF THE PLAN

6.1 Hearing on Confirmation

The Court has set _____, 2003 at _____ __.m. for the hearing to determine whether the Plan has been accepted by the requisite majority of holders of Allowed Claims or temporarily Allowed Claims and whether the other requirements for confirmation of the Plan have been met. The hearing on confirmation will be held before the Honorable Stuart M. Bernstein in Courtroom #_____ in the Alexander Hamilton Custom House, One Bowling Green, New York, New York 1004-1408. Each holder of a Claim will receive either with this Disclosure Statement or separately the Court's written notice of hearing on confirmation of the Plan.

6.2 Voting on the Plan

Confirmation requires, among other things, that either: (i) each class of claims that is impaired under the Plan has voted to accept the Plan by the requisite majority specified in the Bankruptcy Code; or (ii) the Court determines that the Plan does not discriminate unfairly, and that such Plan is fair and equitable, as defined in the Bankruptcy Code, with respect to each class of claims that is impaired under the Plan and has not accepted the Plan. Confirmation also requires that the Court find that the Plan meets the classification requirements of the Bankruptcy Code, namely, that all claims in each class are substantially similar to the other claims in such class. The Court will resolve any issues concerning classification of claims.

In determining whether the Plan has been accepted, only timely votes submitted by holders of Allowed Claims or temporarily Allowed Claims will be counted. The holder of a Disputed Claim is not entitled to vote on the Plan unless, pursuant to Bankruptcy Rule 3018(a), the Court temporarily allows such Claim in an amount which the Court deems proper solely for the purposes of enabling such holder to vote on the Plan.

A ballot, together with instructions for voting and a return envelope, will be sent to each creditor in an impaired class. You should read the ballot carefully and follow the instructions. **WHEN VOTING ON THE PLAN, YOU MUST USE ONLY THE BALLOT SENT TO YOU**. If a creditor has claims in more than one class under the Plan, such creditor may receive multiple ballots.

The identity of holders of Allowed Claims or temporarily Allowed Claims entitled to vote will be determined as of the close of business on the date the order of the Court approving the Disclosure Statement is entered, except as otherwise may be provided by order of the Court.

THE COURT HAS DIRECTED THAT CREDITORS ENTITLED TO VOTE ON THE PLAN MAY DO SO BY COMPLETING, DATING, SIGNING AND MAILING THE ACCOMPANYING BALLOT TO: DEBTOR'S COUNSEL, BAKER & DANIELS, ATTN: JAMES M. MATTHEWS, 205 WEST JEFFERSON BOULEVARD, SUITE 250, SOUTH BEND, INDIANA, 46601.

FOR A BALLOT TO BE COUNTED, THE ORIGINAL BALLOT, PROPERLY COMPLETED AND SIGNED, MUST BE RECEIVED BY DEBTOR'S COUNSEL AT THE ABOVE ADDRESS BY THE BALLOT DEADLINE OR 5:00 P.M., EASTERN STANDARD TIME, ON _____, 2003. A BALLOT, ONCE SUBMITTED, CANNOT BE WITHDRAWN OR MODIFIED EXCEPT AS PROVIDED UNDER THE BANKRUPTCY CODE.

IF YOUR BALLOT IS DAMAGED OR LOST, OR IF YOU HAVE ANY QUESTIONS CONCERNING CLASSIFICATION, OR VOTING PROCEDURES, YOU SHOULD CONTACT YOUR COUNSEL, OR YOU MAY CONTACT TRUSTEE'S COUNSEL: BAKER & DANIELS, 205 WEST JEFFERSON BOULEVARD, SUITE 250, SOUTH BEND, INDIANA 46601, ATTENTION: JAMES M. MATTHEWS, (574) 234-4149.

BALLOTS MUST BE RECEIVED NO LATER THAN THE DATE SET FORTH IN THE COURT'S *ORDER FIXING TIME FOR ACCEPTING OR REJECTING A PROPOSED PLAN, FIXING VOTING PROCEDURES AND NOTICE OF CONFIRMATION HEARING* INCLUDED WITH THIS DISCLOSURE STATEMENT. NO BALLOTS RECEIVED AFTER THAT DATE WILL BE COUNTED IN DETERMINING WHETHER THE PLAN SHOULD BE CONFIRMED. Even though a creditor may choose not to vote or may vote against the Plan, all creditors and Interest holders will be bound by the terms, conditions and treatment set forth in the Plan if the Plan is accepted by the requisite majorities in each class of creditors and/or is confirmed by the Bankruptcy Court. Creditors who fail to vote will not be counted in determining acceptance or rejection of the Plan. Allowance of a Claim or Interest for voting purposes does not necessarily mean that the Claim will be allowed or disallowed for purposes of distribution under the terms of the Plan. Any Claim to which an objection has been or will be made for purposes of distribution will be allowed only after determination by the Court. Such determination may be made after the Plan is confirmed.

6.3 **Bankruptcy Code Requirements for Confirmation**

The Bankruptcy Court will confirm the Plan only if it finds that all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of the Plan are that the Plan: (i) is accepted by all impaired classes of claims, or if rejected or deemed rejected by an impaired class, satisfies the "cramdown" standard; (ii) is feasible; and (iii) is in the "best interests" of creditors impaired under the Plan.

6.4 **Required Plan Provisions**

Section 1129 of the Bankruptcy Code, which sets forth the requirements that must be satisfied in order for the Plan to be confirmed, lists the following requirements for the approval of any Chapter 11.

(a) A plan must comply with the applicable provisions of the Bankruptcy Code.

(b) The proponent of a plan must comply with the applicable provisions of the Bankruptcy Code.

(c) A plan must be proposed in good faith and not by any means forbidden by law.

(d) Any payment made or to be made by the proponent, by the debtor, or by a person issuing securities or acquiring property under a plan, for services or for costs and expenses in or in connection with the case, or in connection with such plan and incident to the case, must be approved by, or be subject to the approval of, the court as reasonable.

(e) The proponent of a plan must disclose the identity and affiliations of any individual proposed to serve, after confirmation of such plan, as a director, officer, or voting trustee of the debtor, an affiliate of the debtor participating in a joint plan and the debtor, or a successor to the debtor under such plan and the appointment to, or continuance in, such office of such individual, must be consistent with the interests of creditors and equity security holders and with public policy.

(f) The proponent of a plan must disclose the identity of any insider that will be employed or retained by the reorganized debtor, and the nature of any compensation for each insider.

(g) Any governmental regulatory commission with jurisdiction, after confirmation of a plan, over the rates of the debtor must approve any rate change provided for in such plan, or such rate change is expressly conditioned upon such approval.

(h) Each holder of a claim or interest in an impaired class of claims or interests must have accepted the plan or must receive or retain under the plan on account of such claim or interest property of a value, as of the effective date of the plan, that is not less than the amount that such holder would so receive or retain if the debtor were liquidated under Chapter 7 of the Bankruptcy Code on such date, or, if the class is a class of secured claims that elects non-recourse treatment of the claims under section 1111(b) of the Bankruptcy Code, each holder of a claim in such class will receive or retain under the plan on account of such claim property of a value, as of the effective date of the plan, that is not less than the value of such holder's interest in the estate's interest in the property that secures such claims. This is the so-called "best interests" test.

(i) With respect to each class of claims or interests, such class must accept the plan or not be impaired under the plan (subject to the "cramdown" provisions discussed herein).

(j) Except to the extent that the holder of a particular claim has agreed to a different treatment of such claim, a plan must provide that:

(1) with respect to an administrative claim and certain claims arising in an involuntary case, on the effective date of the plan, the holder of the claim will receive on account of such claim cash equal to the allowed amount of the claim;

(2) with respect to a class of priority wage, employee benefit, consumer deposit and certain other claims described in section 507(a)(3)-(6) of the Bankruptcy Code, each holder of a claim of such class will receive

(A) if such class has accepted the plan, deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim; or

(B) if such class has not accepted the plan, cash on the effective date of the plan equal to the allowed amount of such claims; and

(3) with respect to a priority tax claim of a kind specified in section 507(a)(7) of the Bankruptcy Code, the holder of such claim will receive on account of such claim deferred cash payments, over a period not exceeding 6 years after the date of assessment of such claim, of a value, as of the date of assessment of such claim of value, as of the effective date of the plan equal to the allowed amount of such claim.

(k) If a class of claims is impaired under a plan, at least one class of claims that is impaired under such plan must have accepted the plan, determined without including any acceptance of the plan by any insider.

(l) Confirmation of a plan must 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 under the plan, unless such liquidation or reorganization is proposed in the plan. This is the so-called "feasibility" requirement.

(m) All fees payable under section 1930 of Title 28, United States Code, as determined by the court at the hearing on confirmation of the plan, must have been paid or the plan must provide for the payment of all such fees on the effective date of the plan.

(n) A plan must provide for the continuation after its effective date of payment of all retiree benefits, as that terms is defined in section 1114 of the Bankruptcy Code, at the level established pursuant to either subsection (e)(1)(B) or (g) of section 1114 of the Bankruptcy Code, at any time prior to confirmation of such plan, for the duration of the period the debtor has obligated itself to provide such benefits.

6.5 **Voting Requirements**

The Bankruptcy Code defines acceptance of a plan by an impaired class of claims as acceptance by the holders of at least two-thirds (2/3) in dollar amount, and more than one-half (½) in number, of the Claims of that class which actually cast ballots (other than any holders who are found by the Bankruptcy Court to have cast their ballots in bad faith). The Bankruptcy Code defines acceptance of a plan by an impaired class of equity interests as acceptance by holders of at least two-thirds (2/3) in number of the equity interests of that class that actually cast ballots (other than any holders who are found by the Bankruptcy Court to have cast their ballots in bad faith).

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Court to be in the best interests of each holder of a claim or interest in an impaired class.

If one Class of impaired Claims or Equity Interests accepts the Plan, the Court may confirm the Plan under the "cramdown" provisions of section 1129(b) of the Bankruptcy Code, which permits the confirmation of a plan over the dissenting votes of creditors or equity interest holders that have voted, as a Class, to reject the plan, provided that certain standards are met. If appropriate, the Debtor intends to request that the Court confirm the Plan under the "cramdown" provisions.

6.6 **Best Interests Requirement**

Notwithstanding acceptance of the Plan by each impaired Class, in order to confirm the Plan the Court must determine that the Plan is in the best interests of each holder of a Claim or Equity Interest that has not accepted the Plan. Accordingly, if an impaired Class does not unanimously accept the Plan, the "best interests" test of section 1129(a)(7) of the Bankruptcy Code requires that the Court find that the Plan provides to each Holder of a Claim or Equity Interest in such impaired Class a recovery on account of the holder's Claim or Equity Interest that has a value at least equal to the value of the distribution that each such holder would receive if the Debtor were liquidated under Chapter 7 of the Code.

The Plan provides for the liquidation of the Debtor by a sale of substantially all of the Assets to the Purchaser. The Debtor believes that distributions under the Plan will at least equal, and likely exceed, the value of the distributions that would be made if the case were converted to a Chapter 7 liquidation proceeding. Accordingly, the Debtor believes that the Plan

satisfies the requirements of the "best interests" test of section 1129(a)(7) of the Bankruptcy Code.

6.7 Fair and Equitable Requirement for Forced Confirmation

Any impaired class that fails to accept the Plan will be deemed to have rejected the Plan. Notwithstanding such rejections, the Court may confirm the Plan and the Plan will be binding upon all Classes, including the Classes rejecting the Plan, if the Debtor demonstrates to the Court that at least one impaired Class of Claims has accepted the Plan and that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to each non-accepting Class. A plan does not discriminate unfairly if the legal rights of a dissenting Class are treated in a manner consistent with the treatment of other classes whose legal rights are similar to those of the dissenting class and if no class receives more than it is entitled to for its claims or interest. The Debtor believes that the Plan does not discriminate unfairly with respect to any Class, and is fair and equitable with respect to each impaired Class. Therefore, the Debtor intends to seek confirmation of the Plan even if less than the requisite number of favorable votes are obtained from any Class.

The Bankruptcy Code requires that the Court, in order to confirm the Plan must find that confirmation of the Plan is not likely to be followed by liquidation or the need for further financial reorganization of the Debtor (the "Feasibility Test"). Assuming consummation of the Plan substantially as described herein, the Trustee believes that the Plan meets the requirements of the Feasibility Test because the Plan does not contemplate ongoing operations by a reorganized entity and will be implemented by the liquidation of Debtor's assets.

VII.
SUMMARY OF PLAN

Under the terms of the Asset Purchase Agreement, the Purchase Price to be paid by the Purchaser for the Assets (exclusive of the Assumed Liabilities) will be in an amount equal to (i) the amount necessary to pay, in full, the Prepetition Bank Claims and the DIP Facility Claims, plus (ii) $1.1 million. The Purchase Price will be paid in Cash, except for the amount of $550,000.00, which will be paid in the form of a thirty (30) month promissory note from the Purchaser, payable with interest at a rate of 6% per annum and amortized over a 5-year period with a balloon payment. Pursuant to the Plan, the sale proceeds will be used to pay, in full, in Cash, on the Effective Date the DIP Facility Claims and the Bank Claims. Upon payment of these secured Claims, the Debtor will have remaining sale proceeds of approximately $1.1 million, consisting of $550,000.00 of Cash and the above-described promissory note in the principal amount of $550,000.00.

The Plan provides that the GMAC Secured Claims and FC Secured Claims will be satisfied through the assumption of the Debtor's contingent obligations to GMAC and FC by the Purchaser under the Asset Purchase Agreement and the retention by GMAC and FC of their Liens on the collateral (and proceeds thereof) securing the GMAC Secured Claims and the FC Secured Claims. In addition, the Purchaser will provide GMAC and FC with third party

guarantees, in a form and from a party reasonably acceptable to GMAC and FC, in substitution for the Northrop GMAC Guaranty and the Northrop FC Guaranty. The Purchaser also will obtain the issuance to GMAC of a $5.0 million letter of credit in a form and from a financial institution reasonably acceptable to GMAC, in substitution of the Northrop Grumman Letter of Credit. The Plan does not provide for any cash payments or other distributions of property to either GMAC or FC with regard to the GMAC Secured Claims or the FC Secured Claims.

With respect to Non-Bank Secured Claims (i.e. all Secured Claims other than the DIP Facility Claims, the Bank Claims, the GMAC Secured Claims and the FC Secured Claims), the Plan provides that such Claims, to the extent that they are Allowed Claims, will be satisfied in one of three ways: either (i) they will be paid in full in cash on the Effective Date an amount equal to the value of the collateral securing the claim; or (ii) they will be assumed by the Purchaser and the lien of the holder of the Secured Non-Bank Claim will continue in the collateral; or (iii) they will receive the Collateral securing the Claim.

Pursuant to the Priority Plan and the Asset Purchase Agreement, certain Administrative Claims and all Priority Tax Claims will be satisfied through the assumption and payment of such Claims by the Purchaser as Assumed Liabilities under the Asset Purchase Agreement. The Administrative Claims which will be assumed by the Purchaser are described in Section 2.2 of the Asset Purchase Agreement, a copy of which is attached to the Plan. These Administrative Claims to be assumed include (i) those listed on Schedule 2.2 to the Asset Purchase Agreement, the "Scheduled Administrative Claims", plus (ii) other Administration Claims exclusive of Professional Fees, up to a maximum aggregate amount (inclusive of assumed Priority Claims) of $500,000 ("Non-Scheduled Administrative Claims"). In summary, the Scheduled Administrative Claims include, without limitation, the Debtor's obligations for wages, salaries, commissions, severance payments and contributions to employee benefit plans incurred by the Debtor subsequent to the Petition Date and not paid by the Debtor in the ordinary course of its business prior to the Closing Date; accounts payable for obligations incurred by the Debtor in the ordinary course of business for goods or services (including utility charges) obtained subsequent to the Petition Date and not paid by the Debtor in the ordinary course prior to the Closing Date, the fees and expenses of A&M, including any Incentive Fee, earned or incurred subsequent to the Petition Date and not paid by the Debtor prior to the Closing Date.

The Purchaser also will assume Non-Scheduled Administrative Claims, in an amount (together with Assumed Priority Claims) not to exceed $500,000.

Under the Plan, all Allowed Administrative Claims not assumed by the Purchaser as Assumed Liabilities under the Asset Purchase Agreement will be paid by the Disbursing Agent on the Effective Date in full, in Cash, from the remaining proceeds of the sale of the Assets to the Purchaser. The Debtor estimates that the Allowed Administrative Claims which would be paid by the Disbursing Agent under the Plan would include Professional Fees of approximately $300,000, plus the amount of any Administrative Claims granted by the Bankruptcy Court, pursuant to section 546(c)(2)(a) of the Code to sellers of goods to the Debtor who have timely asserted valid reclamation claims as described in section 546(c) of the Code . As of the date of this Disclosure Statement, the Debtor had received notices of alleged reclamation claims in the aggregate amount of $315,000. The Debtor does not believe that all of these asserted reclamation claims are entitled to allowance as Administrative Claims.

Under the terms of the Asset Purchase Agreement, the Purchaser also will assume Allowed Priority Tax Claims and Priority Claims as described in Section 2.2 of the Asset Purchase Agreement and listed on Schedule 2.2 thereto. The amount of Assumed Priority Claims is subject to an aggregate limitation of $500,000, along with Non-Scheduled Administrative Claims. The Debtor estimates that the amount of Allowed Priority Claims on the Effective Date will not exceed this limitation, and that no payments under the Plan by the Debtor to the holders of Allowed Priority Claims will be made.

Pursuant to the Plan, all remaining proceeds from the sale of the Assets to the Purchaser under the Asset Purchase Agreement after payment of prior Allowed Claims under the Plan as described above will be distributed, on a pro rata basis, to the holders of Allowed Unsecured Claims. In addition, the holders of Allowed Unsecured Claims will receive a pro rata distribution of the Member interests in Creditor Distribution LLC.

The Plan provides that the Northrop Grumman Claims will be satisfied through the issuance of the replacement guarantees and replacement letter of credit to GMAC and FC as described above, and the corresponding release of Northrop Grumman from further liability with respect to the Northrop GMAC Guaranty and the Northrop FC Guaranty. No payments or other distributions of property will be made to Northrop Grumman with respect to the Northrop Grumman Claims under the Plan.

Finally, the Plan provides that the Equity Interest holders in the Debtor shall receive no payments or other distributions under the Plan on account of their Equity Interest, and the Preferred Stock and Common Stock of the Debtor will be canceled.

VIII.
CLASSIFICATION OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN

8.1 Unclassified Claims.

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Claims, Priority Tax Claims and DIP Facility Claims are not classified for purposes of voting under the Plan, and such Claims are treated separately as unclassified Claims under the Plan.

8.2 Classified Claims and Equity Interests.

The Plan classifies all other Claims against and Equity Interests in the Debtors as follows:

8.2.1. Class 1 -- Bank Claims. Class 1 includes all Bank Claims of TBCC. Class 1 is not impaired under the Plan.

8.2.2. Class 2 -- Priority Claims. Class 2 includes all Priority Claims (other than Administrative Claims or Priority Tax Claims). Class 2 is not impaired under the Plan.

8.2.3. Class 3 -- Non-Bank Secured Claims. Class 3 includes all Secured Claims, which are, as defined in the Plan include all Secured Claims other than DIP Facility Claims, Bank Claims, GMAC Secured Claims and FC Secured Claims. Class 3 is not impaired under the Plan.

8.2.4. Class 4 --GMAC Secured Claims. Class 4 includes all GMAC Secured Claims. Class 4 is impaired under the Plan.

8.2.5. Class 5 -- FC Secured Claims. Class 5 includes all FC Secured Claims. Class 5 is impaired under the Plan.

8.2.6. Class 6 – Unsecured Claims. Class 6 includes all general Unsecured Claims. Class 6 is impaired under the Plan.

8.2.7. Class 7 -- Northrop Grumman Claims. Class 7 includes all Northrop Grumman Claims. Class 7 is impaired under the Plan.

8.2.8. Class 8 -- Equity Interests in the Debtor. Class 8 includes all Equity Interests in the Debtor. Class 8 is impaired under the Plan.

IX.
TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN.

The treatment of claims is set forth in the Plan, and its terms and definitions control. The following is a general summary of the Plan's treatment of both unclassified Claims and of Claims in the classes of Claims and Interests set forth in the Plan.

9.1 Treatment of Unclassified Claims.

9.1.1. **DIP Facility Claims.** All DIP Facility Claims which are Allowed Claims will be paid in full, in Cash, on the Effective Date.

9.1.2. **Administrative Claims.** Allowed Administrative Claims will be satisfied under the Plan as follows: (i) Administrative Claims which constitute Assumed Liabilities under the Asset Purchase Agreement shall be assumed by the Purchaser on the Closing Date (as defined in the Asset Purchase Agreement) and paid by the Purchaser directly; and (ii) Allowed Administrative Claims which do not constitute Assumed Liabilities will either (a) be paid in full, in Cash, on the Effective Date; or (b) through such other treatment as may be agreed upon in writing by the Debtor and the holder of such an Allowed Administrative Claim.

9.1.3. **Priority Tax Claims.** Allowed Priority Tax Claims will be satisfied under the Plan through the assumption and payment of such Allowed Claims by the Purchaser as Assumed Liabilities under the Asset Purchase Agreement. The Confirmation Order shall constitute and provide for an injunction by the Bankruptcy Court as of the Effective Date against any holder of a Priority Tax Claim from commencing or continuing any action or proceeding against any responsible person or officer or director of the Debtor that otherwise would be liable

to such holder for payment of a Priority Tax Claim so long as no default has occurred with respect to such Priority Tax Claim under the Plan.

9.2 **Treatment of Classified Claims And Equity Interests.**

9.2.1. **Bank Claims (Class 1).** The Plan provides that the Bank Claims will be paid in Cash, in full, on the Effective Date.

9.2.2. **Priority Claims (Class 2).** Allowed Priority Claims will be assumed and paid by the Purchaser as Assumed Liabilities under the Asset Purchase Agreement, subject to an aggregate limit, when combined with Non-Scheduled Allowed Administrative Claims assumed by the Purchaser, of $500,000. Any Allowed Priority Claims in excess of such limit not assumed by the Purchaser as Assumed Liabilities, shall be paid in full, in Cash, on the Effective Date by the Disbursing Agent.

9.2.3. **Non-Bank Secured Claims (Class 3).** The Plan provides that Allowed Non-Bank Secured Claims will be satisfied either (i) by the holder's receipt or retention of the property securing such Claim, (ii) the holder's receipt of Cash equal to the value of the secured portion of such Claim, or (iii) the assumption of such Allowed Claim by the Purchaser as Assumed Liabilities pursuant to the Asset Purchase Agreement, with the holder to retain the Lien on property securing such Claim.

9.2.4. **GMAC Secured Claims (Class 4).** The Plan provides that the GMAC Secured Claims which are Allowed Claims will be assumed by the Purchaser pursuant to the Asset Purchase Agreement, and all existing Liens of GMAC relating to GMAC Collateral shall continue thereafter in such GMAC Collateral. Additionally, the Purchaser will provide GMAC with a third party guaranty in substitution of the Northrop GMAC Guaranty and will provide GMAC with a letter of credit issued by a financial institution reasonably acceptable to GMAC in the amount of $5.0 million in substitution of the Northrop Grumman Letter of Credit.

9.2.5. **FC Secured Claims. (Class 5).** The Plan provides that the FC Secured Claims which are Allowed Claims will be assumed by the Purchaser pursuant to the Asset Purchase Agreement, and all existing Liens of FC relating to the FC Collateral will continue thereafter in such FC Collateral. In addition, the Purchaser will provide FC with a third party guaranty in substitution of the Northrop FC Guaranty.

9.2.6. **Unsecured Claims (Class 6).** The Plan provides that holders of Unsecured Claims which are Allowed Claims will receive from the Disbursing Agent, in full satisfaction of their Claims: (a) a pro rata share of that portion of $1,100,000 (or such lesser remaining amount as is available after payment of claims in prior classes in accordance with the Plan) paid by the Purchaser to the Debtor that remains after payment in full of Allowed Administrative Claims and Allowed Priority Claims not assumed by the Purchaser, in the form of $550,000.00 cash and a $550,000.00 thirty-month unsecured note from the Purchaser bearing interest at 6% per annum; and (b) a pro rata portion of the Member Interests in Creditor Distribution LLC (one Member Interest for each U.S. Dollar of Allowed Claim amount).

9.2.7. **Northrop Grumman Claims (Class 7).** As provided for with respect to Classes 4 and 5, the Purchaser will provide GMAC and FC with substitute guaranties and letters

of credit, thereby releasing Northrop Grumman from any liability under the Northrop GMAC Guaranty, the Northrop FC Guaranty, and the Northrop Grumman Letter of Credit. Northrop Grumman will not receive any payment with respect to any remaining Northrop Grumman Claims.

9.2.8. **Equity Interests (Class 8).** The Plan provides that the Debtor's Preferred Stock and Common Stock will be canceled, and holders of Preferred Stock and Common Stock will not receive any distribution under the Plan whether on account of Preferred Stock, Common Stock or any Claims related thereto or arising therefrom.

X.
MEANS OF EXECUTION OF THE PLAN

10.1 Sale of Assets and Assumption of Assumed Liabilities Pursuant to the Asset Purchase Agreement.

The primary means of executing the Plan will be the consummation of the transactions contemplated in the Asset Purchase Agreement, by which the Purchaser will purchase the Assets from the Debtor in exchange for payment of the Purchase Price and will assumption of the Assumed Liabilities.

On the Effective Date, and upon consummation of the transactions contemplated in the Asset Purchase Agreement, the unclassified DIP Facility Claims and the Bank Claims (Class 1) will be paid in full, in Cash, from the sale proceeds. The Non-Bank Secured Claims (Class 3) which are Allowed Claims will be satisfied through either (i) payment in Cash equal to the value of the secured portion of such Claims, (ii) assumption of such Claims by the Purchaser as Assumed Liabilities, or (iii) the retention by the holders of such Claims of the property securing such Claims.

Also, on the Effective Date, and upon the consummation of the transactions contemplated by the Asset Purchase Agreement, the Debtor will transfer to the Disbursing Agent from the sale proceeds an amount of Cash necessary to pay or make the distributions required by the Plan in respect of all unclassified Administrative Claims and Priority Tax Claims, and all Priority Claims (Class 2) which are Allowed Claims, except to the extent such Claims are assumed by the Purchaser as Assumed Liabilities. On the Effective Date, or as soon thereafter as practicable, the Debtor will also transfer to the Disbursing Agent an additional amount of Cash in the amount of $550,000, less any amounts paid with respect to Allowed Administrative Claims, Allowed Priority Tax Claims and Allowed Priority Claims which are not Assumed Liabilities under the Asset Purchase Agreement, to pay or make the pro rata distributions of cash required by the Plan in respect of Unsecured Claims (Class 6). On the Effective Date, the Purchaser will also deliver to the Disbursing Agent its unsecured promissory note in the amount of $550,000 pursuant to the Asset Purchase Agreement.

Also, on the Effective Date, the Purchaser will provide GMAC and FC with third party guaranties in substitution of the Northrop GMAC Guaranty and the Northrop FC Guaranty and will provide GMAC with a $5.0 million Letter of Credit in substitution of the Northrop Grumman Letter of Credit. (Classes 4, 5 and 7).

The Plan will be substantially consummated upon the payment and distribution of the sales proceeds from the Asset Purchase Agreement in accordance with the Plan as described above and the transfer of all of the Debtor's remaining Assets to Creditor Distribution, LLC as described below.

10.2 Transfer of Assets to, and Issuance of Member Interests In, Creditor Distribution LLC.

The other means for execution of the Plan will be the transfer of the Debtor's remaining Assets not sold to the Purchaser to Creditor Distribution LLC, and the distribution of Member Interests in Creditor Distribution LLC to holders of Unsecured Claims which are Allowed Claims.

On the Effective Date, the Debtor will execute the Operating Agreement and take all other necessary steps to establish Creditor Distribution LLC, for the benefit of creditors holding Unsecured Claims, and the Member Interests in Creditor Distribution LLC will be distributed to holders of General Unsecured Claims which are Allowed Claims on a pro rata basis. Also on the Effective Date, the Debtor or the Debtor Designee will transfer the Debtor's right, title and interest in the remaining property of the Debtor not acquired by the Purchaser under the Asset Purchase Agreement and described in the Operating Agreement, including causes of action arising under the Bankruptcy Code, to the Creditor Distribution LLC in the following manner:.

The Assets dedicated to Creditor Distribution LLC will be transferred to the holders of General Unsecured Claims which are Allowed Claims to be held by the Debtor Designee on their behalf; immediately thereafter, on behalf of the holders of such Claims, the Debtor Designee will transfer such assets to Creditor Distribution LLC in exchange for the Member Interest, to be distributed in accordance with the Plan.

The Plan provides that, for all federal income tax purposes, all parties (including the Debtor, the Debtor Designee, the Manager, the Disbursing Agent and the Members) will treat the transfer of assets to Creditor Distribution LLC as a transfer to the holders of General Unsecured Claims which are Allowed Claims followed by a transfer by such Creditors to Creditor Distribution LLC.

XI.
OTHER PLAN PROVISIONS

11.1 Disputed, Contingent and Unliquidated Claims

The Plan contains provisions relating to Disputed, Contingent and Unliquidated Claims. In summary, the Plan provides as follows:

11.1.1. No Cash, Member Interests or other property shall be distributed under the Plan on account of any Disputed Claim or Contingent or Unliquidated Claim.

11.1.2. To effectuate distributions pursuant to the Plan and avoid undue delay in the administration of the Chapter 11 Case, and upon the request of the Debtor (or the Debtor

Designee), the Court, prior or subsequent to the Confirmation Date, may estimate the amount of each Disputed Claim or Contingent or Unliquidated Claim for which the Disputed, Contingent and Unliquidated Claims Reserve has been or will be established (the amount so estimated for each Claim being the "Estimated Amount").

11.1.3. On or prior to the Effective Date, the Disbursing Agent will establish a Disputed, Contingent and Unliquidated Claims Reserve. The amount of the Dispute, Contingent and Unliquidated Claims Reserve will be sufficient to pay to each Creditor holding a Disputed Claim or Contingent or Unliquidated Claim the lesser of (i) the Estimated Amount, or (ii) the amount of Cash that such Creditor would have been entitled to receive under the Plan if such claim had been an Allowed Claim on the Effective Date.

11.1.4. If, on or after the Effective Date, a Disputed Claim or Contingent or Unliquidated Claim becomes an Allowed Claim, the Disbursing Agent will distribute from the Disputed, Contingent and Unliquidated Claims Reserve on behalf of the holder of such Allowed Claim, the amount of Cash that such holder would have been entitled to receive under the Plan from the Debtor or the Disbursing Agent if such Claim had been an Allowed Claim on the Effective Date in the amount in which it has become an Allowed Claim. The Disbursing Agent will hold the proceeds from the Disputed, Contingent and Unliquidated Claims Reserve in trust for the holder of such an Allowed Claim and, on the last Business Day of the first month following the month in which the Claim becomes an Allowed Claim, shall remit such proceeds to the holder of such Allowed Claim.

11.1.5. If the Disputed Claim or Contingent or Unliquidated Claim which has become an Allowed Claim is an Unsecured Claim, then the Manager also will cause to be issued to the holder of such Allowed Claim an amount of Member Interests in the Creditor Distribution LLC determined by the formula set forth in the Plan (i.e. one Member Interest for each U.S. Dollar in amount of such Allowed Claim). Such Member Interests will be issued no later than the last Business Day of the first month following the month in which such Claim becomes an Allowed Claim.

11.1.6. Upon (i) the remittance of cash to the holder of the Allowed Claim and the distribution to such holder of any other proceeds from the Disputed, Contingent and Unliquidated Claims Reserve pursuant to the Plan, and (ii) if applicable, the issuance of the Member Interests as described in the Plan, such Allowed Claim shall be discharged and the holder of such Claim shall have no recourse against the Plan Proponents, the Debtor Designee, or the Disbursing Agent.

11.1.7. Creditors shall not be entitled to interest in connection with any Disputed Claim or Contingent or Unliquidated Claim becoming an Allowed Claim which receives a distribution under the Plan.

11.1.8. No payment from the Disputed, Contingent and Unliquidated Claims Reserve, nor any issuance of any Member Interests in Creditor Distribution LLC, shall be made to any Creditor based on a Claim for which the Purchaser has assumed liability pursuant to the Plan or the Asset Purchase Agreement.

11.1.9. None of the Manager, the Debtor, the Debtor Designee or the Disbursing Agent shall have any obligation to distribute to or otherwise compensate any holder of an Allowed Claim receiving any Member Interest for any distribution made by Creditor Distribution LLC prior to the date upon which either such Claim became an Allowed Claim or Member Interests were issued on account thereof.

11.2 **Retention of Jurisdiction**

The Plan provides that, until the Closing Date, the Court shall retain jurisdiction over all matters arising out of or relating to the Chapter 11 Case, including the following:

a. Allowance or classification of Claims or Equity Interests and determination of any objections thereto;

b. Interpretation and enforcement of the Plan, the Asset Purchase Agreement and the Operating Agreement and issuance of such orders as may be necessary for the implementation, execution and consummation of the Plan, the Asset Purchase Agreement and the Operating Agreement;

c. Disputes regarding the implementation of the Plan, the Asset Purchase Agreement and the Operating Agreement;

d. Applications for allowance of compensation or reimbursement of expenses;

e. Requests for payment of Claims entitled to priority under Section 507(a) (1) of the Bankruptcy Code, including compensation for services rendered and reimbursement of expenses of parties entitled thereto;

f. Other requests for payment of Administrative Claims, Tax Claims or Priority Claims;

g. Disputes regarding the compliance of the Debtor, the Purchaser, the Manager, the Disbursing Agent and the Debtor Designee, and their respective employees and representatives, with the requirements of the Plan and the Confirmation Order;

h. Applications pending on the Confirmation Date for the rejection, assumption or assignment of Executory Contracts and the allowance of any Claim resulting therefrom;

i. Applications, motions, adversary proceedings, contested matters and other litigated matters that may be pending in the Bankruptcy Court on or initiated after the Effective Date;

j. Modifications to the Plan pursuant to Section 1127 of the Bankruptcy Code, or to remedy any apparent nonmaterial defect or omission in the Plan, or to reconcile any nonmaterial inconsistency in the Plan so as to carry out its intent and purposes;

k. Matters under Section 505 of the Bankruptcy Code with respect to any tax, fine, penalty or addition to tax, including any Exempt Taxes;

l. Such other matters and purposes for which the Confirmation Order may provide;

m. Compromises and settlements of Claims against or relating to the Debtor or the Estate;

n. All questions and disputes regarding title to the assets of the Debtor or the Estate; and

o. Entry or an order or final decree closing the Chapter 11 Case.

11.3 **Executory Contracts**

On the Effective Date, and to the extent permitted by applicable law, Executory Contracts will be assumed by the Debtor and assigned to the Purchaser as set forth in the Asset Purchase Agreement and the Plan, in accordance with the provisions of Sections 365 and 1123 of the Bankruptcy Code. The Purchaser shall provide adequate assurance of future performance under the Executory Contracts that are being assigned to it. The Plan provides that any and all other Executory Contracts not rejected prior to the Effective Date will be rejected pursuant to the provisions of Sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. The Plan further provides that the Confirmation Order shall be deemed to be an order authorizing the rejection of all Executory Contracts which will not be assumed by the Debtor and Assigned to the Purchaser pursuant to the Asset Purchase Agreement, and which have not, on or before the Confirmation Date, been: (i) rejected by Court order or by operation of law, (ii) expressly assumed or rejected pursuant to an order of the Bankruptcy Court prior to the Confirmation Date, or (iii) included in a separate application to assume or reject made by the Debtor which is pending before the Bankruptcy Court on the Confirmation Date.

A party to an Executory Contract rejected pursuant to the Plan will be entitled to file, not later than twenty-five (25) days after such rejection, a proof of claim for damages alleged to arise from the rejection of such Executory Contract, if any. Objections to any proof of claim shall be filed by the Debtor Designee not later than thirty (30) days after such proof of claim is filed, and the Bankruptcy Court shall determine any such objections. If the Bankruptcy Court overrules any timely objection to such proof of claim, then that Claim shall be classified as an Allowed General Unsecured Claim and paid in accordance with the provisions of the Plan on or before the later of (a) thirty (30) days after the expiration of the thirty (30) day period for filing an objection in respect of any proof of claim filed pursuant to this Section 8.2 and (b) thirty (30) days after the Claim has been allowed by a Final Order, provided that no such payments shall be made before the Effective Date.

11.4 **Set Off Rights of the Debtor Preserved.**

Except to the extent specifically provided for to the contrary in another provision of the Plan, the Debtor shall retain all rights to set off against any Claim in the amount of any claim that the Debtor or the Estate may hold against the holder of such Claim. To the extent such Claim may become an Allowed Claim, the amount thereof shall be reduced by the amount of such set off.

11.5 **Unclaimed Property.**

If any Person entitled to receive a Cash payment or Member Interests under the Plan cannot be located on or before the Effective Date, such Cash and/or Member Interests shall be set aside and held in trust. Any such Cash shall be held in a segregated, interest-bearing fund to be maintained by the Disbursing Agent. If such Person is located within one year of the Effective Date, such Cash shall be paid or distributed and such Member Interests shall be issued to such Person. If such Person cannot be located within one year of the Effective Date, any such Cash and accrued interest thereon shall be distributed to the remaining Persons entitled to distributions on a pro rata basis, and such Member Interests shall be retired; provided, however, that nothing contained in the Plan shall require the Disbursing Agent to attempt to locate such Person.

11.6 **Professional Fees and Expenses**.

Each Person retained or requesting compensation in the Chapter 11 Case pursuant to Sections 327, 328, 330, 331 or 503(b) of the Bankruptcy Code shall be entitled to file an application for allowance of final compensation and reimbursement of expenses in the Chapter 11 Case before the thirtieth (30th) day after the Confirmation Date. Objections to each such application may be filed on or before the tenth (10th) day after, the date such application is filed. In the event no objections to a given fee application are filed, the order approving any such fee application may be entered without a hearing.

11.7 **Conditions Precedent to Confirmation.**

The Plan specifies that the following conditions must be met prior to the Confirmation Date or the Plan will be of no force and effect, and the obligations of Debtor (or the Debtor Designee) under the Plan will not arise:

11.7.1. The Debtor must promptly seek confirmation of the Plan, and request that a hearing on the Plan commence approximately thirty (30) days after the entry of an order approving this Disclosure Statement.

11.7.2. The Confirmation Order entered by the Court:

a. approves the Asset Purchase Agreement and all such documents necessary or useful in consummating the transactions described therein, and authorizes the Debtor and the Debtor Designee to take all actions and make and receive all payments required under the Asset Purchase Agreement and the Plan;

b. approves the Operating Agreement;

c. provide that the sale of Assets to the Purchaser pursuant to the terms of the Asset Purchase Agreement and the Plan will be adjudicated to be conducted under sections 363, 365, 1123(a)(5)(D), 1123(b) and 1146(c) of the Bankruptcy Code and are permitted by such provisions of the Bankruptcy Code, and that the Purchaser has received a transfer of the Purchased Assets in good faith pursuant to all of those provisions and the Plan;

d. provides that the sale of the Assets to the Purchaser is in the best interests of the Debtor's Estate and Creditors;

e. provides that the sale of the Assets to the Purchaser will be adjudicated to be free and clear of all Encumbrances in respect of security deposits and other adverse interests, except to the extent of Claims constituting Assumed Liabilities, and will be subject only to the Permitted Encumbrances (and the Assumed Liabilities);

f. direct that all filing officers accept for recording and record any and all Transfer Documents which are presented to them for recording immediately upon presentation thereof, without the payment of any tax within the purview of Section 1146(c) of the Bankruptcy Code;

g. expressly adjudicate that (a) the conveyances, transfers and assignments of the (i) Assets to the Purchaser and Debtor, (ii) assets to the Creditor Distribution LLC, and (b) all other transactions pursuant to the Plan are exempt, pursuant to Section 1146(c) of the Bankruptcy Code, from any stamp tax or other tax within the meaning of said Section 1146(c) , specifically including any sales, transfer, use or any similar tax or levy, and that each of the Assets, the Debtor, the Debtor Designee, the Creditors, the Member Interests, and Creditor Distribution LLC are expressly discharged from all liability for any of such taxes and any penalty, interest or addition relating thereto;

h. provide that all Governmental Units and any other taxing authorities are permanently enjoined from the commencement or continuation of any action to collect from any, all or any part of the Assets, the Purchaser, the Debtor, the Debtor Designee, any Creditor, any Member Interest, or Creditor Distribution LLC , any taxes from which the transfer of the Assets, the distributions to be transferred to Creditors or the Debtor assets to be transferred to Creditor Distribution LLC pursuant to the Plan is exempt, as provided in Section 1146(c) of the Bankruptcy Code, and as adjudicated in such Confirmation Order, including any sales,

transfer, use or any similar tax or levy, and any penalties, interest, or additions to the tax relating thereto;

i. direct and authorize the Debtor and the Debtor Designee, as appropriate, to take all actions reasonably necessary, in the discretion of Debtor (or the Debtor Designee) in consultation with the other Plan Proponents, and direct its employees and consultants, to take such actions and otherwise cooperate, to enable the Debtor (or the Debtor Designee, as appropriate) to (a) object to Claims pursuant to the Plan, (b) consummate the Plan, the Asset Purchase Agreement (and the Confirmation Order shall also approve the terms of such agreement and authorize the parties to execute the documents and instruments and otherwise take the actions and make the payments contemplated thereby, including the execution and filing of all such instruments, certificates and other documents as may be necessary or desirable to establish Creditor Distribution LLC, including the organization and governance documents regarding such entity), and (c) close the Chapter 11 Case;

j. provide that, notwithstanding any other provision of the Plan, none of the Plan Proponents, the Debtor Designee, the Disbursing Agent, TBCC as Prepetition Bank Agent, DIP Lender, or DIP Agent, or their respective employees, agents, representatives or professionals shall have any liability for actions taken or omitted to be taken under or in connection with the Plan, or in connection with the Chapter 11 Case or the operation or administration of the Debtor during the Chapter 11 Case;

k. provide for appropriate dissolution of the Committee;

l. include such findings and provisions as specified in the Asset Purchase Agreement (to the extent not otherwise specified above);

m. include approval of all compromises and settlements effected under the Plan, and all releases effected thereby or contemplated therein;

n. include the release of the Purchaser from all successor, transferee or derivative liability of any kind (except specifically provided for in the Asset Purchase Agreement);

o. include any such other findings and provisions as may be required elsewhere in the Plan;

p. be in form and substance satisfactory to TBCC and Olson Financing.

11.8 **Conditions Precedent to Effectiveness of the Plan**

The Plan also provides, unless waived by unanimous consent of the Plan Proponents, the occurrence of the Effective Date and the substantial consummation of the Plan are subject to satisfaction of the following conditions precedent (or the waiver thereof):

a. The Clerk of the Bankruptcy Court has entered the Confirmation Order, in form and substance satisfactory to the Plan Proponents, TBCC and Olson Financing, and the Confirmation Order has have become a Final Order;

b. The conditions to Closing, set forth in the Asset Purchase Agreement, including but not limited to obtaining acceptable purchase financing, shall have been satisfied or waived by the authorized representatives of the appropriate party to the Asset Purchase Agreement; and

c. All other actions and documents necessary to implement the terms and provisions of the Plan shall have been effected or executed and delivered.

XII.
EFFECTS OF CONFIRMATION

12.1 **Discharge of Debtor**.

If the Plan is confirmed, then the Plan, on and after the Effective Date, will be binding on all holders of Claims and Equity Interests, whether or not they accept the Plan, and will operate to discharge and release the Debtor, effective immediately, from any Claim, and any "debt" (as that term is defined in Section 101 of the Bankruptcy Code) incurred before the Confirmation Date, and the Debtor's liability in respect thereof will extinguished completely, including any liability of a kind specified in Section 502(g) of the Bankruptcy Code. Except as otherwise provided in the Plan, the confirmation of the Plan also will act as a discharge and release, on or after the Effective Date, as to each holder of a Claim or Equity Interest receiving or entitled to receive any distribution under the Plan in respect of any direct or indirect right or Claim or Equity Interest such Creditor or Equity Interest holder had or may have had against or in the Debtor, the Estate or the current officers thereof (except no directors of the Debtor are released). In addition, on and after the Confirmation Date, every holder of a Claim shall be precluded from asserting against the Debtor, the other Plan Proponents, the Debtor Designee or assets or properties of the Debtor any further Claim based on any document, instrument or act, omission, transaction or other activity of any kind or nature that occurred prior to the Confirmation Date. On and after the Confirmation Date all Governmental Units shall be precluded from the commencement or continuation of any action to collect (a) from the Debtor, the Debtor Designee, the Purchaser or any other Creditor of the Debtor, or the Assets purchased by the Purchaser (except as may be expressly permitted by this Plan), or (b) any taxes from which the transfer of the Assets or the assets being transferred to Creditor Distribution LLC,

pursuant to the terms of the Plan, is exempt as provided in Section 1146(c) of the Bankruptcy Code, and adjudicated in the Confirmation Order.

Notwithstanding any other provision of the Plan, none of the Debtor, the Purchaser, the Bank, TBCC, as Bank, Prepetition Bank Agent, DIP Lender or DIP Agent, or any of their respective agents, officers, directors, representatives, attorneys, or employees, nor their respective professionals shall have any liability for actions taken or omitted to be taken under or in connection with the Plan or in connection with the Chapter 11 Case or the operation or administration of the Debtor during the Chapter 11 Case, except as otherwise set forth in the Plan.

12.2 **Title to Assets**.

Except as otherwise provided by the Plan, on the Effective Date, title to all Acquired Assets and Excluded Assets shall vest in the Purchaser or Creditor Distribution LLC, as applicable, free and clear of all Claims and Liens, Equity Interests, Encumbrances and other interests (except for Liens, Claims and Encumbrances specifically assumed by the Purchaser pursuant to the Asset Purchaser Agreement), and the Confirmation Order shall be a judicial determination of the discharge of the liabilities of the Debtor, except as provided in the Plan. All Holders of Claims and Equity Interests will be precluded from asserting against the Debtor, the Assets, or any property dealt with under this Plan, any or other further claim based upon any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Confirmation Date.

12.3 **ERISA Releases**.

Without limiting the benefits of any release, waiver, discharge or injunction described in or effected by the Confirmation Order or elsewhere in the Plan, confirmation of the Plan pursuant to the Confirmation Order acts as a release, waiver and discharge by and from all current and former employees of the Debtor (including employees who have resigned, retired, been laid off, been discharged, become disabled or died or otherwise have had a termination of employment), the dependents and beneficiaries of such current and former employees with respect to any plan at any time sponsored or contributed to by the Debtor under the Employee Retirement Income Security Act of 1974 (ERISA), the heirs and assigns of such current and former-employees, any bargaining unit which includes or included one or more of any such employees, in favor of each of the Debtor, the Debtor Designee, TBCC as Bank, Prepetition Bank Agent, DIP Lender and DIP Agent, Olson Financing, the Disbursing Agent, the Purchaser and its shareholders (except as to such obligations and liabilities expressly assumed in the Asset Purchase Agreement), Creditor Distribution LLC and its Members, and all officers, owners, employees, trustees, managers, successors, and any other representatives and agents thereof of and from any and all obligations, liabilities, causes of action, suits, debts, dues, warrants, accountings, or any other claim incurred or arising at any time from the beginning of the world through the Effective Date and thereafter, including, without limitation, any obligation or liabilities to or on account of (i) Grumman Olson Industries, Inc. Retirement Savings Plan – Plan #001 (401K and Profit Sharing); and (ii) Grumman Olson Industries, Inc. Welfare Plan - #501 (Provides group health, dental, vision, life insurance, temporary disability, long-term disability, and §125 benefits).

12.4 **Other Release and Waiver.**

Without limiting the benefits of any release, waiver, discharge or injunction contained in or effected by the Confirmation Order or elsewhere in the Plan, by and upon accepting or receiving any distribution of Cash or Member Interests as contemplated by this Plan or otherwise benefiting from any treatment contemplated for the holder of any Claim or Equity Interest by the Plan, each such holder of any Claim or Equity Interest (other than the holders of Claims described in Sections 12.4 and 12.5 of the Plan, who are bound by the terms thereof) shall thereby be deemed to, and shall, release and forever discharge each of the Plan Proponents, TBCC as Bank, Prepetition Bank Agent, DIP Lender and DIP Agent, the Debtor, the Debtor Designee, the Disbursing Agent, Purchaser and its shareholders, Creditor Distribution LLC and its Members, and all officers, owners, employees, trustees, managers, successors, and any other representatives and agents thereof, of and from any and all obligations, liabilities, causes of action, suits, debts, dues, warrants, accountings, or any other claim incurred or arising at any time from the beginning of the world through the Effective Date and thereafter arising from, related to or otherwise concerning such Claim or Equity Interest, all of which shall be permanently waived by such holders of Claims or Equity Interests; provided, however, that this paragraph shall not constitute a release by any such holder of a Claim or Equity Interest of any rights expressly assigned thereto under another provision of the Plan or the Confirmation Order. The Confirmation Order shall contain the provisions of the foregoing release, waiver and discharge, and shall permanently enjoin any party from bringing any suit, cause of action, claim or other action, or otherwise attempting in any way to enforce any alleged right or interest in contravention of the foregoing release, waiver and discharge.

XIII.
FINANCIAL INFORMATION

The Debtor will file monthly operating statements with the Court. On December 17, 2002, the Debtor filed a Statement of Financial Affairs and Schedules of Assets and Liabilities with the Court as required by the Bankruptcy Code, which may be examined in the office of the Clerk of the United States Bankruptcy Court for the Southern District of New York , Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408.. Except as otherwise noted, all financial information is taken from the Debtor's original books of account and accounting reports which have been prepared and maintained by Debtor's management, the Restructuring Officers, or The Murphy Group.

XIV.
ACCEPTANCE AND CONFIRMATION

In order to confirm the Plan, the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including (i) that the Plan has classified creditor claims and shareholder interests in a permissible manner; (ii) that the contents of the Plan comply with the requirements of Chapter 11 of the Bankruptcy Code; (iii) that the Plan has been proposed in good faith; and (iv) that the Debtor's disclosures concerning the Plan have been adequate and have included information concerning all payments made or promised in connection with the Plan and the Chapter 11 proceedings. The Debtor and the Other Proponents of the Plan believes that all of these conditions have been met.

The Bankruptcy Code also requires that the Plan be feasible and that confirmation of the Plan be in the "best interests" of all creditors. The "best interests" test requires that the Bankruptcy Court find that the Plan provides to each member of each impaired class of claims a recovery which has a present value at least equal to the present value of the distribution while each such person would receive if the debtor were liquidated under Chapter 7 of the Bankruptcy Code. Because unsecured creditors will be receiving a distribution based upon the "going concern" value of the Debtor, the "best interest" test in the view of the Proponents is fulfilled. An anticipated distribution analysis, attached hereto and marked as Exhibit C, shows the anticipated dividend to holders of Class 4 GMAC Secured Claims, Class 5 FC Secured Claims, Class 6 Unsecured Claims, and Class 7 Northrop Grumman Claims in the event the Plan is confirmed. A Liquidation Analysis attached hereto as Exhibit B shows that a substantially lesser dividend would be available in a Chapter 7 proceeding.

To confirm the Plan, the Bankruptcy Court must find that all of the foregoing conditions are met. Thus, even if creditors of the Debtor accept the Plan by the requisite votes, the Bankruptcy Court must still make independent findings respecting the Plan feasibility, whether it is in the best interests of the Debtor's creditors, and whether it is fair and equitable to non-voting classes before the Court may confirm the Plan.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims (excluding insider votes) has accepted it. The requirements for confirmation of a plan despite the non-acceptance by one or more impaired classes of claims (a “cramdown”) is set forth in § 1129(b) of the Bankruptcy Code.

Under the “cramdown” provisions, a Bankruptcy Court must confirm a plan despite the lack of acceptance by an impaired class or classes if a Bankruptcy Court finds that (a) the plan does not discriminate unfairly with respect to any non-accepting impaired class, and (b) the plan is “fair and equitable” with respect to any such non-accepting impaired class. A plan does not discriminate unfairly if, among other things, the dissenting class is treated substantially equally with respect to other classes of equal rank. The plan must also satisfy the other requirements set forth in §1129(a) of the Bankruptcy Code.

The Bankruptcy Code establishes different “fair and equitable” tests for holders of secured and unsecured claims. In general, § 1129(b) of the Bankruptcy Code permits confirmation notwithstanding non-acceptance by an impaired class if that class and all more junior classes are treated in accordance with the “absolute priority rule”, which requires that the dissenting class be paid in full before a junior class may receive anything under a plan.

In the event the holders of Unsecured Claims in Class 6 do not accept the Plan, the Debtor must demonstrate to the Bankruptcy Court that either: (a) each holder of an unsecured claim of the dissenting class receives or retains under the Plan property of a value equal to the allowed amount of its unsecured claim; or (b) the holder of claims or interests that are junior to the claims of the holders of such unsecured claims will not receive or retain any property under the Plan.

XV.
UNCERTAINTIES REGARDING THE PLAN

The Plan is subject to certain uncertainties, including, but not limited to, the following:

15.1 Uncertainty of Tax Consequences.

The confirmation and execution of the Plan may have federal income tax consequences to holders of claims or interests. The Plan Proponents are offering no opinion as to the federal tax consequences to holders of claims or interests as a result of the confirmation of the Plan. All holders of claims or interests should satisfy themselves as to the federal tax consequences of approval and confirmation of the Plan by obtaining independent advice from their own tax advisors.

15.2 Uncertainty With Regard to Consummation of the Sale Transaction.

The execution of the Plan is predicated on the consummation of the transactions contemplated in the Asset Purchase Agreement. The Purchaser's obligation to conclude those transactions are subject to a number of conditions specified in the Asset Purchase Agreement. Those conditions include, without limitation (i) Purchaser's completion of a satisfactory environmental review of Debtor's real property; (ii) the non-occurrence of any material adverse change in the Debtor's financial or other condition, the Acquired Assets or the Assumed Liabilities in each case other than the filing of the Chapter 11 case; and (iii) the Purchaser obtaining financing necessary to consummate the sale transactions on terms acceptable to the Purchaser necessary to consummate the transactions.

XVI.
OTHER INFORMATION

Other information not contained in this Disclosure Statement is available in the files for the Debtor's Chapter 11 Case located at the United States Bankruptcy Court for the Southern District of New York, Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004-1408.

XVII.
CONCLUSION

The Debtor and other Plan Proponents believe that acceptance of the Plan is in the best interest of Unsecured Creditors. The Debtor submits that the Plan complies in all respects with Chapter 11 of the Bankruptcy Code and the Debtor **recommends to the holders of GMAC Secured Claims (Class 4) , FC Secured Claims (Class 5), Unsecured Claims (Class 6), and Northrop Grumman Claims (Class 7) who are entitled to vote on the Plan that they vote to accept the Plan.**

If you are a holder of a Class 4 Claim (GMAC Secured Claim), a Class 5 Claim (FC Secured Claim), a Class 6 Claim (Unsecured Claim), or a Class 7 Claim (Northrop

Grumman Claim), PLEASE FILL OUT THE ENCLOSED BALLOT AND MAIL IT IN THE ENCLOSED ADDRESSED ENVELOPE.

Respectfully submitted,

GRUMMAN OLSON INDUSTRIES, INC.

By: /s/ Sajan George
Sajan George, Chief Restructuring Officer