

**THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF ALABAMA**

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<b>In re:</b>	)	
	)	<b>Chapter 11</b>
<b>MOBILE PULLEY, L.L.C.,</b>	)	
	)	<b>Case No. 02-15612 (MAM)</b>
<b>Debtor.</b>	)	

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**DEBTOR'S SECOND AMENDED DISCLOSURE STATEMENT FOR  
DEBTOR'S SECOND AMENDED LIQUIDATING PLAN OF  
REORGANIZATION PURSUANT TO CHAPTER 11 OF THE  
UNITED STATES BANKRUPTCY CODE, DATED MAY 1, 2003**

**IMPORTANT DATES**

- Date by which Ballots must be received: June 4, 2003
- Date by which objections to Confirmation of the Plan must be filed and served: June 4, 2003
- Hearing on Confirmation of the Plan: June 9, 2003 at 1:30 p.m. (Prevailing Central Time)

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## I.

### INTRODUCTION

Mobile Pulley, L.L.C., as debtor and debtor in possession (the “Debtor”) in this chapter 11 case (the “Chapter 11 Case”), submits this Second Amended Disclosure Statement dated May 1, 2003 (the “Disclosure Statement”) in connection with the solicitation of acceptances and rejections with respect to the Debtor’s Second Amended Liquidating Plan of Reorganization Pursuant to Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) (the “Plan” or “Debtor’s Plan”) a copy of which is annexed hereto as Exhibit A. Capitalized terms used and not otherwise defined herein shall have the same meanings ascribed to them in the Plan.

The purpose of this Disclosure Statement is to set forth information (1) regarding the history of the Debtor, its business, and the Chapter 11 Case, (2) concerning the Plan and alternatives to the Plan, (3) advising the holders of Claims and Interests of their rights under the Plan, (4) assisting the holders of Claims and Interests in making an informed judgment regarding whether they should vote to accept or reject the Plan, and (5) assisting the Bankruptcy Court in determining whether the Plan complies with the provisions of chapter 11 of the Bankruptcy Code and should be confirmed.

The Plan provides for third party releases of the Debtor’s parent, Offshore Tool & Energy (“OT&E”), its officers and directors, the Secured Lenders including PNC Bank (defined below), and affiliates of the Debtor. In return for these releases (defined herein), PNC Bank is allowing its cash collateral to be used to fund a distribution to trade creditors and the Debtor’s Employees, and OT&E is releasing its unsecured claims against the estate. The trade creditors will receive a cash distribution equal to 10% of each allowed unsecured trade claim. The Employees will receive a lump sum payment of \$305,000 to be distributed according to a class settlement among the Debtor, its Unions (defined herein) and the Employees. The Debtor has conducted a thorough review and analysis of potential claims against the OT&E based on alter ego and other veil piercing theories. The facts show that at all times, the Debtor and its sole member, OT&E, observed corporate formalities, maintained separate business identities, and operated their businesses in such a manner that make pursuing alter ego or veil piercing claims problematic at best. The Debtor has concluded that there are insufficient facts to support such claims. Moreover, the cost of such litigation would be at least \$500,000.00. Finally, the Secured Lenders would not allow their cash collateral to be used to fund such litigation. It is the Debtor’s opinion that unsecured creditors and the Employees are better served by receiving the property as provided under the Plan in exchange for the third-party releases.

By order dated May 13, 2003 (the “Disclosure Order”), a copy of which is annexed hereto as Exhibit B, the Bankruptcy Court approved this Disclosure Statement in accordance with section 1125 of the Bankruptcy Code as containing “adequate information” to enable a hypothetical, reasonable investor typical of holders of Claims against, or Interests in, the Debtor to make an informed judgment as to whether to accept or reject the Plan, and authorized its use in connection with the solicitation of votes with respect to the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.** No solicitation of votes may be made except pursuant to this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, holders of Claims and Interests should not rely on any

information relating to the Debtor and their businesses other than that contained in this Disclosure Statement, the Plan and all exhibits hereto and thereto.

**THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN BY EACH HOLDER OF A CLAIM OR INTEREST. THIS DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW. THE DESCRIPTION OF THE PLAN IS A SUMMARY ONLY. HOLDERS OF CLAIMS AND INTERESTS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE PLAN AND ANY RELATED ATTACHMENTS FOR A FULL UNDERSTANDING OF THE PLAN'S PROVISIONS. THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN.**

Pursuant to the provisions of the Bankruptcy Code, only classes of claims or interests which are (i) "impaired" by a plan of reorganization and (ii) entitled to receive a distribution under such a plan are entitled to vote on the plan. In this Chapter 11 Case, Claims and Interests in Classes 1, 2, 3, 4A, 4B, 5 and 6 are impaired by the Plan. Under the Plan, only the holders of Claims in Classes 1, 2, 3, 4A, 4B, and 5 are entitled to vote to accept or reject the Plan. Class 6 will receive no distribution and is deemed to have rejected the Plan.

THE RECORD DATE FOR DETERMINING THE HOLDERS OF CERTAIN CLAIMS OR INTERESTS THAT MAY VOTE ON THE PLAN IS MAY 6, 2003 (the "Voting Record Date").

If you are entitled to vote to accept or reject the Plan, accompanying this Disclosure Statement is a ballot ("Ballot") for casting your vote(s) on the Plan and a pre-addressed envelope for the return of the Ballot. BALLOTS FOR ACCEPTANCE OR REJECTION OF THE PLAN ARE BEING PROVIDED ONLY TO HOLDERS OF CLAIMS IN CLASSES 1, 2, 3, 4A, 4B, and 5 BECAUSE THEY ARE THE ONLY HOLDERS OF CLAIMS THAT MAY VOTE TO ACCEPT OR REJECT THE PLAN. If you are the holder of a Claim in one of these Classes and did not receive a Ballot, received a damaged or illegible Ballot, or lost your Ballot, or if you are a party in interest and have any questions concerning the Disclosure Statement, any of the Exhibits hereto, the Plan or the voting procedures in respect thereof, please call Bankruptcy Management Corporation at 1-888-909-0100.

*THE DEBTOR AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS RECOMMEND THAT THE HOLDERS OF CLAIMS AND INTERESTS IN ALL SOLICITED CLASSES VOTE TO ACCEPT THE DEBTOR'S PLAN. THE AGENT SUPPORTS THE DEBTOR'S PLAN AND RECOMMENDS THAT THE HOLDERS OF CLAIMS IN ALL SOLICITED CLASSES VOTE TO ACCEPT THE DEBTOR'S PLAN.*

After carefully reviewing this Disclosure Statement and the Exhibits attached hereto, please indicate your vote with respect to the Plan on the enclosed Ballot and return it in the envelope provided. Voting procedures and requirements are explained in greater detail elsewhere in this Disclosure Statement. **PLEASE VOTE AND RETURN YOUR BALLOT TO:**

Bankruptcy Management Corporation  
Attn: Mobile Pulley Balloting Agent  
P.O. Box 0934  
El Segundo, CA 90245-0934  
Telephone: 888-909-0100; Facsimile: (310) 640-8071

**IN ORDER TO BE COUNTED, BALLOTS MUST BE RECEIVED BY 5:00 P.M. (PREVAILING EASTERN TIME) ON JUNE 4, 2003. ANY EXECUTED BALLOTS WHICH ARE TIMELY RECEIVED BUT WHICH DO NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN SHALL NOT BE COUNTED.**

The Debtor believes that prompt confirmation and implementation of the Plan is in the best interests of the Debtor, all holders of Claims, and the Debtor's bankruptcy estate.

In accordance with the Disclosure Order and section 1128 of the Bankruptcy Code, the Bankruptcy Court has fixed June 9, 2003, at 11:30 p.m. (Prevailing Central Time), in the United States Bankruptcy Court for the Southern District of Alabama, located at 201 St. Louis Street, Mobile, Alabama 36602, as the date, time and place of the hearing to consider confirmation of the Plan, and June 4, 2003, as the last date for filing objections to confirmation of the Plan. The hearing on confirmation of the Plan may be adjourned from time to time without further notice except for the announcement of the adjourned date and time at the hearing on confirmation or any adjournment thereof.

**THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE BY THE DEBTOR AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED HEREIN AND THE DELIVERY OF THIS DISCLOSURE STATEMENT DOES NOT IMPLY THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE SUCH DATE. THIS DISCLOSURE STATEMENT HAS BEEN PREPARED BY THE DEBTOR. HOLDERS OF CLAIMS ENTITLED TO VOTE SHOULD READ IT CAREFULLY AND IN ITS ENTIRETY, AND, WHERE POSSIBLE, SHOULD CONSULT WITH COUNSEL OR OTHER ADVISORS PRIOR TO VOTING ON THE PLAN.**

**THIS DISCLOSURE STATEMENT SUMMARIZES THE TERMS OF THE PLAN, WHICH SUMMARY IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. IF ANY INCONSISTENCY EXISTS BETWEEN THE TERMS AND PROVISIONS OF THE PLAN AND THIS DISCLOSURE STATEMENT, THE TERMS AND PROVISIONS OF THE PLAN ARE CONTROLLING. CERTAIN OF THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE FORWARD LOOKING PROJECTIONS AND FORECASTS BASED UPON CERTAIN ESTIMATES AND ASSUMPTIONS. THERE CAN BE NO ASSURANCE THAT SUCH STATEMENTS WILL BE REFLECTIVE OF ACTUAL OUTCOMES.<sup>1</sup> ALL HOLDERS OF CLAIMS**

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<sup>1</sup> This Disclosure Statement may not be relied upon by any persons for any purpose other than by holders of Claims entitled to vote for the purpose of determining whether to vote to accept or reject the Plan and nothing contained herein shall constitute an admission of any fact or liability by any party, or be admissible in any proceeding involving the Debtor or any other party, or be deemed conclusive evidence of the tax or other legal effects of the reorganization on the Debtor or on holders of Claims or Interests.

**ENTITLED TO VOTE SHOULD READ CAREFULLY AND CONSIDER FULLY ARTICLE VI BELOW, SETTING FORTH FACTORS TO BE CONSIDERED BEFORE VOTING TO ACCEPT OR REJECT THE PLAN.**

## **II.**

### **OVERVIEW OF PLAN**

The following is a brief overview of the material provisions of the Plan and is qualified in its entirety by reference to the full text of the Plan. For a more detailed description of the terms and provisions of the Plan, see Article V below, entitled The Plan of Reorganization. The Plan is a liquidating plan of reorganization for the Debtor. The Plan provides for cash distributions to trade creditors (Class 4A) and to the Debtor's Employees (Class 3). Specifically, the trade creditors holding Allowed Claims will receive cash equal to approximately 10% of such Allowed Claim. As a class of claims, the Debtor's Employees will receive cash in the amount of \$305,000 in a lump sum in satisfaction of any and all claims against the Debtor, which shall be distributed pursuant to the terms of a class settlement between the Debtor, its Unions, and Employees. In consideration for the cash distributions described herein and in the Plan, the holders of claims in Classes 3 and 4A will grant releases to the Debtor and related third parties (described below).

The Plan provides for the classification and treatment of Claims against and Interests in the Debtor. The Plan designates 5 Classes of Claims and 1 Class of Interests that classifies all Claims against and Interests in the Debtor. These classes take into account the differing nature of the various Claims and Interests.

#### **A. Description of Property to be Distributed under the Plan**

With certain exceptions, upon the Effective Date, the Plan provides for a distribution of Cash to holders of certain Claims against the Debtor.

**PURSUANT TO THE PLAN, OT&E WILL RETAIN EXISTING EQUITY INTERESTS IN THE DEBTOR BUT SUCH INTERESTS WILL HAVE NO VALUE OR CAPITAL ACCOUNT BASIS.**

#### **B. Summary of Classification and Treatment of Claims and Interests under the Plan**

The following chart summarizes the treatment of Allowed Claims and Interests under the Plan. This chart is only a summary of the classification and treatment of Claims and Interests under the Plan. Reference should be made to the entire Disclosure Statement and the Plan for a complete description of the classification and treatment of Claims and Interests. Moreover, the column entitled, "Maximum Estimated Aggregate Amount of Allowed Claims" is merely the Debtor's good faith estimate, at the present time based on available information, of the total maximum amount of Allowed Claims in the Debtor's Chapter 11 Case. These estimates should not be deemed to be an admission, binding or otherwise, as to the amount of total Allowed Claims. The Debtor reserves the right to change its estimate and object to any Claim, unless allowed by Final Order or otherwise.

Class	Claim/Interest	Treatment of Claim/Interest	Estimated Maximum Aggregate Amount of Allowed Claims or Interests	Estimated Percentage Recovery of Allowed Claims or Interests
Unclassified	Administrative Expense Claims	<u>Unimpaired</u>	\$500,000 <sup>2</sup>	100%
1	Secured Lenders Claim	<u>Impaired</u>	\$5,282,695.72	30%
2	Secured Tax Claim	<u>Impaired</u>	\$80,000.00	100%
3	Employee Claims	<u>Impaired</u>	\$1,725,000	18%
4A	General Unsecured Trade Claims	<u>Impaired</u>	\$1,500,000	10%
4B	Secured Deficiency Claims	<u>Impaired</u>	\$7,200,000	0.0%
5	Affiliate Claim	<u>Impaired</u>	\$20,000,000	0.0%
6	Equity Interests in Debtor	<u>Impaired</u>	\$0.00	0.0%

**THE TREATMENT AND DISTRIBUTIONS PROVIDED TO HOLDERS OF ALLOWED CLAIMS PURSUANT TO THE PLAN ARE IN FULL AND COMPLETE SATISFACTION OF THE ALLOWED CLAIMS ON ACCOUNT OF WHICH SUCH TREATMENT IS GIVEN AND DISTRIBUTIONS ARE MADE.**

### III.

#### GENERAL INFORMATION

##### A. The Debtor's Business

###### 1. Introduction

The Debtor, Mobile Pulley, L.L.C. (sometimes also referred to herein as "Mobile Pulley" or the "Company") is an Alabama limited liability company. The single member of Mobile Pulley is Offshore Tool & Energy Corporation ("OT&E"). OT&E is a Delaware corporation whose corporate headquarters are in Houston, Texas. Mobile Pulley is a leading producer of large metal cast parts and machined components principally for use as original and replacement parts in the domestic and international dredging industries, as well as mining and industrial markets. As of the Petition Date, Mobile Pulley's primary business operations were located at 905 South Ann Street, Mobile, Alabama.

Mobile Pulley was founded in 1892 to provide high quality products and services principally to the marine industry. Mobile Pulley first entered the dredging market in the 1920s and in the following decade, it began to specialize in the production of heavy one-part cast and machined components for the dredging industry. As such, it has enjoyed long-standing relationships with leading dredging operators and other businesses, including Great Lakes Dredge & Dock. Its other major customers include Weeks Marine, Inc., Mike Hooks, Inc. and Norfolk Dredging.

The Company's primary products include high quality ball joints (Mobile Pulley is one of the world's largest producers of ball joints), pumps, and cutters. Other established product

<sup>2</sup> Administrative expenses, including the fees of estate professionals, have been paid during the case. The \$500,000 amount listed in the chart represents both paid and unpaid administrative expense claims.



lines include valves, impellers, pump liners, pipe fittings, couplings, and bearings. In its long history, Mobile Pulley has also produced high quality pumps and components for other end markets, including steel, power generation, petrochemicals, sand and gravel, and pulp and paper. This diversity of product lines demonstrates the flexibility of Mobile Pulley's operations and the historical strength of the management team and production employee base. The Company also has significant experience in various international markets, including East Asia, Europe and the Middle East. Mobile Pulley's unparalleled reputation and legacy in the industry are best demonstrated by Mobile Pulley's inventory of over 6,000 patterns for essentially every domestic dredging system in service today. Mobile Pulley was the original equipment manufacturer for these systems and has been the supplier of choice for replacement parts.

As of July 31, 2002, Mobile Pulley had assets with a net-book value of \$14.2 million and liabilities with a net book value of \$21.5 million. Mobile Pulley's net sales for the seven months ended July 31, 2002 and the twelve months ended December 31, 2001 were \$6.8 million and \$15.4 million, respectively.

## **2. Description of Mobile Pulley's Indebtedness**

As of the Petition Date, Mobile Pulley owed approximately \$34 million to creditors including but not limited to: (i) approximately \$5.3 million in senior secured debt under the Prepetition Credit Facility (defined herein), (ii) \$7.2 million of Zero Coupon Convertible Subordinated Secured Notes (defined herein) issued July 26, 2002, (iii) approximately \$20.0 million in an unsecured note payable to OT&E, and (iv) approximately \$1.5 million in domestic trade debt.

### **(i) Prepetition Credit Facility**

Before the Petition Date, Mobile Pulley funded its operations through a \$10.5 million secured credit facility established under that certain credit agreement dated June 30, 1999 (as amended, the "Prepetition Credit Facility") by and among OT&E, as borrower, Aero International, L.L.C., as borrower, Mobile Pulley, L.L.C., as borrower, ITS Engineered Systems, Inc., as borrower, New London (WSI), Inc., as borrower, ITS Venezuela, S.A., as borrower, and PNC Bank National Association, as attorney in fact for National Canada Finance, L.L.C., a Delaware limited liability company, as successor at National Canada Finance Corp. ("NCFC") as a lender and administrative agent, and Citizens Business Credit, a division of Citizens Leasing Corp., a Rhode Island Corporation as a lender (the "Secured Lenders"). Historically, Mobile Pulley used funds drawn from the Prepetition Credit Facility for working capital. Without the working capital advances from the Prepetition Credit Facility, Mobile Pulley could not sustain its operations. Mobile Pulley also guaranteed all borrowings under the Prepetition Credit Facility. The indebtedness under the Prepetition Credit Facility and all related obligations are secured by substantially all of Mobile Pulley's assets, inventories, and accounts receivable. As of the Petition Date, the outstanding principal indebtedness under the Prepetition Credit Facility was approximately \$5.3 million. In the approximately 9 months preceding and concurrently with the Chapter 11 Case, the Secured Lenders, Mobile Pulley, OT&E and the other borrowers engaged in extensive negotiations for resolutions to defaults of certain covenants under the Prepetition Credit Facility. These resolutions included structuring the Secured Lenders' payment under the Plan so that Mobile Pulley's unsecured trade creditors and its employees could also receive some payment under the Plan. The Secured Lenders have determined it is unlikely that the remaining amounts due under the Prepetition Credit Facility will be fully paid in the ordinary course of business by OT&E and the other borrowers by its

December 31, 2003 maturity date. The Secured Lenders and OT&E are therefore continuing to work on a solution to ensure that all amounts currently owed under the Prepetition Credit Facility will be paid as soon as possible with the result that the financing relationship under the Prepetition Credit Facility by and among the remaining borrowers and the Secured Lenders will be terminated. In order to resolve this situation and avoid potentially disastrous results which could include foreclosure or bankruptcy, OT&E and the other borrowers are exploring every means to raise the necessary funds to pay the Secured Lenders according to their requirements. OT&E and the other borrowers are therefore under intense pressure to restructure in order to respond to the Secured Lenders' current position. A restructuring of OT&E and the other borrowers based on these facts may include, but not by way of limitation, the distinct possibility that OT&E or the other borrowers may have to conduct a disposition of their most valuable assets in order to raise the cash necessary to pay off the Prepetition Credit Facility.

(ii) Zero Coupon Convertible Subordinated Secured Notes

On July 26, 2002, OT&E entered an agreement with its majority shareholder LMS Capital (Bermuda) Limited ("LMS") to borrow \$7.0 million by issuing certain Zero Coupon Convertible Subordinated Secured Notes (the "Zero Coupon Notes") which mature on June 30, 2006. Mobile Pulley executed a security agreement and guaranty with respect to the additional financing obtained pursuant to the issuance of the Zero Coupon Notes. Other parties to the security agreement and guaranty are Aero International, LLC and ITS Engineered Systems, Inc. Issuance of the Zero Coupon Notes was intended as a recapitalization of OT&E and its subsidiaries. Funds from the recapitalization were used, in part, to pay down indebtedness under the Prepetition Credit Facility which, in turn, allowed Mobile Pulley to fund certain wind-down costs.

**B. Management and Employees**

**1. The Debtor's Officers**

The Debtor's current officers are: Albert J. Savage, III, President and William L. Wann, Jr., Secretary.

**2. Employees**

As of July 26, 2002, the Debtor employed approximately 130 employees (the "Employees"). On that date, the Debtor's operations ceased and it terminated almost all of its employees in accordance with the requirements of the Warning and Retraining Notification Act of 1988 (the "WARN Act"). Most of the Debtor's former employees were members of labor unions which were parties with the Debtor to three collective bargaining agreements which expired before the Petition Date. Those labor unions are: (i) the International Association of Machinists & Aerospace Workers, Local 261; (ii) International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers, Local Union No. 991, and (iii) Glass, Molders, Pottery, Plastics and Allied Workers, Local Union No. 338 (each a "Union" and collectively the "Unions"). On September 24, 2002, the Unions filed a lawsuit in the United States District for the Southern District of Alabama, Case No. 02-0714-MJ-M alleging violation of the WARN Act by the Debtor and its sole member, OT&E, under a single employer liability theory (the "WARN Act Lawsuit"). The Unions assert damages under WARN in the approximate amount of \$1.6 million. Both the Debtor

and OT&E deny any liability. The WARN Act Lawsuit has been stayed during the Chapter 11 Case. During the Chapter 11 Case, the Debtor employed two people to wind down the Debtor's operations.

#### IV.

### THE DEBTOR'S CHAPTER 11 CASE

#### A. Events Preceding the Chapter 11 Filings

Certain events prior to the Petition Date forced the Debtor to implement a financial restructuring. On the Petition Date, these events culminated in the Debtor filing for relief under chapter 11 of the Bankruptcy Code, and were followed by the subsequent development of the Plan during the pendency of the Chapter 11 Case.

##### 1. Factors Leading to the Commencement of Mobile Pulley's Chapter 11 Case

In the second half of 2000, Mobile Pulley's business began to deteriorate due to decreased demand for dredging parts and components caused by the lack of dredging activity in waterways and ports in the United States. The poor operating and cash flow performance continued from the second half of 2000 through the Petition Date. Additional contributing factors to the continued poor financial performance of the business up to and through the Petition Date have been (i) lack of significant weather phenomena in the United States (i.e., heavy rains leading to flooding, and hurricanes), (ii) the events of September 11, 2001, which negatively impacted the United States and worldwide economy, and (iii) Mobile Pulley's largest customer, the Army Corps of Engineers (the "Corps"), significantly reduced its orders, which is attributable to the fact that the Corps is part of the United States Defense Department and significant resources of the Defense Department are currently being utilized to fight the war on terrorism. Moreover, labor costs at Mobile Pulley are relatively high compared to other foundry operations in the United States and are especially high compared to foreign competition. Mobile Pulley attempted to alleviate the labor costs and remain in business by negotiating for a 10% cut in labor costs with some or all of its Unions. The Unions' refusal to work with Mobile Pulley in controlling labor costs prior to July 26, 2002 was a significant contributing factor to Mobile Pulley's cessation of business. Increased health insurance costs, lack of capital investment, and certain actions of industry competitors also had a material negative impact on Mobile Pulley.

In October 2000, Mobile Pulley engaged Cobblestone Advisors ("Cobblestone") as its exclusive advisor in an effort to sell the Company. Cobblestone aggressively marketed Mobile Pulley but was not able to find a buyer with the financial capacity to consummate a sale transaction. Notwithstanding Mobile Pulley's efforts to find a buyer to refinance the business, Mobile Pulley's poor operations were such that continuing to fund the business in the near term would only lead to further indebtedness with little or no opportunity to repay that indebtedness. On July 26, 2002 Mobile Pulley laid off a substantial portion of its employees and substantially reduced operations in an effort to cut continuing losses. After consideration of all reasonably available alternatives, and in light of Mobile Pulley's continued poor financial performance, Mobile Pulley determined that it was necessary to file chapter 11 bankruptcy and restructure its financial affairs by either pursuing a sale of the business as a going concern or through orderly liquidation of its business assets.

## B. Events During the Chapter 11 Case

### 1. Administration of the Chapter 11 Case

Upon commencement of the Chapter 11 Case, the Bankruptcy Court entered certain orders designed to minimize disruption of the Debtor's business operations and to facilitate its restructuring objectives in the Chapter 11 Case. Certain of these orders are described below.

a. **Use of Cash Collateral.** On or about October 9, 2002, the Bankruptcy Court entered its Interim Order Authorizing the Interim Use of Cash Collateral and Granting Adequate Protection (the "Interim Cash Collateral Order"). On or about October 29, 2002, the Bankruptcy Court entered the final order relating to the use of cash collateral (the "Final Cash Collateral Order") on substantially the same terms as the Interim Cash Collateral Order.<sup>3</sup> Pursuant to the terms of the Final Cash Collateral Order and as adequate protection for the postpetition diminution of the Prepetition Lenders' Postpetition Collateral, additional senior liens and security interests (the "Replacement Liens") were granted to the Prepetition Lenders as of the Petition Date on the terms and conditions set forth in the Final Cash Collateral Order.

On March 19, 2003, the Creditors' Committee filed an adversary proceeding against Prepetition Lender, PNC Bank ("PNC"), seeking a marshalling order with respect to PNC's liens. According to the legal theory set forth in the complaint, PNC should be required to satisfy any amounts it is owed by Mobile Pulley from the assets of other borrowers under the Prepetition Credit Facility. PNC asserts that the equitable marshalling complaint is without merit because, among other reasons, the Final Cash Collateral Order specifically prohibits marshalling of PNC's liens and under Alabama law marshalling is not a remedy available to an unsecured creditor.

b. **Employees.** On October 9, 2002, the Bankruptcy Court entered an order authorizing the Debtor to pay, in its discretion, certain prepetition claims of employees for compensation, benefits and expense reimbursements, as well as prepetition amounts owed with respect to certain trust and administration obligations and workers compensation premiums.

On January 3, 2003, the Debtor filed a Motion (the "KERP Motion") for Entry of an Order Authorizing Payment of Stay and Retention Package (the "Stay Package"). The KERP Motion was subsequently granted on January 27, 2003. Under the Stay Package, the Debtor's President, Albert J. Savage, III, is entitled to receive, among other things, a salary increase from \$100,000 per annum to \$130,000 per annum and severance benefits for nine months after he is terminated by Debtor. On March 31, 2003, the Debtor terminated Mr. Savage thus triggering the severance payments as provided in the Stay Package.

c. **Retention of Bankruptcy Professionals.** To assist the Debtor in carrying out its duties as debtor in possession and to otherwise represent its interests in this Chapter 11 Case, the Debtor employed, with authorization from the Bankruptcy Court, the

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<sup>3</sup> Any terms not defined in this section are defined in the Final Cash Collateral Order.

following professionals: Kirkland & Ellis as bankruptcy counsel, Jones Walker as special labor counsel, Maples & Fontenot, L.L.P. as special litigation counsel, and Bankruptcy Management Corporation as notice and claims agent. On or about January 21, 2003, Jackson Walker L.L.P. substituted as Debtor's bankruptcy counsel. The Creditors' Committee retained the law firm of Haskell Slaughter Young and Rediker L.L.C. as its counsel.

## **2. Creditors' Committee**

Pursuant to section 1102 of the Bankruptcy Code, a committee of unsecured creditors may be appointed as the bankruptcy court deems appropriate. Accordingly, on December 6, 2002, the Court appointed a statutory committee of unsecured creditors (the "Creditors' Committee") in this Chapter 11 Case. The Creditors' Committee consists of the following members: RMS Precision, Inc., LMS Capital Bermuda Ltd. ("LMS"), Multi Staffing Services, Delta Centrifugal Corporation, Welding Engineering Supply Co., Porter Warner Industries, and the Machinists and Aerospace Workers, Local 261, Glass, Molders, Pottery, Plastics & Allied Workers, Local 338 Teamsters, Chauffeurs, Warehousemen & Helpers, Local Union No. 991, and Eleanor Hoffman. On March 12, 2003 the Bankruptcy Court entered an order removing LMS as a member of the Creditors' Committee.

## **3. Disposition of Assets**

Pursuant to section 363 of the Bankruptcy Code, the Debtor, as debtor in possession, is authorized to sell, lease or otherwise dispose of assets of its estate in the ordinary course of business without prior permission from the Bankruptcy Court. However, any sale, lease or other disposition of assets outside the ordinary course of business must be approved by the Bankruptcy Court. As described below in more detail, the Debtor filed motions with the Bankruptcy Court and was granted authority to engage in a sale of the Debtor's assets as part of efforts to sell the business as a going concern.

a. **Auction and Sale of Mobile Pulley Core Assets.** On December 30, 2002, the Bankruptcy Court entered an order (the "Bidding Procedures Order") authorizing the Debtor to sell its assets in a public auction. Pursuant to the Bidding Procedures Order, Metso Minerals Industries, Inc. and Machinery Acquisitions, Inc. were designated the "stalking horse" bidders. At the public auction, which was held on January 13, 2003, in Mobile, Alabama, Steel Processors, Inc. was the successful bidder for substantially all of the Debtor's assets. On January 16, 2003, the Bankruptcy Court approved the sale. On January 30, 2003, the sale transaction closed and the Debtor received approximately \$2.4 million in gross sales proceeds.

## **4. Collection of Accounts Receivable**

Subsequent to the Petition Date, the Debtor has continued to collect sums owed to it by retaining the law firm of Maples & Fontenot, L.L.P. ("M&F") to assist in collection of the Debtor's account receivables. A schedule of outstanding and uncollected accounts receivables of Mobile Pulley, L.L.C. is attached hereto as Exhibit C. The Debtor has initiated collection activities against a number of account debtors to collect its accounts receivable and has obtained money judgments against some of the account debtors. The Debtor's largest account is owed by Tru-Flow Pumps, Inc. ("Tru-Flow"). According to the Debtor's books and records and the complaint filed by

M&F against Tru-Flow, Tru-Flow owes the Debtor \$257,480.59. The Debtor believes that a substantial portion of the accounts receivables that are currently being pursued by its special litigation counsel is collectible. However, there is no guarantee that the Debtor's accounts receivables will be collected due to the uncertainty of litigation and the possibility that some of the account debtors may be insolvent or file bankruptcy.

**5. Assumption/Rejection of Contracts and Leases**

Pursuant to section 365 of the Bankruptcy Code, the Debtor may either assume, assume and assign, or reject executory contracts and unexpired leases of real and personal property, subject to the approval of the Bankruptcy Court. As a condition to assumption, or assumption and assignment, the Debtor must cure all existing defaults under the contract or lease. If the contract or lease is rejected, any resulting rejection damages are treated as prepetition unsecured claims. Generally, and with certain exceptions, postpetition obligations arising under a contract or lease must be paid in full in the ordinary course of business.

a. **Contracts and Leases of Personal Property.**

In its Schedules and Statements of Financial Affairs, the Debtor listed an executory contract with Regions Bank ("Regions") for the lease of certain equipment. The Debtor has settled any amounts due and owing under the lease with Regions by purchasing the equipment referenced in the lease.

b. **Other Contracts.**

Except for the contract with Regions Bank, the Debtor believes there are no executory contracts to which it is a party.

**6. Employment of Certain Officers**

The following description summarizes the terms on which the Debtor employed its President, Mr. Albert J. Savage, III.

a. **Albert J. Savage, III.** As of the Petition Date, the Debtor employed Mr. Savage as its President on the following terms:

- Salary payable by the Debtor to Mr. Savage at the rate of \$100,000 per annum (increased to \$130,000 by order of the Bankruptcy Court).
- Reimbursement of all reasonable out-of-pocket expenses incurred by Mr. Savage while in the employ of the Debtor.
- Car allowance and other miscellaneous benefits.

## 7. Pending Litigation

### a. GIW Industries and WARN Act Litigation:

(i) GIW Industries, Inc. v. IPC Industries, Inc., et al., Case No. 01-1168 (M.D. Fla.) (the “GIW Case”). The GIW Case involves a complaint filed on April 6, 2001, by Plaintiff GIW Industries, Inc. (“GIW”), an industry competitor of the Debtor. GIW alleges that certain of the Debtor’s products infringe on patents of GIW. The Debtor disputes GIW’s claims and may have counterclaims against GIW based on antitrust and other business tort theories. Although the Debtor has not fully investigated its potential counterclaims against GIW, the Debtor believes that GIW took improper actions that impaired preparation, the ability of Debtor to sell itself as a going concern.

(ii) Eleanor Hoffman, et al. v. Mobile Pulley, L.L.C., et al., Case No. CV02-0714-MJM, (S.D. Ala.) (the WARN Act Lawsuit). The Unions and certain former employees of the Debtor, Eleanor Hoffman, et al., acting on their own behalf and seeking to act on behalf of all similarly-situated former employees of the Debtor, have alleged that the Debtor terminated their employment on or about July 26, 2002, without 60 days’ notice, in violation of the Worker Adjustment and Retraining Notification Act, 29 U.S.C. §§ 2101 *et seq.* (hereinafter, the “WARN Act Claimants”). The WARN Act Claimants allege that the Debtor ordered mass layoffs at facilities in Mobile, Alabama. The WARN Act Claimants have filed or intend to file (i) proofs of claim on behalf of themselves and the proposed class of former employees (the “Employee Claims”), and (ii) an adversary complaint on behalf of themselves and the proposed class of former employees. The WARN Act Claimants assert that the Debtor and OT&E (including, without limitation, any other entities potentially liable under the “single employer” doctrine) are liable for 60 days’ pay and benefits after their termination date(s). The Debtor vigorously disputes the WARN Act Claimants’ assertions. The Debtor believes that it fully complied with the WARN Act and intends to contest the Employee Claims.

### b. Other Litigation Involving the Debtor:

(i) Advance Bronze, Inc. v. Mobile Pulley and Machine Works, Case No. 02-CVH-00338 (Municipal Ct. of Wadsworth, OH.), is a collection suit.

(ii) Industrial Welding Supply of Mobile, LLC v. Mobile Pulley, LLC and American Mulcher Parts, LLC, Case No. CV-2002-2092 (Cir. Ct. of Mobile County, AL), is a collection suit.

(iii) Radcliff—Economy Marine v. Mobile Pulley, LLC, Case No. CV-2002-1368 (Dist. Ct. of Mobile County, AL), is a collection suit.

(iv) A/M Hot Shot Express, L.L.C. v. Mobile Pulley, L.L.C., Case No. SM-02-5405 (Dist. Ct. of Mobile County, AL), is a collection suit.

(v) MGS Marketing Services, Inc. v. Mobile Pulley Company, Case No. CV-02-28887 (Cir. Ct. of Mobile County, AL), is a collection suit.

(vi) Mobile Gas Service Corporation v. Mobile Pulley, L.L.C. and IPC Industries, Inc., Case No. CV-02-2888 (Cir. Ct. of Mobile County, AL), is a collection suit.

(vii) Talladega Foundry & Machine Co., Inc. v. Mobile Pulley & Machine Works, Case No. SM-2002-492 (Dist. Ct. of Mobile County, AL), is a collection suit.

(viii) Mobile Pulley v. Hendry Corporation, Case No. CV-02-3038 (Cir. Ct. of Mobile County, AL), is a collection suit filed by the Debtor.

(ix) Mobile Pulley v. Struthers Industries, Inc. dba Irby Steel, Case No. CV-02-3071 (Cir. Ct. of Mobile County, AL), is a collection suit filed by the Debtor.

## **8. Claims Process**

In chapter 11, claims against a debtor are established either as a result of being listed in the debtor's schedules of liabilities (the "Schedules") or through assertion by the creditor in a timely filed proof of claim (each, a "Claim"). Claims asserted by creditors are either allowed or disallowed. If allowed, the Claim will be recognized and treated pursuant to the plan of reorganization. If disallowed, the creditor will have no right to obtain any recovery on or to otherwise enforce the Claim against the debtor.

a. **Filing of Schedules of Liabilities.** On October 4, 2002, the Debtor filed its Schedules with the Bankruptcy Court. The Debtor reserved the right to amend its Schedules during the remaining pendency of the Chapter 11 Case. On December 23, 2002, the Debtor amended its Schedules.

b. **Bar Date to File Proofs of Claim.** By order granting the bar date motion (the "Bar Date Motion") dated December 12, 2002 (the "Bar Date Order"), the Court (i) approved January 31, 2003, as the bar date for all creditors (including governmental units within the meaning of Section 101(27) of the Bankruptcy Code ("Governmental Units")) to file proofs of claim, (ii) authorized the Debtor to provide notice of the bar date by direct mail and publication, and (iii) approved a bar date notice (the "Bar Date Notice") to be sent to all of the Debtor's known creditors. The Bar Date Notice notified creditors of the deadline for filing proofs of claim and contained explicit instructions regarding who should file a proof of claim and the instructions for doing so. The Bar Date Order required the timely filing of a proof of claim in order to potentially receive a distribution from the Debtor's estate.

On or about November 1, 2002, the Bar Date Notice with proof of claim form was mailed to all creditors and parties in interest as listed on the Debtor's creditor matrix. In addition, on January 7, 2003, the Bar Date Notice was published in the local newspaper in Mobile, Alabama.

c. **Claims Objection Process.** The Debtor has begun the process of evaluating the proofs of claim to determine whether objections seeking the disallowance of some asserted Claims should be filed. The Debtor is also reconciling the Claims listed in its Schedules with the Claims asserted in proofs of claim and is also in the process of eliminating Claims that are duplicative or erroneous in order to ensure that only valid Claims are allowed by the Bankruptcy Court. If the Debtor objects to a proof of claim, the Bankruptcy Court will determine whether or not such Claim should be allowed. To the extent that the Debtor is successful in its objections, the total amount of the Debtor's liabilities to be treated under the Plan will be decreased. If the Debtor does not object to a



proof of claim, that Claim will be deemed allowed and will be treated pursuant to the Plan. As appropriate, the Debtor may consult with the Committee regarding objections to claims and may seek to negotiate and settle disputes as to proofs of claim as an alternative to filing objections to the proofs of claim.

d. **Administrative Claims Bar Date.** The Debtor has filed a motion to request that the Bankruptcy Court fix June 13, 2003, as the deadline by which creditors must file requests for allowance of Administrative Expense Claims (the “Administrative Claims Bar Date”). The Administrative Claims Bar Date will apply to all unpaid Administrative Claims arising from and after the Petition Date through and including June 3, 2003, and will include (i) Administrative Claims of professionals retained pursuant to sections 327 and 328 of the Bankruptcy Code, (ii) expenses of members of the Creditors’ Committee, (iii) all fees payable and unpaid under 28 U.S.C. § 1930, and (iv) any fees or charges assessed against the estates of the Debtor under 28 U.S.C. § 123. The Debtor will provide notice of the Administrative Claims Bar Date by First Class United States Mail to (i) all parties who have requested notice pursuant to FED. R. BANKR. P. 2002, (ii) the Bankruptcy Administrator, (iii) counsel to Creditors’ Committee, (iv) counsel to the Secured Lenders, (v) all of the Debtor’s lessors and any party who has provided postpetition goods or services to the Debtor, and (vi) all other parties whom the Debtor know may hold Administrative Claims.

## **9. Exclusive Plan Proposal and Acceptance Rights**

Section 1121(b) of the Bankruptcy Code provides for an initial period of 120 days after the commencement of a chapter 11 case during which a debtor has the exclusive right to file a plan of reorganization and 180 days to obtain acceptances to such plan (the “Exclusive Periods”). In addition, pursuant to section 1121(d) of the Bankruptcy Code the Bankruptcy Court may, upon a showing of cause, extend or increase a debtor’s Exclusive Periods.

The Exclusive Period to file a plan of reorganization (the “Exclusive Filing Period”) and the Exclusive Period to obtain acceptances to such plan (the “Exclusive Solicitation Period”) as extended by Court order on January 29, 2003, extended the Exclusive Filing Period through and including February 22, 2003, and extended the Exclusive Solicitation Period through and including April 23, 2003.

## **10. Settlement Among Debtor and its Labor Unions and Former Employees**

The Debtor, its Unions, and former bargaining unit and non-bargain unit Employees of the Debtor have reached an agreement and class settlement to resolve claims and issues between the parties (the “Settlement Agreement”). The Settlement Agreement resolves certain vacation benefits claims and WARN Act claims asserted by the Unions and Employees against the Debtor. The Debtor intends to seek Bankruptcy Court approval of the Settlement Agreement pursuant to a Bankrupt Rule 9019 Motion.

These are the major components of the Settlement Agreement:

a. **Payment of Settlement Amount.** On the Effective Date of the Plan, the class of bargaining and non-bargaining unit employees of the Debtor will receive, in cash, \$305,000 in full satisfaction of all claims against the Debtor including, but not limited

to, WARN Act claims and vacation claims. Such funds will be distributed pursuant to the Settlement Agreement.

b. **WARN Act Litigation**. On the Effective Date, the Debtor, Unions, and Employees will coordinate to dismiss the WARN Act Lawsuit and any adversary proceedings pending in the Bankruptcy Court filed by the Unions and Employees.

c. **Release of Debtor and Others**. The Unions and Employees will be deemed to have released the Debtor, its officers, its affiliates, its sole member (OT&E), and its officers and directors of all claims pursuant to the terms of the Plan.

d. **Other Significant Terms**. The holders of timely asserted workers' compensation claims will be permitted to liquidate and recover on such claims pursuant to a procedure outlined in the Settlement Agreement.

**V.**

**THE PLAN OF REORGANIZATION**

**A. Rationale Underlying Plan Treatment of Claims**

The Plan is designed to ensure that unsecured trade claims in Class 4A and the Employees in Class 3 receive a percentage cash payment for each dollar of their claims against the Debtor. The Plan is also designed to avoid litigation and bring this Chapter 11 Case to a rapid conclusion.

**THE PLAN IS ANNEXED HERETO AS EXHIBIT "A" AND IS AN INTEGRAL PART OF THIS DISCLOSURE STATEMENT. THE SUMMARY OF THE PLAN SET FORTH HEREIN IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TEXT OF THE PLAN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PROVISIONS OF THE PLAN AND THE SUMMARY CONTAINED HEREIN, THE TERMS OF THE PLAN SHALL GOVERN.**

**B. Classification and Treatment of Claims and Interests Under the Plan.**

**1. Classification**

The Plan divides the Claims against, and the Interests in, the Debtor into the following classes:

<b>Class</b>	<b>Claim</b>	<b>Status</b>	<b>Voting Rights</b>
Unclassified	Administrative Expense Claims	Unimpaired	Not Entitled to Vote
1	Secured Lenders Claims	Impaired	Entitled to Vote
2	Secured Tax Claims	Impaired	Entitled to Vote
3	Employee Claims	Impaired	Entitled to Vote
4A	Unsecured Trade Claims	Impaired	Entitled to Vote
4B	Unsecured Deficiency Claims	Impaired	Entitled to Vote
5	Affiliate Claim	Impaired	Entitled to Vote
6	Equity Interests	Impaired	Not Entitled to Vote

## **2. Administrative Expense Claims (Unclassified)**

Administrative Expense Claims are costs or expenses of administration of the Debtor's Chapter 11 Case incurred prior to the Effective Date and allowed under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including (a) any actual and necessary costs and expenses of preserving the Debtor's estates or operating the Debtor's businesses, (b) indebtedness or obligations incurred or assumed by the Debtor during the Chapter 11 Case in connection with the conduct of their businesses, (c) allowances of compensation and reimbursement of expenses to professionals to the extent allowed by final orders under sections 330 or 503(b) of the Bankruptcy Code (the "Final Orders"), and (d) fees or charges assessed against the Debtor's estates under 28 U.S.C. § 1930. A schedule of estimated administrative claims, including fees of estate professionals, is attached hereto as Exhibit D.

Treatment of Allowed Administrative Expense Claims. Generally, on the later to occur of (a) the Effective Date or (b) the date on which such Claim shall become an Allowed Claim, the Debtor shall (i) pay to each holder of an Allowed Administrative Expense Claim the allowed portion of such Claim in Cash, or (ii) satisfy and discharge such Allowed Administrative Expense Claim in accordance with such other terms as may be agreed upon by and between the holder thereof and the Debtor. On the Effective Date, there shall be escrowed all estimated amounts relating to the Professional Compensation and Reimbursement Claims accrued and unpaid through the Effective Date pending entry of a Final Order on each such professional's fee applications in addition to any other fees or commissions owing by the Debtor.

The Administrative Claims Bar Date is 4:00 p.m., Prevailing Central Time, on June 13, 2003. Other than Professional Compensation and Reimbursement Claims and severance obligations owed to the Debtor's President, the Debtor believes that the amount of Allowed Administrative Expense Claims will be de minimis because the Debtor has paid all expenses incurred during the Chapter 11 Case as they have become due.

## **3. Secured Lenders Claims (Class 1) — Impaired**

The Secured Lenders Claim consists of the Claim of PNC Bank which shall be deemed an Allowed Secured Claim to the extent of the value of all assets of the Debtor. Class 1 is impaired under the Plan and pursuant to section 1126(a) of the Bankruptcy Code the holder of an Allowed Secured Claim is entitled to vote on the Plan.

Treatment of Allowed Secured Lenders Claims. On the Effective Date, or as soon as practicable thereafter, the Secured Lender shall receive (i) \$1,600,000 in cash and (ii) any remaining cash after the required distributions to Allowed Administrative Priority Claims and Allowed Claims in classes 2, 3, and 4A, (iii) retained liens on any assets liquidated or recovered by Mobile Pulley, L.L.C. post-confirmation and (iv) the releases provided for in Article XII of the Plan.

## **4. Secured Tax Claims (Class 2) — Impaired**

The Secured Tax Claims are the Allowed Secured Claims of all taxing authorities. Class 2 is impaired under the Plan and is entitled to vote on the Plan.

Treatment of Allowed Secured Tax Claims. On the Effective Date, or as soon thereafter as is practicable, and pursuant to an agreement reached between the Debtor and the Revenue Commissioner of Mobile County, the holder of the only secured tax claim against the Debtor shall receive a distribution of \$80,000 in cash in satisfaction of its Allowed Secured Claim.

**5. Employee Claims (Class 3) — Impaired**

The Employee Claims are the Allowed Claims of former Employees of the Debtor for vacation and related benefits and any claims for alleged WARN Act violations. Class 3 is impaired under the Plan and is entitled to vote on the Plan.

Treatment of Employee Claims. On the Effective Date, the Employee Claims in Class 3 will receive a lump sum of \$305,000.00 which will be distributed to holders of Class 3 Allowed Claims pursuant to the Settlement Agreement between the Debtor, the Unions and the Employees.

**6. General Unsecured Claims (Classes 4A and 4B) — Impaired**

General Unsecured Claims are Claims that are not Administrative Expense Claims, Employee Claims, Secured Tax Claims, Affiliate Claims or Secured Lender Claims. General Unsecured Claims include Unsecured Trade Claims and Unsecured Deficiency Claims and are divided into two separate subclasses. Class 4A consists of Unsecured Trade Claims against the Debtor. Class 4B consists of the Unsecured Deficiency Claims of LMS against the Debtor.

Class 4 is impaired under the Plan and, pursuant to section 1126(a) of the Bankruptcy Code, is entitled to vote on the Plan.

**Unsecured Trade Claims (Class 4A)**

Unsecured Trade Claims are any Allowed Unsecured Claims where: (i) the holder of such claim provided prepetition goods and/or services to the Debtor or (ii) the holder of such claim was a prepetition lessor of real or personal property to the Debtor or prepetition licensor of property rights to the Debtor. The Debtor estimates the amount of the Class 4A Claims to be approximately \$1,500,000. Class 4A is impaired under the Plan and is entitled to vote on the Plan.

**Treatment of Unsecured Trade Claims**

On the Effective Date, each holder of an Allowed Unsecured Trade will receive in cash 10% of the amount of such Allowed Claim.

**Unsecured Deficiency Claims (Class 4B)**

Unsecured Deficiency Claims in Class 4B consist of the unsecured portion of claims of secured creditor, LMS. Claims in Class 4B are impaired and entitled to vote.

Treatment of Unsecured Deficiency Claims. The holder of Allowed Claims in Class 4B shall not receive any cash under the Plan on account of its claims. In satisfaction of such claims, each holder of claims in Class 4B shall receive (i) releases as provided in Article XXI of the Plan, and (ii) retained liens on assets, if any, recovered by Mobile Pulley, L.L.C. post-confirmation.

**7. Affiliate Claim (Class 5) Impaired**

The Affiliate Claim in Class 5 consists of the general unsecured claim of OT&E in the amount of \$20,000,000.

Treatment of Affiliate Claim. Class 5 is impaired and is entitled to vote on the Plan. On the Effective Date, the holder of the Class 5 Affiliate Claim shall not receive any cash. The holder of such claim shall receive releases as provided in Article XII of the Plan.

**8. Interests in Debtor (Class 6) Impaired**

Interests in the Debtor include all Interests in Mobile Pulley, L.L.C. held by its sole member, OT&E. Class 6 is impaired under the Plan and pursuant to section 1126(f) of the Bankruptcy Code, the holder of Interests in the Debtor is conclusively presumed to have rejected the Plan and may not vote with respect thereto. On the Effective Date, OT&E shall be deemed to retain all equity interests, whether certificated or uncertificated, in Mobile Pulley, L.L.C., provided however that such equity interests will have no value or capital account basis and OT&E will retain no rights to distribution from Mobile Pulley, L.L.C. with respect to such interests. Upon dissolution of Mobile Pulley, L.L.C., all remaining assets will be distributed to the Secured Lenders and/or LMS as the case may be.

**C. Provisions Governing Plan Implementation**

**1. Sale of Assets**

The Debtor has consummated the sale of substantially all of its operating assets pursuant to the terms of the sale to a designee of Steel Processors, Inc., SPI/Mobile Pulley Works, Inc. The Debtor also is in the process of liquidating its remaining assets which are accounts receivable. Any assets not liquidated to Cash prior to the Confirmation Date shall be transferred to, and vest in, Mobile Pulley, L.L.C.

**D. Provisions Governing Post-Confirmation**

On the Effective Date, all assets of the Debtor remaining after the required distributions to Classes 2, 3, and 4A shall vest in Mobile Pulley, L.L.C. subject to the retained secured liens of PNC Bank and LMS in order of their priority. Those assets include, but are not limited to, all of the Debtors' right, title, and interest in causes of action (including Bankruptcy Causes of Action), uncollected accounts receivables, assets not sold to SPI, any attorney-client privilege, work-product privilege, or other privilege or immunity attaching to any documents or communications (whether written or oral) transferred.

**1. Disclosure of Rights and Causes of Action**

a. The Debtor has investigated whether to pursue potential Bankruptcy Causes of Action against other Entities. Some or all of such Entities may dispute or deny that Bankruptcy Causes of Action may be brought against them and could assert defenses thereto. The Debtor has completed its preference analysis. A review of transfers made within 90 days of the Petition Date suggests that valid preference claims that are not subject to defenses in section 547(c) of the Bankruptcy Code total less than \$25,000. Under the

Plan, the Debtor retains all rights to commence and pursue any and all Bankruptcy Causes of Action (under any theory of law or equity, including, without limitation, the Bankruptcy Code, and in any court or other tribunal including, without limitation, in an adversary proceeding filed in the Chapter 11 Case).

## **2. Retention of Rights of Action**

a. The following rights and causes of action shall be retained post-confirmation:

- Any action for, or in anyway involving, the collection of accounts receivable or any matter related thereto or the recovery of estate property, including, but not limited to, the following lawsuits: (i) Mobile Pulley v. Hendry Corporation, Case No. CV-02-3038 (Cir. Ct. of Mobile County, AL), a collection suit filed by the Debtor; (ii) Mobile Pulley v. Struthers Industries, Inc. dba Irby Steel, Case No. CV-02-3071 (Cir. Ct. of Mobile County, AL), a collection suit filed by the Debtor; Mobile Pulley v. Tru-Flow Pumps, Inc., (Bankr. S.D.Ala.) a collection suit filed by the Debtor;
- Any and all fraudulent conveyance claims (if any);
- Except for the express waiver of certain claims in the Plan, any and all actual or potential avoidance claims pursuant to any applicable section of the Bankruptcy Code, including, without limitation sections 544, 545, 547, 548, 549, 550, 551, 553(b) and/or 724(a) of the Bankruptcy Code, arising from any transaction involving or concerning the Debtor; and
- Any claims or causes of action based on contract, tort, common law, or that arise under federal or state statute including, but not limited to, any claims that the Debtor may have against GIW.

b. In addition, there may be other Bankruptcy Causes of Action which currently exist or may subsequently arise that are not set forth herein, because the facts upon which such Bankruptcy Causes of Action are based are not fully or currently known by the Debtor and as a result, cannot be raised during the pendency of the Chapter 11 Case (collectively, the “Unknown Causes of Action”). The failure to list any such Unknown Causes of Action herein is not intended to limit the rights to pursue any Unknown Causes of Action to the extent the facts underlying such Unknown Cause of Action become fully known to the Debtor.

c. The potential net proceeds from the Bankruptcy Causes of Action identified herein, or which may subsequently arise or be pursued, are speculative and uncertain and therefore no value has been assigned to such potential recoveries. It should not be assumed that because any existing or potential Bankruptcy Causes of Action have not yet been pursued by the Debtor or are not set forth herein, that any such Bankruptcy Causes of Action have been waived.

d. Unless Bankruptcy Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised or settled in the Plan or any Final Order, the Debtor expressly reserves all Bankruptcy Causes of Action and Unknown Causes of Action, including the Bankruptcy Causes of Action described herein, as well as any other Bankruptcy Causes of Action or Unknown Causes of Action, for later adjudication and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable or otherwise) or laches shall apply to such Bankruptcy Causes of Action upon or after the confirmation or consummation of the Plan. In addition, the Debtor expressly reserves the right to pursue or adopt any claims alleged in any lawsuit in which the Debtor is a defendant or an interested party, including the lawsuits described herein, against any Entity, including, without limitation, the plaintiffs and co-defendants in such lawsuits.

e. Except as otherwise provided in the Plan or in any contract, instrument, release, indenture or other agreement entered into in connection with the Plan, in accordance with section 1123(b)(3) of the Bankruptcy Code, any claims, rights, and Bankruptcy Causes of Action that the Debtor may hold against any Entity, including but not limited to those Bankruptcy Causes of Action listed herein, shall vest in Mobile Pulley, L.L.C. which shall have the exclusive right, authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such claims, rights, and Bankruptcy Causes of Action without the consent or approval of any third party and without any further order of court.

## **E. WARN Act Lawsuit**

Pursuant to the Settlement Agreement, the WARN Act Lawsuit, and any adversary proceedings filed by the Unions and/or Employees shall be dismissed with prejudice.

## **F. Summary of other Provisions of the Plan**

### **1. Conditions Precedent to Confirmation Date of the Plan**

The occurrence of the Confirmation Date shall be subject to satisfaction of the following conditions precedent:

a. The entry of the Confirmation Order in form and substance satisfactory to the Debtor; and

b. The Bankruptcy Court determines that the Debtor has sufficient funds to pay the Administrative Claims, Employee Claims, Secured Lenders' Claims, Secured Tax Claims and Unsecured Claims in Class 4A in accordance with the terms of the Plan.

### **2. Conditions Precedent to the Effective Date of the Plan**

The "effective date of the plan," as used in section 1129 of the Bankruptcy Code, will not occur, and the Plan will be of no force and effect, until the Effective Date, which will be the first Business Day after the following condition precedent shall have been satisfied or, as described below, waived:

a. **Confirmation Order**: The Confirmation Order shall be entered by the Bankruptcy Court and shall be in full force and effect and not subject to an appeal, reconsideration or stay or pleading seeking an appeal, reconsideration or a stay.

Without limiting the foregoing conditions of this Section V.F., the Effective Date may occur notwithstanding the pendency of an appeal of the Confirmation Order or any order related thereto so long as there is no stay in effect. The Effective Date may occur before the expiration of time to take an appeal or to seek reconsideration of the Confirmation Order with the giving of any notice to any objecting party. In the event of any such appeal, the Debtor may seek the dismissal of such appeal as moot following the Effective Date. To the extent practicable or legally permissible, the Debtor may waive, in whole or in part and in its sole discretion, each of the foregoing conditions. Any such waiver of a condition precedent may be effected at any time, without notice or leave or order of the Bankruptcy Court and without any formal action other than proceeding as if such condition did not exist.

### **3. Executory Contracts and Unexpired Leases**

a. **Rejected if Not Assumed**: The Bankruptcy Code authorizes the Debtor, subject to the approval of the Bankruptcy Court, to assume, assume and assign, or reject executory contracts and unexpired leases. Such assumption, assumption and assignment, or rejection may be effected during the Chapter 11 Case or pursuant to the Plan. Any executory contracts or unexpired leases which have not expired by their own terms on or prior to the Effective Date, which have not been assumed, assumed and assigned, or rejected with the approval of the Bankruptcy Court, or which are not the subject of a motion to assume or assume and assign pending as of the Effective Date, or which are not specifically designated to be assumed pursuant to the Plan, will be deemed rejected by the Debtor on the Effective Date, and the entry of the Confirmation Order by the Bankruptcy Court will constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

### **4. Provisions Governing Distributions**

a. **Requirement for Allowance of Claims**: No payments or other distributions will be made on account of any Claim that is not "Allowed."

"Allowed Claim" means any Claim against the Debtor, (i) proof of which was filed on or before the dates designated by the Bankruptcy Court as the last date for filing proofs of Claim against the Debtor, or (ii) if no proof of Claim has been timely filed, which has been or hereafter is listed by the Debtor in their Schedules as liquidated in amount and not disputed or contingent and, in each such case in clauses (i) and (ii) above, a Claim as to which no objection to the allowance thereof has been interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or a Final Order, or as to which an objection has been interposed and such Claim has been allowed in whole or in part by a Final Order. For purposes of determining the amount of an "Allowed Claim", there will be deducted therefrom an amount equal to the amount of any Claim which the Debtor may hold against the holder thereof, to the extent such Claim may be set off pursuant to section 553 of the Bankruptcy Code.



b. **Time and Method of Distributions**: All distributions under the Plan to be made to Class 3 and Class 4A will be made by the Debtor or such other Entity as may be designated by the Debtor (“Distribution Agent”). Whenever any distribution to be made under the Plan is due on a day other than a Business Day, such distribution will instead be made, without interest, on the immediately succeeding Business Day, but will be deemed to have been made on the date due. Unless the Entity receiving a payment agrees otherwise, any payment in Cash will be made by check drawn on a domestic bank or by wire transfer from a domestic bank. Subject to the provisions of Bankruptcy Rule 2002(g), and except as provided in the Plan, distributions and deliveries to holders of Allowed Claims will be made at the address of each such holder set forth on the Debtor’s Schedules filed with the Bankruptcy Court unless superseded by the address set forth on proofs of claim filed by such holders, or at the last known address of such holder if no proof of Claim is filed or if the Debtor has been notified in writing of a change of address.

c. **Undeliverable Distributions**: If any distribution to any holder is returned to the Debtor as undeliverable, no further distributions will be made to such holder unless and until the Debtor is notified, in writing, of such holder’s then-current address. Undeliverable distributions shall remain in the possession of the Debtor until such time as a distribution becomes deliverable. Any Entity ultimately receiving distributions which were previously undeliverable, will not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan will require the Debtor to attempt to locate any holder of an Allowed Claim or Allowed Interest.

Any holder of an Allowed Claim that does not assert its rights pursuant to the Plan to receive a distribution within two (2) months from and after the date such distribution is returned as undeliverable shall have such holder’s Claim for such undeliverable distribution discharged and shall be forever barred from asserting any such Claim against the Debtor. In such case, any consideration held for distribution on account of such Claim or Interest shall revert to Mobile Pulley, L.L.C. for distribution in accordance with the terms of the Plan.

d. **Time Bar to Cash Payment**: Except as otherwise provided herein, checks issued on account of Allowed Claims will be null and void if not negotiated within 60 days from and after the date of issuance thereof. Requests for the reissuance of any check will be made directly to the Distribution Agent by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check must be made within two (2) months from and after the date of issuance of such check. After such date, all Claims in respect of void checks will be discharged and forever barred and the Distribution Agent will retain all monies related thereto for further distribution pursuant to the terms of the Plan.

e. **Distributions after Effective Date**: Distributions made after the Effective Date to holders of Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

f. **Set-Offs**: The Debtor may, pursuant to section 553 of the Bankruptcy Code or any applicable nonbankruptcy law, set-off against any Allowed Claim and the distributions to be made pursuant to the Plan on account thereof (before any distribution is

made on account of such Claim), the claims, rights and causes of action of any nature that the Debtor or Estate may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a set-off nor the allowance of any Claim under the Plan will constitute a waiver or release by the Debtor of any such claims, rights and causes of action that the Debtor may possess against such holder; and, provided, further, that nothing contained in the Plan is intended to limit the rights of any Creditor to effectuate a set-off prior to the Effective Date in accordance with the provisions of sections 362 and 553 of the Bankruptcy Code.

g. **Fractional Dollars; De Minimis Distributions**: Payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down.

h. **Settlement of Claims and Controversies**: Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of this Plan shall constitute a good faith compromise and settlement of claims or controversies relating to the contractual, legal and subordination rights that a holder of a Employee Claim or General Unsecured Claim may have with respect to any Allowed Claim or any distribution to be made on account of such an Allowed Claim. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of and finding that any such compromise or settlement of all claims and controversies affected thereby is in the best interests of the Debtor and its estate and holders of Claims and is fair, equitable and reasonable. The provisions of the Plan regarding distributions with respect thereto apply to all applicable contractual, legal and subordination rights that holders of such Claims maintain and, from and after the Effective Date, the holders of such Claims shall be entitled to rely upon the validity and enforceability of any such provisions in accordance with the provisions of section 510(a) of the Bankruptcy Code.

## 5. **Treatment of Disputed Claims**

“Disputed Claim” means any Claim against the Debtor, to the extent the allowance of which is the subject of a timely objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Confirmation Order, or is otherwise disputed by the Debtor in accordance with applicable law, which objection, request for estimation, or dispute has not been withdrawn or determined by a Final Order.

a. **Objections to Claims; Prosecution of Disputed Claims**: The Debtor shall object to the allowance of Claims or Interests filed with the Bankruptcy Court with respect to which they dispute liability or allowance in whole or in part. Unless otherwise ordered by the Bankruptcy Court, the Debtor will file and serve all objections to Claims as soon as practicable.

b. **Estimation of Claims**: The Debtor may at any time request that the Bankruptcy Court estimate any contingent or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtor, previously objected to such Claim or whether the Bankruptcy Court ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any

objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. Subject to the provisions of section 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any contingent or Disputed Claim, the amount so estimated will constitute the allowed amount of such Claim. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtor may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

c. **Payments and Distributions on Disputed Claims** : There will be set aside for each holder of a Disputed Claim such portion of Cash as necessary to provide required distributions if such Claim was an Allowed Claim, either based upon the amount of the Claim as filed with the Bankruptcy Court or the amount of the Claim as estimated by the Bankruptcy Court.

At such time as a Disputed Claim becomes, in whole or in part, an Allowed Claim, the Debtor or Distribution Agent, as the case may be, shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan. Such distribution, if any, will be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a Final Order but in no event more than 30 days thereafter. No interest will be paid on Disputed Claims that later become Allowed or with respect to any distribution to such holder. No distribution will be made with respect to all or any portion of any Disputed Claim pending the entire resolution thereof in the manner prescribed in the Plan.

## **6. Creditors' Committee Composition and Term**

The members of the Creditors' Committee appointed pursuant to section 1102 of the Bankruptcy Code and their duly appointed successors will continue to serve from the Confirmation Date up to and including the Effective Date. On the Effective Date, the Creditors' Committee will be dissolved and the members thereof and the professionals retained by the Creditors' Committee in accordance with section 1103 of the Bankruptcy Code will be released and discharged from their respective fiduciary obligations.

## **7. Corporate Action**

Upon the entry of the Confirmation Order by the Bankruptcy Court, all matters provided under the Plan involving the corporate structure of the Debtor shall be deemed authorized and approved without any requirement of further action by the Debtor or the Debtor's sole member.

## **8. Effect of Confirmation**

a. **Title to Assets**: Except as otherwise provided by the Plan, on the Effective Date, title to all assets and properties of the Debtor will vest in Mobile Pulley, L.L.C. in accordance with section 1141 of the Bankruptcy Code.

b. **Injunction:** Except as otherwise expressly provided in the Plan, all Entities who have held, hold or may hold Claims or Interests against the Debtor are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on account of any such Claim or Interest against the Debtor, the Secured Lenders, the holders of Unsecured Deficiency Claims, LMS, OT&E, or any officers, directors, successors, or assigns of the aforementioned (collectively the “Released Parties”), (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order arising from such Claims or Interests against the Debtor or the Released Parties (iii) creating, perfecting or enforcing any encumbrance of any kind against the Debtor, or against the property or interests in property of the Debtor with respect to any such Claims or Interests, and (iv) asserting any defense or right of setoff, subrogation, or recoupment of any kind against any obligation due from the Released Parties or against the property or interests in property of the Released Parties with respect to any such Claim or Interest. This injunction shall not preclude any cause of action against any Entities not included within the injunction described herein.

c. **Litigation:** Except as otherwise provided in the Plan, litigation that was pending as of the Petition Date is stayed and any claims arising therefrom will be resolved and treated pursuant to the Plan.

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to sections 105, 362 or 525 of the Bankruptcy Code or otherwise and in existence on the Confirmation Date, will remain in full force and effect until the Effective Date. Except as provided in the Plan, as of the Effective Date, all non-Debtor entities are permanently enjoined from commencing or continuing in any manner, any action or proceeding, whether directly, derivatively, on account of, or respecting any claim, debt, right or cause of action of the Debtor which the Debtor, retains sole and exclusive authority to pursue in accordance with the Plan or which has been released pursuant to the Plan.

d. **Limited Exculpation:** The Debtor and its officers and all Persons and Entities employed by the Debtor pursuant to sections 327 and 1103 of the Bankruptcy Code (acting in such capacity) shall neither have nor incur any liability to any Person or Entity for any act taken or failed to be taken in connection with or related to the formulation, preparation, dissemination, implementation, administration, confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken or failed to be taken in connection with the Chapter 11 Case, except only for actions or failures to act to the extent determined by an order of a court of competent jurisdiction (with such order being a final, non-appealable order) to be due to their own respective gross negligence or willful misconduct. Any act or omission taken approved by the Bankruptcy Court will be conclusively deemed not to constitute gross negligence or willful misconduct.

e. **Preservation of Rights of Action:** Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Debtor shall retain sole and exclusive authority to enforce any claims, rights or causes of action that the Debtor or its chapter 11 estate may hold against any Entity, including any Bankruptcy

Causes of Action as set forth herein. Mobile Pulley, L.L.C. may pursue such retained rights or causes of action, as appropriate.

f. **Release of Secured Lenders**: On the Effective Date, the Debtor, the Committee, and the holders of any Claims or Interests against the Debtor shall be deemed to release the Secured Lenders from any preference actions, lender liability claims, claims and causes of action whatsoever, including but not limited to any claims challenging the Secured Lenders' liens and security interests.

g. **Releases of the Debtor, its Officers, Sole Member, Affiliates, and Related Parties**: Except as provided in the Plan, on the Effective Date and in consideration of the mutual compromises, waiver of claims, release of claims contemplated in the Plan, and cash distributions made under the Plan, each of the holders of Claims and Interests against the Debtor will be deemed to release and forever discharge from any and all causes of actions, suits, debts, dues, sums of money, contracts, agreements, promises, damages, claims and demands whatsoever in law or equity which the holders of such Claims and Interests against the Debtor had, now have, or hereafter can, shall or may have against the Debtor, its officers, affiliates, successors, assigns, including LMS and the Debtor's sole member, OT&E, including its officers and directors.

## **9. Retention of Jurisdiction**

The Bankruptcy Court will retain and have exclusive jurisdiction over any matter (i) arising under the Bankruptcy Code, (ii) arising in or related to the Chapter 11 Case or the Plan, or (iii) that relates to the following:

a. Resolution of any matters related to the assumption, assumption and assignment, or rejection of any executory contract or unexpired lease to which the Debtor is a party or with respect to which the Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to the amendment after the Effective Date of the Plan adding any executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be rejected;

b. Entry of such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan;

c. Determination of any and all motions, adversary proceedings, applications and contested or litigated matters (x) involving the Liens or security interests of the Agent or the Secured Lenders, (y) that may be pending on the Effective Date or (z) that, pursuant to the Plan, may be instituted by the Debtor after the Effective Date;

d. Ensuring that distributions to holders of Allowed Claims are accomplished as provided in the Plan;

e. Hearing and determining any timely objections to Administrative Expense Claims or to proofs of Claim filed, both before and after the Confirmation Date, including any objections to the classification of any Claim and to allow, disallow, determine,

liquidate, classify, estimate or establish the priority of or secured or unsecured status of any Claim, in whole or in part;

f. Entry and implementation of such orders as may be appropriate in the event the Confirmation Order is for any reason stayed, revoked, modified, reversed or vacated;

g. Issuance of such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

h. Consideration of any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

i. Hearing and determining all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date;

j. Hearing and determining disputes arising in connection with or relating to the Plan or the interpretation, implementation, or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released or exculpated under the Plan;

k. Issuance of injunctions or other orders as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;

l. Determination of any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Plan Supplement, the Confirmation Order or any contract, instrument release or other agreement or document created in connection with the Plan or the Disclosure Statement and the Plan Supplement;

m. Hearing and determining matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

n. Hearing any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code;

o. To hear and determine any matters that may arise in connection with the sale to Steel Processors, Inc. and/or its designee and any order of the Bankruptcy Court with respect to any of the foregoing; and

p. Entry of a final decree closing the Chapter 11 Case.

#### **10. Modification, Revocation or Withdrawal of Plan**

The Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. After the entry of the Confirmation Order, the Debtor may, upon order of the Bankruptcy

Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of a Claim that has accepted the Plan will be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

The Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtor. If the Plan is revoked or withdrawn prior to the Confirmation Date, then the Plan will be deemed null and void. In such event, nothing contained in the Plan will be deemed to constitute a waiver or release of any claims by the Debtor or any other Entity or to prejudice in any manner the rights of the Debtor or any other Entity in any further proceedings involving the Debtor.

## **VI.**

### **CERTAIN FACTORS TO BE CONSIDERED**

**CREDITORS SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN, PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN.**

#### **A. Variances from Projections**

To the extent that Allowed Claims exceed projected amounts, then projected recoveries to holders of Allowed Claims in Class 4A entitled to distribution under the Plan could decrease.

#### **B. Certain Tax Matters**

For a summary of the federal income tax consequences of the Plan to holders of certain Claims and holders of Interests, and to the Debtor, see ARTICLE XI below, entitled Certain Federal Income Tax Consequences of the Plan.

#### **C. Release of Claims**

The Plan provides for third party releases of OT&E, its officers and directors, the Secured Lenders including PNC Bank (defined below), and affiliates of the Debtor. In return for these releases (defined herein), PNC Bank is allowing its cash collateral to be used to fund a distribution to trade creditors and the Debtor's Employees, and OT&E is releasing its unsecured claims against the estate. The trade creditors will receive a cash distribution equal to 10% of each allowed trade claim. The Employees will receive a lump sum payment of \$305,000 to be distributed according to a class settlement among the Debtor, its Unions (defined herein) and the Employees. The Debtor has conducted a thorough review and analysis of potential claims against the OT&E based on alter ego and other veil piercing theories. The facts show that at all times, the Debtor and its sole member, OT&E, observed corporate formalities, maintained separate business identities, and operated their businesses in such a manner that make pursuing alter ego or veil piercing claims problematic at best. The Debtor has concluded that there are insufficient facts to support such

claims. Moreover, the cost of such litigation would be at least \$500,000.00. Finally, the Secured Lenders would not allow their cash collateral to be used to fund such litigation. It is the Debtor's opinion that unsecured creditors and the Employees are better served by receiving the property as provided under the Plan in exchange for the third-party releases.

## VII.

### VOTING PROCEDURES AND REQUIREMENTS

#### Holders of Claims or Interests

**IT IS IMPORTANT THAT HOLDERS OF CLAIMS EXERCISE THEIR RIGHT TO VOTE TO ACCEPT OR REJECT THE PLAN.** All known holders of Claims entitled to vote on the Plan have been sent a Ballot together with this Disclosure Statement. Such holders should read the Ballot carefully and follow the instructions contained therein. Please use only the Ballot (or Ballots) that accompanies this Disclosure Statement.

**FOR YOUR VOTE TO COUNT, YOUR BALLOT MUST BE ACTUALLY RECEIVED BY THE BALLOTING AGENT (AS DEFINED BELOW), NO LATER THAN 5:00 P.M., (PREVAILING CENTRAL TIME), ON JUNE 4, 2003.**

**ANY BALLOT WHICH IS EXECUTED AND RETURNED BUT WHICH DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED. IF YOU HAVE ANY QUESTIONS CONCERNING VOTING PROCEDURES OR IF A BALLOT IS DAMAGED OR LOST, YOU MAY CONTACT THE BALLOTING AGENT AT THE ADDRESS SPECIFIED BELOW OR BY TELEPHONING:**

Bankruptcy Management Corporation  
Attn: Mobile Pulley Balloting Agent  
P.O. Box 0934  
El Segundo, CA 90245-0934  
Telephone: 888-909-0100

If you wish to obtain an additional copy of the Plan or the Disclosure Statement or any exhibits to such documents, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), please submit your request to Bankruptcy Management Corporation at the address and telephone number indicated above.

#### **A. Parties in Interest Entitled to Vote**

Subject to the provisions of the Disclosure Order, any holder of a Claim against the Debtor as of the Petition Date, which Claim has not been disallowed by order of the Bankruptcy Court and is not disputed, is entitled to vote to accept or reject the Plan if (i) such Claim is impaired under the Plan and is not of a Class that is deemed to have accepted or rejected the Plan pursuant to sections 1126(f) and 1126(g) of the Bankruptcy Code, and (ii) either (x) such holder's Claim has been scheduled by the Debtor (and such Claim is not scheduled as disputed, contingent or unliquidated), or (y) such holder has filed a proof of claim on or before the applicable bar date. In addition, a holder of an Interest in the Debtor is not entitled to vote to accept or reject the Plan



because Class 6 is deemed to have rejected the Plan pursuant to sections 1126(f) and 1126(g) of the Bankruptcy Code. **Unless otherwise permitted in the Plan, the holder of any Disputed Claim is not entitled to vote with respect to such Disputed Claim, unless the Bankruptcy Court, upon application by such holder, temporarily allows such Disputed Claim for the limited purpose of voting to accept or reject the Plan prior to the Confirmation Hearing and after notice and a hearing in accordance with Federal Rules of Bankruptcy Procedure 3018(a).** A vote on the Plan may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that such vote was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

**B. Classes Impaired and Entitled to Vote Under the Plan**

The Claims included in Classes 1, 2, 3, 4A, 4B, and 5 are impaired under the Plan and the holders of such Claims are entitled to vote to accept or reject the Plan. Interests included in Class 6 are impaired under the Plan and the holder of such Interests is deemed to have rejected the Plan in accordance with section 1126 of the Bankruptcy Code.

**C. Vote Required for Acceptance by Classes of Claims**

The Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of at least two-thirds in dollar amount and more than one-half in number of the claims of that class which actually cast ballots for acceptance or rejection of the plan. Thus, acceptance by a Class of Claims occurs only if at least two-thirds in dollar amount and a majority in number of the holders of such Claims voting cast their Ballots in favor of acceptance. A Class of holders of Claims shall be deemed to accept the Plan in the event that no holder of a Claim within that Class submits a Ballot by the Ballot Date.

**CREDITORS AND OTHER PARTIES IN INTEREST ARE CAUTIONED TO REVIEW THE DISCLOSURE ORDER FOR A FULL UNDERSTANDING OF VOTING REQUIREMENTS, INCLUDING, WITHOUT LIMITATION, USE OF BALLOTS IN CONNECTION WITH THE VOTING OF CLAIMS.**

**VIII.**

**CONFIRMATION OF THE PLAN**

Under the Bankruptcy Code, the following steps must be taken to confirm the Plan.

**A. Confirmation Hearing**

Section 1128(a) of the Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a hearing on confirmation of a plan. By order of the Bankruptcy Court, the Confirmation Hearing has been scheduled for June 9, 2003, at 1:30 p.m. (Prevailing Central Time), in the United States Bankruptcy Court for the Southern District of Alabama, located at 201 St. Louis Street, Mobile, Alabama 36602. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement made at the Confirmation Hearing or any adjournment thereof.

Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of a plan. Any objection to confirmation of the Plan must be in writing, conform to the Federal Rules of Bankruptcy Procedure and the Local Rules of the Bankruptcy Court, set forth the name of the objector, the nature and amount of the Claim or Interest held or asserted by the objector against the Debtor's estate or property, the basis for the objection and the specific grounds therefore. The objection, together with proof of service thereof, must then be filed with the Bankruptcy Court, with a copy to chambers, and served upon each of the following; so as to be received no later than 5:00 p.m., (Prevailing Central Time), on June 4, 2003, Counsel to the Debtor: Kirk A. Kennedy, Jackson Walker L.L.P., 1401 McKinney, Suite 1900, Houston, Texas 77010; Counsel to the Secured Lenders: Stephen P. Strohschein, McGlinchey Stafford, Ninth Floor, One American Place, Baton Rouge, Louisiana. 70825-0001; Counsel to the Official Committee of Unsecured Creditors: Donald L. Rickertson, Haskell Slaughter Young & Rediker, L.L.C., 1200 AmSouth/Harbert Plaza, 1901 Sixth Avenue North, Birmingham, Alabama 35203; the Bankruptcy Administrator: Travis Bedsole, P.O. Box 3083 Mobile, Alabama 36652-3083.

Objections to confirmation of the Plan are governed by Rule 9014 of the Bankruptcy Rules. **UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY AND PROPERLY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.**

## **B. Requirements for Confirmation of the Plan**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation are that the Plan (i) is accepted by all impaired Classes of Claims and Interests or, if rejected by an impaired Class, that the Plan "does not discriminate unfairly" and is "fair and equitable" as to such Class, (ii) is feasible, and (iii) is in the "best interests" of holders of Claims and Interests impaired under the Plan.

### **1. Acceptance**

Claims in Classes 1, 2, 3, 4A, 4B, and 5 are impaired under, and the holders of such Claims are entitled to vote on, the Plan and, therefore, must accept the Plan in order for it to be confirmed without application of the "fair and equitable test," described below, to such Classes. As stated above, Classes of Claims will have accepted the Plan if the Plan is accepted by at least two-thirds in dollar amount and a majority in number of the Claims of each such Class (other than any Claims of creditors designated under section 1126(e) of the Bankruptcy Code) that have voted to accept or reject the Plan.

Interests in Class 6 are impaired. However, the holder of such Interests is deemed not to have accepted the Plan. Accordingly, confirmation of the Plan will require application of the "fair and equitable test," described below, to such Class.

### **2. Fair and Equitable Test**

The Debtor will seek to confirm the Plan notwithstanding the nonacceptance or deemed nonacceptance of the Plan by any impaired Class of Claims or Interests. To obtain such confirmation, it must be demonstrated to the Bankruptcy Court that the Plan "does not discriminate unfairly" and is "fair and equitable" with respect to such dissenting impaired 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 substantially similar to those of the dissenting class and if no class receives more than it is entitled to for its claims or interests. The Debtor believes that the Plan satisfies this requirement.

The Bankruptcy Code establishes different “fair and equitable” tests for secured claims, unsecured claims and interests, as follows:

a. **Secured Claims** :

Either the plan must provide (i) that the holders of such claims retain the liens securing such claims, whether the property subject to such liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and each holder of a claim receives deferred cash payments totaling at least the allowed amount of such claim, of a value, as of the effective date of the plan, of at least the value of such holder’s interest in the estate’s interest in such property; (ii) for the sale of any property that is subject to the liens securing such claims, free and clear of such liens, with such liens to attach to the proceeds of such sale; or (iii) for the realization by such holders of the indubitable equivalent of such claims.

b. **Unsecured Claims** :

Either (i) each holder of an impaired unsecured claim receives or retains under the plan property of a value equal to the amount of its allowed claim or (ii) the holders of claims and interests that are junior to the claims of the dissenting class will not receive any property under the plan.

c. **Interests** :

Either (i) each interest holder will receive or retain under the plan property of a value equal to the greater of (x) the fixed liquidation preference or redemption price, if any, of such stock or (y) the value of the stock, or (ii) the holders of interests that are junior to the stock will not receive any property under the plan.

**THE DEBTOR BELIEVES THAT THE PLAN MAY BE CONFIRMED ON A NONCONSENSUAL BASIS (PROVIDED AT LEAST ONE IMPAIRED CLASS OF CLAIMS VOTES TO ACCEPT THE PLAN). ACCORDINGLY, THE DEBTOR WILL DEMONSTRATE AT THE CONFIRMATION HEARING THAT THE PLAN SATISFIES THE REQUIREMENTS OF SECTION 1129(b) OF THE BANKRUPTCY CODE AS TO ANY NON-ACCEPTING CLASS.**

**3. Feasibility**

The Bankruptcy Code requires that confirmation of a plan is not likely to be followed by the liquidation or the need for further financial reorganization of a debtor. The Plan contemplates that all assets of the Debtor will ultimately be disposed of and all proceeds of the assets will be distributed to the Creditors pursuant to the terms of the Plan. Since no further financial reorganization of the Debtor will be possible, the Debtor believes that the Plan meets the feasibility requirement. In addition, based upon the proceeds resulting from the Sale to SPI, the Debtor

believes that sufficient funds will exist at confirmation to make all payments to all classes of Claims required by the Plan.

#### **4. “Best Interests” Test**

With respect to each impaired Class of Claims and Interests, confirmation of the Plan requires that each such holder either (i) accepts the Plan or (ii) receives or retains under the Plan property of a value, as of the Effective Date of the Plan, that is not less than the value such holder would receive or retain if the Debtor were liquidated under chapter 7 of the Bankruptcy Code.

This analysis requires the Bankruptcy Court to determine what the holders of Allowed Claims and Allowed Interests in each impaired class would receive from the liquidation of the Debtor’s assets and properties in the context of a chapter 7 liquidation case. The cash amount which would be available for the satisfaction of Unsecured Claims and Interests of the Debtor would consist of the proceeds resulting from the disposition of the unencumbered assets of the Debtor, augmented by the unencumbered Cash held by the Debtor at the time of the commencement of the liquidation case. Such cash amount would be reduced by the costs and expenses of the liquidation and by such additional administrative and priority claims that may result from the termination of the Debtor’s businesses and the use of chapter 7 for the purposes of liquidation.

The Debtor’s costs of liquidation under chapter 7 would include the fees payable to a trustee in bankruptcy, as well as those payable to attorneys, investment bankers and other professionals that such trustee may engage, plus any unpaid expenses incurred by the Debtor during the Chapter 11 Case, such as compensation for attorneys, financial advisors, accountants and costs and expenses of members of any official committees that are allowed in a chapter 7 case. In addition, claims could arise by reason of the breach or rejection of obligations incurred and executory contracts entered into or assumed by the Debtor during the pendency of the Chapter 11 Case.

The foregoing types of Claims and such other claims which may arise in a liquidation case or result from the pending Chapter 11 Case would be paid in full from the liquidation proceeds before the balance of those proceeds would be made available to pay prepetition Claims.

To determine if the Plan is in the best interests of each impaired class, the value of the distributions from the proceeds of the liquidation of the Debtor’s assets and properties (after subtracting the amounts attributable to the aforesaid claims) is then compared with the value offered to such classes of Claims and Interests under the Plan.

In applying the “best interests” test, it is possible that Claims and Interests in a chapter 7 case may not be classified according to the seniority of such Claims and Interests. In the absence of a contrary determination by the Bankruptcy Court, all pre-chapter 11 Unsecured Claims which have the same rights upon liquidation would be treated as one class for the purposes of determining the potential distribution of the liquidation proceeds resulting from a chapter 7 case of the Debtor. The distributions from the liquidation proceeds would be calculated on a pro rata basis according to the amount of the Claim held by each Creditor. Therefore, Creditors who claim to be third-party beneficiaries of any contractual subordination provisions might have to seek to enforce such contractual subordination provisions in the Bankruptcy Court or otherwise. The Debtor believes that the most likely outcome of liquidation proceedings under chapter 7 would be the

application of the rule of absolute priority of distributions. Under that rule, no junior creditor receives any distribution until all senior creditors are paid in full with interest and no stockholder receives any distribution until all Creditors are paid in full with postpetition interest. Consequently, the Debtor believes that pursuant to chapter 7 of the Bankruptcy Code, holders of General Unsecured Claims and Interests would receive no distributions.

After consideration of the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Case, including: (i) the increased costs and expenses of a liquidation under chapter 7 arising from fees payable to a trustee in bankruptcy and professional advisors to such trustee; (ii) the substantial increases in claims which would be satisfied on a priority basis or on parity with creditors in the Chapter 11 Case, and (iii) the likelihood that the Settlement Agreement will not be approved in a chapter 7 case, the Debtor believes that Confirmation of the Plan will provide each holder of an Allowed Claim with more than the amount it would receive pursuant to liquidation of the Debtor under chapter 7 of the Bankruptcy Code.

The Debtor also believes that the value of any distributions from the liquidation proceeds to each class of Allowed Claims in a chapter 7 case would be less than the value of distributions under the Plan because such distributions in a chapter 7 case would not occur for a substantial period of time. It is likely that distribution of the proceeds of the liquidation could be delayed for at least a year or more after the completion of such liquidation in order to resolve claims and prepare for distributions. In the likely event litigation were necessary to resolve claims asserted in a chapter 7 case, the delay could be prolonged.

The Debtor's Liquidation Analysis is attached hereto as Exhibit E. The information set forth in Exhibit E provides a summary of the liquidation values of the Debtor's assets assuming a chapter 7 liquidation in which a trustee appointed by the Bankruptcy Court would liquidate the assets of the Debtor's estate. Reference should be made to the Liquidation Analysis for a complete discussion and presentation of the Liquidation Analysis.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by management, are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Debtor and management. The Liquidation Analysis is also based upon assumptions with regard to liquidation decisions that are subject to change. Accordingly, the values reflected may not be realized if the Debtor were, in fact, to undergo such a liquidation. The chapter 7 liquidation period is assumed to be a period of six to 18 months following the discontinuance of operations. This period would allow for the collection of receivables, selling of assets and the winding down of operations.

## **IX.**

### **FINANCIAL INFORMATION**

The unaudited financial statements of the Debtor for the fiscal year ended December 31, 2002, a copy of which is attached hereto as Exhibit F (the "2002 Statements"), reflect a net loss of \$2.3 million compared to a net loss of \$2.1 million for the fiscal year ended December 31, 2001.

On September 25, 2002, the Debtor commenced proceedings under chapter 11 of the Bankruptcy Code. The monthly operating reports filed with the Bankruptcy Court show the financial performance of the Debtor since the Petition Date and are available for review at the Office of the Clerk of the Bankruptcy Court located at 201 St. Louis Street, Mobile, Alabama 36602.

## **X.**

### **ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

The Debtor has evaluated several alternatives to the Plan. After studying these alternatives, including the conversion to Chapter 7, the Debtor has concluded that the Plan is the best alternative and will maximize recoveries by parties in interest assuming confirmation of the Plan. The following discussion provides a summary of the Debtor's analysis leading to their conclusion that a liquidation under chapter 7 would not provide the highest value to parties in interest.

#### **A. Liquidation under Chapter 7**

If no plan of reorganization can be confirmed, the Debtor's Chapter 11 Case may be converted to a case under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtor for distribution to the holders of Claims and, if permitted, Interests in accordance with the priorities established by the Bankruptcy Code. A discussion of the effect that a chapter 7 liquidation would have on the recovery of holders of Allowed Claims and Allowed Interests is set forth in Section VIII.B.4. herein, entitled Confirmation of the Plan - Requirements for Confirmation of the Plan - "Best Interests" Test. The Debtor believes that liquidation under chapter 7 would result in no distributions being made to holders of Unsecured Claims in any Class because the Secured Lenders would receive all cash proceeds in the estate.

## **XI.**

### **CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The following discussion is a summary of certain U.S. federal income tax consequences of the Plan to the Debtor and to holders of Claims and Interests. This discussion is based on the Internal Revenue Code, Treasury Regulations promulgated and proposed thereunder, judicial decisions and published administrative rules and pronouncements of the IRS as in effect on the date hereof. Due to the complexity of certain aspects of the Plan, the lack of applicable legal precedent, the possibility of changes in the law, the differences in the nature of the Claims (including Claims within the same Class) and Interests, the holders' status and method of accounting (including holders within the same Class) and the potential for disputes as to legal and factual matters with the IRS, the tax consequences described herein are subject to significant uncertainties. No legal opinions have been requested from counsel with respect to any of the tax aspects of the Plan and no rulings have been or will be requested from the IRS with respect to the any of the issues discussed below. Furthermore, legislative, judicial or administrative changes may occur, perhaps with retroactive effect, which could affect the accuracy of the statements and conclusions set forth below as well as the tax consequences to the Debtor and the holders of Claims and Interests.

This discussion does not purport to address all aspects of U.S. federal income taxation that may be relevant to the Debtor or the holders of Claims or Interests in light of their personal

circumstances, nor does the discussion deal with tax issues with respect to taxpayers subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, brokers and dealers in securities, insurance companies, financial institutions, tax-exempt organizations, small business investment companies, regulated investment companies and foreign taxpayers). This discussion does not address the tax consequences to holders of Claims who did not acquire such Claims at the issue price on original issue. No aspect of foreign, state, local or estate and gift taxation is addressed.

THE FOLLOWING SUMMARY IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PERSONAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT WITH SUCH HOLDER'S TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

**A. Consequence to Holders of Claims**

The federal income tax consequences of the Plan to a holder of a Claim will depend upon several factors, including but not limited to: (i) the origin of the holder's Claim, (ii) whether the holder is a resident of the United States for tax purposes (or falls into any of the special classes of taxpayers excluded from this discussion as noted above), (iii) whether the holder reports income on the accrual or cash basis method, (iv) whether the holder has taken a bad debt deduction or worthless security deduction with respect to this Claim, and (v) whether the holder receives distributions under the Plan in more than one taxable year. **HOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIMS.**

**1.  Holders of Claims**

Generally, a holder of an Allowed Claim will recognize gain or loss equal to the difference between the "amount realized" by such holder and such holder's adjusted tax basis in the Allowed Claim. The "amount realized" is equal to the sum of the Cash and the fair market value of any other consideration received under the Plan in respect of a holder's Claim.

**2.  Distributions in Discharge of Accrued but Unpaid Interest**

Pursuant to the Plan, distributions received in respect of Allowed Claims will be allocated first to the principal amount of such Allowed Claims, with any excess allocated to accrued but unpaid interest. However, there is no assurance that the IRS will respect such allocation for federal income tax purposes. Holders of Allowed Claims not previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be treated as receiving taxable interest, to the extent any consideration they receive under the Plan is allocable to such accrued but unpaid interest. Holders previously required to include in their taxable income any accrued but unpaid interest on an Allowed Claim may be entitled to recognize a deductible loss, to the extent that such accrued but unpaid interest is not satisfied under the Plan. **HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE ALLOCATION OF CONSIDERATION RECEIVED IN SATISFACTION OF THEIR ALLOWED CLAIMS AND THE FEDERAL INCOME TAX TREATMENT OF ACCRUED BUT UNPAID INTEREST.**

### **3. Character of Gain or Loss; Tax Basis; Holding Period**

The character of any gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss recognized by a holder of Allowed Claims under the Plan will be determined by a number of factors, including, but not limited to, the status of the holder, the nature of the Allowed Claim in such holder's hands, the purpose and circumstances of its acquisition, the holder's holding period of the Allowed Claim, and the extent to which the holder previously claimed a deduction for the worthlessness of all or a portion of the Allowed Claim. The holder's aggregate tax basis for any consideration received under the Plan will generally equal the amount realized in the exchange (less any amount allocable to interest as described in the next paragraph). The holding period for any consideration received under the Plan will generally begin on the day following the receipt of such consideration.

#### **B. Consequences to Holders of Interests**

Pursuant to the Plan, all Interests in the Debtor are being extinguished. A holder of any Interest extinguished under the Plan should generally be allowed a "worthless stock deduction" in an amount equal to the holder's adjusted basis in the holder's Interest. A "worthless stock deduction" is a deduction allowed to a holder of a corporation's stock for the taxable year in which such stock becomes worthless. If the holder held the Interest as a capital asset, the loss will be treated as a loss from the sale or exchange of such capital asset. Capital gain or loss will be long-term if the Interest was held by the holder for more than one year and otherwise will be short-term. Any capital losses realized generally may be used by a corporate holder only to offset capital gains, and by an individual holder only to the extent of capital gains plus \$3,000 of other income.

#### **C. Withholding**

All Distributions to holders of Allowed Claims under the Plan are subject to any applicable withholding, including employment tax withholding. The Debtor and/or the Post-Confirmation Estate will withhold appropriate employment taxes with respect to payments made to a holder of an Allowed Claim which constitutes a payment for compensation. Payors of interest, dividends, and certain other reportable payments are generally required to withhold at a rate not in excess of 30.5% of such payments if the payee fails to furnish such payee's correct taxpayer identification number (social security number or employer identification number), to the payor. The Debtor and/or the Post-Confirmation Estate may be required to withhold a portion of any payments made to a holder of an Allowed Claim if the holder (i) fails to furnish the correct social security number or other taxpayer identification number ("TIN") of such holder, (ii) furnishes an incorrect TIN, (iii) has failed to properly report interest or dividends to the IRS in the past, or (iv) under certain circumstances, fails to provide a certified statement signed under penalty of perjury, that the TIN provided is the correct number and that such holder is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

**AS INDICATED ABOVE, THE FOREGOING IS INTENDED TO BE A SUMMARY ONLY AND NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND, IN SOME CASES, UNCERTAIN.**



**ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS URGED TO CONSULT SUCH HOLDER'S TAX ADVISORS CONCERNING THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.**

**XII.**

**CONCLUSION AND RECOMMENDATION**

The Debtor believes that the Plan is in the best interests of all holders of Claims and Interests and urges the holders of impaired Claims in Classes 1, 2, 3, 4A, 4B, and 5 to vote to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be actually received on or before 5:00 p.m., (Prevailing Central Time), on June 4, 2003.

Dated: May 1, 2003  
Mobile, Alabama

MOBILE PULLEY, L.L.C.  
DEBTOR AND DEBTOR IN POSSESSION

By:           / Albert J. Savage, III /            
Name: Albert J. Savage, III  
Title: President

**EXHIBIT A**

**PLAN**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF ALABAMA**

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In re:	)	
	)	Chapter 11
MOBILE PULLEY, L.L.C.	)	
	)	Case No. 02-15612 (MAM)
Debtor.	)	

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**DEBTOR'S SECOND AMENDED LIQUIDATING PLAN  
OF REORGANIZATION PURSUANT TO CHAPTER 11  
OF THE UNITED STATES BANKRUPTCY CODE**

Kirk A. Kennedy  
Charles L. Carr  
Jackson Walker L.L.P.  
1401 McKinney, Suite 1900  
Houston, Texas 77010  
(713) 752-4200

Counsel for Debtor and  
Debtor in Possession

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The Debtor, Mobile Pulley, L.L.C. (“Debtor” or “Mobile Pulley”), hereby proposes the following liquidating plan of reorganization pursuant to sections 1121(a) and (c) and 1123 of the Bankruptcy Code.

## ARTICLE I DEFINITIONS

As used in the Plan, the following terms shall have the respective meanings specified below and be equally applicable to the singular and plural of terms defined:

1.1 Administrative Claims Bar Date: June 13, 2003, which is the date set by the Bankruptcy Court as the last date for timely submission of a proof of Claim on account of an Administrative Expense Claim.

1.2 Administrative Expense Claim: Any Claim constituting a cost or expense of administration of the Chapter 11 Case asserted under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including, without limitation, any actual and necessary costs and expenses of preserving the estate of the Debtor, any actual and necessary costs and expenses of operating the business of the Debtor in Possession, any indebtedness or obligations incurred or assumed by the Debtor in Possession in connection with the administration and implementation of the Plan, the administration, prosecution or defense of Claims by or against the Debtor and for distributions under the Plan, any Claims for compensation and reimbursement of expenses arising during the period from and after the Petition Date and prior to the Effective Date or otherwise in accordance with the provisions of the Plan, any Professional Compensation and Reimbursement Claims and any fees or charges assessed against the Debtor’s estate pursuant to 28 U.S.C. § 1930.

1.3 Affiliate: Any Entity that is an “affiliate” of the Debtor within the meaning of section 101(2) of the Bankruptcy Code.

1.4 Agent: PNC Bank, National Association as attorney in fact for National Canada Finance LLC, a Delaware limited liability company, as successor to National Canada Finance Corp. as Agent for the Secured Lenders.

1.5 Allowed Administrative Expense Claim: An Administrative Expense Claim, to the extent it is or has become an Allowed Claim.

1.6 Allowed Claim/Allowed Interest: Any Claim against or Interest in the Debtor, (i) proof of which was filed on or before the date designated by the Bankruptcy Court as the last date for filing proofs of Claim against or Interests in the Debtor, (ii) if no proof of Claim or Interest has been timely filed, which has been or hereafter is listed by the Debtor in their Schedules as liquidated in amount and not disputed or contingent, or (iii) any Interest registered in the stock register or organization documents maintained by or on behalf of the Debtor as of the Record Date and, in each such case in clauses (i), (ii) and (iii) above, a Claim or Interest as to which no objection to the allowance thereof has been interposed within the applicable period of limitation fixed by the Plan, the Bankruptcy Code, the Bankruptcy Rules or a Final Order, or as to which an objection has been interposed and such Claim or Interest has been allowed in whole or in part by a Final Order. For

purposes of determining the amount of an “Allowed Claim”, there shall be deducted therefrom an amount equal to the amount of any claim which the Debtor may hold against the holder thereof, to the extent such claim may be set-off pursuant to section 553 of the Bankruptcy Code.

1.7 Allowed General Unsecured Claim: A General Unsecured Claim, to the extent it is or has become an Allowed Claim.

1.8 Allowed Secured Tax Claim: A Priority Tax Claim to the extent it is or has become an Allowed Claim and is secured by the Debtor’s assets.

1.9 Allowed Secured Lenders’ Claim: The Secured Lenders’ Claim, which is an Allowed Claim.

1.10 Ballot: The form of ballot distributed to each holder of an impaired Claim on which shall be indicated acceptance or rejection of the Plan.

1.11 Ballot Date: June 4, 2003, which is the date set by the Bankruptcy Court as the last date for timely submission by each holder of an impaired Claim of a Ballot accepting or rejecting the Plan.

1.12 Bankruptcy Causes of Action: All claims, actions, causes of action, choses in action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, third-party claims, counterclaims, and crossclaims (including, but not limited to, all claims and any avoidance, recovery, subordination or other actions against insiders and/or any other Entities under the Bankruptcy Code, including sections 506, 510, 542, 543, 544, 545, 547, 548 549, 500, 551, and 553 of the Bankruptcy Code or otherwise) of the Debtor, the Debtor in Possession, that are or may be pending on the Effective Date or after the Effective Date against any Entity, based in law or equity, including, but not limited to, under the Bankruptcy Code, whether direct, indirect, derivative, or otherwise and whether asserted or unasserted as of the date of entry of the Confirmation Order.

1.13 Bankruptcy Code: Title 11 of the United States Code, as applicable to the Chapter 11 Case.

1.14 Bankruptcy Court: The United States Bankruptcy Court for the Southern District of Alabama or such other court having jurisdiction over the Chapter 11 Case.

1.15 Bankruptcy Rules: The Federal Rules of Bankruptcy Procedure, as promulgated by the United States Supreme Court under 28 U.S.C. § 2075 as amended and any Local Rules of the Bankruptcy Court.

1.16 Business Day: A day other than a Saturday, a Sunday or any other day on which commercial banks in Mobile, Alabama are required or authorized to close by law or executive order.

1.17 Cash: Lawful currency of the United States of America.

1.18 Cash Collateral Orders: Collectively, the Interim Order Authorizing the Interim Use of Cash Collateral and Providing Adequate Protection Therefore entered by the Bankruptcy Court on

October 9, 2002 and subsequently extended, and the final order relating thereto, entered on October 29, 2002, as amended, including that amending order entered on February 26, 2003.

1.19 Chapter 11 Case: The case commenced under chapter 11 of the Bankruptcy Code by the Debtor on the Petition Date, styled In re Mobile Pulley, L.L.C., Case No. 02-15612 (MAM) currently pending before the Bankruptcy Court.

1.20 Claim: Any right to payment from the Debtor, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured, known or unknown; or any right to an equitable remedy for breach of performance if such breach gives rise to a right of payment from the Debtor, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or unsecured.

1.21 Class: A category of holders of Claims or Interests as set forth in Article III of the Plan.

1.22 Collateral: Any property or interest in property of the estate of the Debtor that is subject to an unavoidable Lien to secure the payment or performance of a Claim.

1.23 Confirmation Date: The date upon which the Clerk of the Bankruptcy Court has entered the Confirmation Order on the docket in the Chapter 11 Case.

1.24 Confirmation Hearing: The hearing to consider confirmation of the Plan in accordance with section 1129 of the Bankruptcy Code, as the same may be adjourned from time to time.

1.25 Confirmation Order: The order of the Bankruptcy Court confirming the Plan in accordance with the provisions of chapter 11 of the Bankruptcy Code.

1.26 Core Assets Sale Transaction: The sale of the Debtor's core business assets to SPI/Mobile Pulley Works, Inc. a designee of Steel Processors, Inc. pursuant to the Order of the Bankruptcy Court dated January 17, 2003.

1.27 Creditor: Any Entity that has a Claim against the Debtor that arose or is deemed to have arisen on or prior to the Petition Date, including, without limitation, a Claim against the Debtor's chapter 11 estate of a kind specified in sections 348(d), 502(f), 502(g), 502(h) or 502(i) of the Bankruptcy Code.

1.28 Creditors' Committee: The official committee of unsecured creditors appointed on December 6, 2002, in the Chapter 11 Case pursuant to section 1102 of the Bankruptcy Code as constituted from time to time up to the Effective Date (also, the "Committee").

1.29 Debtor: Mobile Pulley, L.L.C.

1.30 Debtor in Possession: The Debtor as debtor in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

1.31 Disclosure Statement: The second amended disclosure statement (as may be further amended) related to the Plan and approved by the Bankruptcy Court in accordance with section 1125 of the Bankruptcy Code.

1.32 Disputed Claim; Disputed Interest: Any Claim against or Interest in the Debtor, to the extent the allowance of which is the subject of a timely objection or request for estimation in accordance with the Plan, the Bankruptcy Code, the Bankruptcy Rules or the Confirmation Order, or is otherwise disputed by the Debtor in accordance with applicable law, which objection, request for estimation or dispute has not been withdrawn or determined by a Final Order.

1.33 Disputed Claim Amount: The lesser of (i) the amount of a Disputed Claim as filed with the Bankruptcy Court, and (ii) if the Bankruptcy Court has estimated such Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, the amount of a Disputed Claim as estimated by the Bankruptcy Court; provided, however, that nothing contained in the Plan is intended to or shall affect any Entity's rights under section 502(j) of the Bankruptcy Code.

1.34 Distribution Agent: The Debtor or any other Entity designated by the Debtor to distribute funds of the estate pursuant to the Plan.

1.35 Distribution Date: The Effective Date, or as soon as practicable thereafter as determined by the Debtor in its sole discretion.

1.36 Effective Date: The date which is the first Business Day after the Confirmation Date on which all conditions specified in Section 18.2 of the Plan have been satisfied or waived or as soon as reasonably practicable thereafter.

1.37 Employee(s): Those persons employed by Mobile Pulley, L.L.C. on or about July 26, 2002.

1.38 Employee Claims: Those Allowed Claims as asserted by Employees.

1.39 Entity: A Person, a corporation, a general partnership, a limited partnership, a limited liability company, a limited liability partnership, an association, a joint stock company, a joint venture, an estate, a trust, an unincorporated organization, a Governmental Unit or any subdivision thereof or any other entity.

1.40 Equity Security: A (i) share in a corporation, whether or not denominated "stock", or similar security, (ii) an interest of a limited partner in a limited partnership, (iii) a membership interest in a limited liability company, or (iv) a warrant or right, other than a right to consent, to purchase, sell, or subscribe to a share, security, or interest of a kind specified in (i), (ii), (iii), or (iv) of this definition.

1.41 Final Cash Collateral Order: The order of the Bankruptcy Court, entered as of October 29, 2002, authorizing the use of cash collateral and providing adequate protection therefore, as amended, including that amending order entered on February 26, 2003.

1.42 Final Order: An order of the Bankruptcy Court or any other court of competent jurisdiction as to which the time to appeal, petition for certiorari or move for reargument or rehearing

has expired and as to which no appeal, petition for certiorari or other proceedings for reargument or rehearing shall then be pending; and if an appeal, writ of certiorari, reargument or rehearing thereof has been sought, such order shall have been affirmed by the highest court to which such order was appealed, or certiorari shall have been denied or reargument or rehearing shall have been denied or resulted in no modification of such order, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired; 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, may be but has not then been filed with respect to such order, shall not cause such order not to be a Final Order.

1.43 General Claims Bar Date: January 31, 2003, which is the date set by the Bankruptcy Court as the last date for timely submission of a proof of Interest or proof of Claim for all Claims other than Administrative Expense Claims.

1.44 General Unsecured Claim: An Unsecured Claim, other than an Administrative Expense Claim.

1.45 Interest: means any ownership interest in the Debtor, including, but not limited to, an interest in any issued, unissued, authorized or outstanding shares or stock and other Equity Security together with any warrants, options or contractual rights to purchase or acquire such interests at any time and all rights arising with respect thereto.

1.46 IRC: The Internal Revenue Code of 1986, as amended from time to time.

1.47 IRS: The Internal Revenue Service, an agency of the United States Department of the Treasury.

1.48 Lien: Any charge against or interest in property to secure payment of a debt or performance of an obligation.

1.49 Other Secured Creditor Claims: Secured Claims of the Other Secured Creditors.

1.50 Other Secured Creditors: All of the secured creditors other than the Secured Lenders.

1.51 Party in Interest Matrix: The list of the parties in interest to lawsuits, collection actions or other matters where the Debtor may have rights of recovery which list shall be filed with the Clerk of the Bankruptcy Court as part of the Plan Supplement.

1.52 Person: An individual.

1.53 Petition Date: September 25, 2002, the date on which Mobile Pulley filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code commencing the Chapter 11 Case.

1.54 Plan: The Debtor's Second Amended Liquidating Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code including, without limitation, any exhibits and schedules hereto either in its present form or as the same may be amended, modified or supplemented from time to time in accordance with the terms and provisions hereof.

1.55 Prepetition Credit Agreement: That certain Amended and Restated Credit Agreement, dated as of June 30, 1999, by and among Mobile Pulley and its Affiliates identified therein, the Agent and the lenders identified therein, and any of the documents and instruments related thereto, including amendments.

1.56 Professional Compensation and Reimbursement Claims: Any Claim in the Chapter 11 Case entitled to payment in accordance with sections 330 or 331 of the Bankruptcy Code or entitled to priority in payment under sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(5) of the Bankruptcy Code.

1.57 Record Date: May 6, 2003, which is the date to be established by the Bankruptcy Court in the Confirmation Order for the purpose of determining those holders of Allowed Claims that can receive distributions pursuant to the Plan.

1.58 Released Parties: The Secured Lenders, including without limitation National Bank of Canada, Offshore Tool & Energy Corporation, Affiliates of the Debtor, and their parents, subsidiaries and affiliates, and the respective officers, employees, shareholders, agents, representatives, attorneys, successors and assigns, financial advisors, investment bankers, and accountants of the foregoing.

1.59 Retained Assets: All assets of the Debtor's estate remaining after the payment of all Claims in accordance with this Plan, provided that any reserves for Allowed Administrative Expense Claims shall be properly administered by the Debtor as agent for the holders of such Claims and any excess reserves shall constitute Retained Assets.

1.60 Schedules: The respective schedules of assets and liabilities, the list of Interests, and the statements of financial affairs filed by the Debtor on October 4, 2002, in accordance with section 521 of the Bankruptcy Code and the Official Bankruptcy Forms of the Bankruptcy Rules as such schedules and statements have been or may be supplemented or amended from time to time during the Chapter 11 Case.

1.61 Secured Claim: A Claim against the Debtor that is secured by a Lien on Collateral or that is subject to setoff under section 553 of the Bankruptcy Code, to the extent of the value of the Collateral or to the extent of the amount subject to setoff, as applicable, as determined in accordance with section 506(a) of the Bankruptcy Code.

1.62 Secured Lenders: PNC Bank, National Association as attorney in fact for National Canada Finance LLC a Delaware limited liability company, as successor to National Canada Finance Corp. ("NCFC") and Citizens Business Credit, a division of Citizens Leasing Corp., a Rhode Island corporation ("CBC").

1.63 Secured Lenders' Claims: Any Claims of the Secured Lenders or the Agent arising from or related to the Credit Agreement.

1.64 Secured Tax Claim: The Secured Claim of any taxing authority.

1.65 Settlement Agreement: The Stipulation and Settlement Terms for Settlement of Claims and Issues Between the Debtor, the Unions, and the Employees dated as of May 6, 2003.

1.66 Unsecured Claim: Any Claim against the Debtor other than a Secured Claim. Unsecured Claims include Administrative Expense Claims, Employee Claims, and Unsecured Deficiency Claims.

1.67 Unsecured Deficiency Claims: An unsecured deficiency claim of any secured lender except the Secured Lenders to the extent that is or has become an Allowed Claim.

1.68 Unsecured Trade Claims: An Unsecured Claim against the Debtor but not including Employee Claims, Administrative Claims, or Unsecured Deficiency Claims.

Other Definitions: Unless the context otherwise requires, any capitalized term used and not defined herein or elsewhere in the Plan but that is defined in the Bankruptcy Code shall have the meaning assigned to that term in the Bankruptcy Code. Any capitalized term used and not defined herein may be defined in the Disclosure Statement and shall have the meaning assigned to that term therein. Unless otherwise specified, all section, schedule or exhibit references in the Plan are to the respective section in, article of, or schedule or exhibit to, the Plan, as the same may be amended, waived, or modified from time to time. The words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to the Plan as a whole and not to any particular section, subsection, or clause contained in the Plan.

## ARTICLE II COMPROMISE AND SETTLEMENT OF DISPUTES

### 2.1 Compromise and Settlement:

(a) The Plan incorporates various compromises and settlements among the Debtor, its sole member, Offshore Tool & Energy (“OT&E”), the Secured Lenders, the Agent, the Unions, and its Employees which are an integral part of the Plan. The treatment of Claims in Classes 1, 2, 3, 4A, 4B, and 5 reflect these compromises and settlements which shall be binding on the Debtor, all Creditors, and all Entities receiving any payments or other distributions under the Plan. Specifically, this Plan incorporates the Settlement Agreement between the Debtor, its Unions and the Employees. The terms of the Settlement Agreement are more fully described in the Disclosure Statement.

(b) The Creditors holding the largest aggregate amount of claims in this Chapter 11 Case are Secured Lenders and OT&E. The Secured Lenders’ Claims are secured by substantially all of the Debtor’s assets. The Debtor believes that, as of the Petition Date, it owes in the aggregate, in excess of \$17,337,809.00 on account all the Secured Lenders’ Claims. Once the Debtor completed the sale and liquidation of its assets and the proceeds are paid to Secured Lenders (if ordered by the Court), the Debtor believes that it will still owe more than \$15,000,000 on account of its Secured Claims.

(c) Since the Petition Date, Debtor has worked to achieve a distribution for Creditors (other than the Secured Lenders and OT&E ) that will enable the Debtor to confirm a liquidating plan of reorganization. After months of arduous negotiations, the Debtor and its Unions and Employees agreed to the terms contained in the Settlement Agreement. The Debtor has also



negotiated with the Secured Lenders, OT&E, and others to reduce and/or waive their claims against the estate thus resulting in a smaller pool of Unsecured Claims. Under the Plan, holders of Unsecured Trade Claims in Class 4A will receive distributions of approximately 10% on account of their Allowed Claims. Under the Plan, Employees in Class 3 will receive \$305,000 which will be distributed pursuant to the Settlement Agreement between the Debtor, its Unions, and Employees.

ARTICLE III  
CLASSIFICATION OF CLAIMS AND INTERESTS

Class	Claim	Status	Voting Rights
Unclassified	Administrative Expense Claims	Unimpaired	Not Entitled to Vote
1	Secured Lenders' Claims	Impaired	Entitled to Vote
2	Secured Tax Claims	Impaired	Entitled to Vote
3	Employee Claims	Impaired	Entitled to Vote
4A	Unsecured Trade Claims	Impaired	Entitled to Vote
4B	Unsecured Deficiency Claims	Impaired	Entitled to Vote
5	Affiliate Claim	Impaired	Entitled to Vote
6	Equity Interests	Impaired	Not Entitled to Vote

ARTICLE IV  
PROVISIONS FOR PAYMENT OF ADMINISTRATIVE EXPENSE CLAIMS

4.1 Administrative Expense Claims: Generally, on the later to occur of (a) the Effective Date or (b) the date on which such Claim shall become an Allowed Claim, the Debtor shall (i) pay to each holder of an Allowed Administrative Expense Claim the allowed portion of such Claim in Cash, or (ii) satisfy and discharge such Allowed Administrative Expense Claim in accordance with such other terms as may be agreed upon by and between the holder thereof and the Debtor. On the Effective Date, there shall be escrowed all estimated amounts relating to the Professional Compensation and Reimbursement Claims accrued and unpaid through the Effective Date pending entry of a Final Order on each such professional's fee applications in addition to any other fees or commissions owing by the Debtor.

ARTICLE V  
PROVISIONS FOR CLASSIFICATION AND TREATMENT  
OF SECURED LENDERS' CLAIMS (CLASS 1)

5.1 Classification of Secured Lenders' Claims: Class 1 Claims consist of the Secured Lenders' Claims.

5.2 Treatment of Allowed Secured Lenders' Claims: On the Effective Date, or as soon as practicable thereafter, but in no event later than 15 days following the Confirmation Date, the Secured Lenders shall receive \$1,600,000 in cash if not previously distributed to the Secured Lenders by Order of the Court. Additionally, the Secured Lenders shall receive pursuant to the Plan

the releases provided for in Article XXI of the Plan. The Claims of the Secured Lenders shall not be released, discharged, enjoined or impaired in any respect by confirmation of the Plan and all rights, privileges, security interests, and liens under the Credit Agreement shall be retained against the post-confirmation Mobile Pulley, L.L.C. (and all other parties to the Credit Agreement) and their assets, including the Post-Confirmation Estate Assets.

ARTICLE VI  
PROVISION FOR TREATMENT OF SECURED TAX  
CLAIMS (CLASS 2)

6.1 Classification of Secured Tax Claims: Class 2 Claims consist of Secured Tax Claims against Debtor.

6.2 Treatment of Secured Tax Claims: On the Effective Date, or as soon thereafter as is practicable, the one holder of Secured Tax Claims shall receive a distribution of \$80,000 in cash in full satisfaction of its Secured Tax Claim.

ARTICLE VII  
PROVISIONS FOR CLASSIFICATION AND TREATMENT OF EMPLOYEE CLAIMS  
(CLASS 3)

7.1 Classification of Employee Claims: Class 3 Claims consist of Allowed Claims by the Employees against Debtor.

7.2 Treatment of Employee Claims: On the Effective Date, the Employee Claims in Class 3 will receive a lump sum of \$305,000.00 which will be distributed to holders of Class 3 Employee Claims pursuant to the Settlement Agreement between the Debtor, the Unions, and the Employees.

ARTICLE VIII  
PROVISIONS FOR CLASSIFICATION AND TREATMENT  
OF GENERAL UNSECURED CLAIMS (CLASS 4)

8.1 Classification of General Unsecured Claims: Class 4 is divided into subclasses 4A and 4B and consists of General Unsecured Claims against the Debtor. Class 4A consists of Unsecured Trade Claims against the Debtor. Class 4B consists of Unsecured Deficiency Claims against the Debtor.

8.2 Treatment of Unsecured Trade Claims: On the Effective Date, each holder of an Allowed Unsecured Trade will receive, in cash, 10% of the amount of such Allowed Claim.

8.3 Treatment of Unsecured Deficiency Claims: The holder of Allowed Claims in Class 4B shall not receive any cash under the Plan on account of their claims. In satisfaction of such

claims, each holder of claims in Class 4B shall receive releases as provided in Section 21.3 of the Plan and shall retain liens on any assets of Mobile Pulley, L.L.C.

ARTICLE IX  
PROVISION FOR CLASSIFICATION AND TREATMENT  
OF AFFILIATE CLAIM (CLASS 5)

9.1 Classification of Affiliate Claims: The Affiliate Claim in Class 5 consists of the general unsecured claim of OT&E in the amount of \$20,000,000.

9.2 Treatment of Affiliate Claim: Class 5 is impaired and is entitled to vote on the Plan. On the Effective Date, the holder of the Class 5 Affiliate Claim shall not receive any cash. The holder of such claim shall receive a release as provided in Section 21.3 of the Plan.

ARTICLE X  
PROVISION FOR  
INTERESTS IN DEBTOR (CLASS 6)

10.1 Retention of Interests: On the Effective Date, OT&E shall be deemed to retain all equity interests, whether certificated or uncertificated, in Mobile Pulley, L.L.C., provided however that such equity interests will have no value or capital account basis and OT&E will retain no rights to distributions from Mobile Pulley, L.L.C. with respect to such interests. Upon dissolution of Mobile Pulley, L.L.C., all remaining assets will be distributed to the Secured Lenders and/or LMS as the case may be.

ARTICLE XI  
PROVISIONS FOR IMPLEMENTATION OF THE PLAN

11.1 Sale of Assets: The Debtor has consummated the sale of substantially all of its operating assets pursuant to the terms of the sale to a designee of Steel Processors, Inc., SPI/Mobile Pulley Works, Inc. The Debtor also is in the process of liquidating its remaining assets which are accounts receivable. Any assets not liquidated to Cash prior to the Confirmation Date shall be transferred to and vest in Mobile Pulley, L.L.C.

11.2 Corporate Action: Upon the entry of the Confirmation Order by the Bankruptcy Court, all matters provided under the Plan involving the corporate structure of the Debtor shall be deemed authorized and approved without any requirement of further action by the Debtor, the Debtor's sole member or the Debtor's officers.

11.3 Preservation of Rights of Action: Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, the Debtor shall retain sole and exclusive authority to enforce any claims, rights or causes of action that the Debtor or its chapter 11 estate may hold against any Entity, including any Bankruptcy Causes of Action as set forth herein, subject to the

liens and security interests of the Secured Lenders under the Credit Agreement. Mobile Pulley, L.L.C. may pursue such retained rights or causes of action, as appropriate.

ARTICLE XII  
PROVISIONS FOR TREATMENT OF DISPUTED CLAIMS  
UNDER THE PLAN

12.1 Objections to Claims; Prosecution of Disputed Claims: The Debtor shall object to the allowance of Claims or Interests filed with the Bankruptcy Court with respect to which they dispute liability or allowance in whole or in part. Unless otherwise ordered by the Bankruptcy Court, the Debtor will file and serve all objections to Claims as soon as practicable.

12.2 Estimation of Claims: The Debtor may at any time request that the Bankruptcy Court estimate any contingent or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code regardless of whether the Debtor, previously objected to such Claim or whether the Bankruptcy Court ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including, without limitation, during the pendency of any appeal relating to any such objection. Subject to the provisions of section 502(j) of the Bankruptcy Code, in the event that the Bankruptcy Court estimates any contingent or Disputed Claim, the amount so estimated will constitute the allowed amount of such Claim. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Debtor may pursue supplementary proceedings to object to the allowance of such Claim. All of the aforementioned objection, estimation and resolution procedures are intended to be cumulative and not necessarily exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court.

12.3 Payments and Distributions on Disputed Claims: There will be set aside for each holder of a Disputed Claim such portion of Cash as necessary to provide required distributions if such Claim was an Allowed Claim, either based upon the amount of the Claim as filed with the Bankruptcy Court or the amount of the Claim as estimated by the Bankruptcy Court.

At such time as a Disputed Claim becomes, in whole or in part, an Allowed Claim, the Debtor or Distribution Agent as the case may be shall distribute to the holder thereof the distributions, if any, to which such holder is then entitled under the Plan. Such distribution, if any, will be made as soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Disputed Claim becomes a Final Order but in no event more than 30 days thereafter. No interest will be paid on Disputed Claims that later become Allowed or with respect to any distribution to such holder. No distribution will be made with respect to all or any portion of any Disputed Claim pending the entire resolution thereof in the manner prescribed in the Plan.

ARTICLE XIII  
ACCEPTANCE OR REJECTION OF PLAN; EFFECT OF REJECTION  
BY ONE OR MORE CLASSES OF CLAIMS OR INTERESTS

13.1 Impaired Classes to Vote: Each holder of a Claim or Interest in an impaired Class shall be entitled to vote separately to accept the Plan or reject it unless such holder is deemed to accept or reject the Plan.

13.2 Holders of Class 3 and Class 4A Claims: Holders of Claims in Class 3 and Class 4A who do not object to confirmation of the Plan shall be deemed to have consented to treatment, as set forth in the Plan, that is different from that set forth in section 1129(a)(9) and section 524(e) of the Bankruptcy Code.

13.3 Acceptance by Class of Creditors and Holders of Interests: An impaired Class of holders of Claims shall have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Allowed Claims of such Class that have voted to accept the Plan or reject it. An impaired Class of Claims or Interests shall have accepted the Plan if the Plan is accepted by at least two-thirds (2/3) in amount of the Allowed Claims of such Class that have voted to accept the Plan or reject it. A Class of holders of Claims shall be deemed to accept the Plan in the event that no holder of a Claim within that Class submits a Ballot by the Ballot Date.

13.4 Cramdown: In the event that any impaired Class of Claims or Interests shall fail to accept the Plan in accordance with section 1129(a) of the Bankruptcy Code, the Debtor reserves the right to request that the Bankruptcy Court confirm the Plan in accordance with section 1129(b) of the Bankruptcy Code or amend the Plan.

ARTICLE XIV  
IDENTIFICATION OF CLAIMS AND INTERESTS  
IMPAIRED AND NOT IMPAIRED BY THE PLAN

14.1 Impaired and Unimpaired Classes: Claims in Classes 1, 2, 3, 4A, 4B, and 5 are impaired under the Plan.

14.2 Impaired Classes to Vote on Plan: The Claims included in Classes 1, 2, 3, 4A, 4B and 5 of the Plan are impaired and are therefore entitled to vote to accept the Plan or reject it. The Interests included in Class 6 of the Plan are deemed to have rejected the Plan in accordance with the provisions of section 1126(g) of the Bankruptcy Code.

14.3 Impaired Interests: Interests in Class 6 are impaired and are deemed to reject the Plan.

14.4 Controversy Concerning Impairment: In the event of a controversy as to whether any Class of Claims or Interests is impaired under the Plan, the Bankruptcy Court shall, after notice and a hearing, determine such controversy.

ARTICLE XV  
PROVISIONS REGARDING DISTRIBUTIONS

15.1 Time and Method of Distributions: Except as otherwise provided in the Plan, all distributions will be made in the Debtor's sole discretion after the Effective Date. Whenever any distribution to be made under the Plan is due on a day other than a Business Day, such distribution will instead be made, without interest, on the immediately succeeding Business Day, but will be deemed to have been made on the date due. Unless the Entity receiving a payment agrees otherwise, any payment in Cash will be made by check drawn on a domestic bank or by wire transfer from a domestic bank.

15.2 Manner of Payment under the Plan: Any payment in Cash to be made by the Debtor shall be made, at the election of the Debtor, as the case may be, by check drawn on a domestic bank or by wire transfer from a domestic bank.

15.3 Delivery of Distributions: Subject to the provisions of Rule 2002(g) of the Bankruptcy Rules, and except as otherwise provided herein, distributions and deliveries to holders of Allowed Claims shall be made at the address of each such holder as set forth on the Schedules filed with the Bankruptcy Court unless superseded by the address set forth on proofs of claim filed by such holders, or at the last known address of such a holder if no proof of claim is filed or if the Debtor has been notified in writing of a change of address.

15.4 Undeliverable Distributions: If any distribution to any holder is returned to the Debtor as undeliverable, no further distributions will be made to such holder unless and until the Debtor is notified, in writing, of such holder's then-current address. Undeliverable distributions shall remain in the possession of the Debtor until such time as a distribution becomes deliverable. All Entities ultimately receiving distributions which were previously undeliverable, will not be entitled to any interest or other accruals of any kind. Nothing contained in the Plan will require the to attempt to locate any holder of an Allowed Claim or Allowed Interest.

Any holder of an Allowed Claim that does not assert its rights pursuant to the Plan to receive a distribution within two (2) months from and after the date such distribution is returned as undeliverable shall have such holder's Claim for such undeliverable distribution discharged and shall be forever barred from asserting any such Claim against the Debtor. In such case, any consideration held for distribution on account of such Claim or Interest shall revert to Mobile Pulley, L.L.C. for distribution in accordance with the terms of the Plan.

15.5 Time Bar to Cash Payment: Except as otherwise provided in the Plan with respect to Class 3 Claims, checks issued on account of Allowed Claims will be null and void if not negotiated within 60 days from and after the date of issuance thereof. Requests for the reissuance of any check will be made directly to the Debtor or Distribution Agent by the holder of the Allowed Claim with respect to which such check originally was issued. Any claim in respect of such a voided check must be made within two (2) months from and after the date of issuance of such check. After such date, all Claims in respect of void checks will be discharged and forever barred and the Distribution Agent will retain all monies related thereto for further distribution pursuant to the terms of the Plan.

15.6 Distributions after Effective Date: Distributions made after the Effective Date to holders of Claims that are not Allowed Claims as of the Effective Date but which later become Allowed Claims shall be deemed to have been made on the Effective Date.

15.7 Set-Offs: The Debtor may, pursuant to section 553 of the Bankruptcy Code or any applicable nonbankruptcy law, set-off against any Allowed Claim, other than the Allowed Secured Lenders' Claims, and the distributions to be made pursuant to the Plan on account thereof (before any distribution is made on account of such Claim), the claims, rights and causes of action of any nature that the Debtor may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect such a set-off nor the allowance of any Claim under the Plan will constitute a waiver or release by the Debtor of any such claims, rights and causes of action that the Debtor may possess against such holder; and, provided, further, that nothing contained in the Plan is intended to limit the rights of any Creditor to effectuate a set-off prior to the Effective Date in accordance with the provisions of sections 362 and 553 of the Bankruptcy Code.

15.8 Fractional Dollars; De Minimis Distributions: Payments of fractions of dollars will not be made. Whenever any payment of a fraction of a dollar under the Plan would otherwise be called for, the actual payment made will reflect a rounding of such fraction to the nearest dollar (up or down), with half dollars being rounded down.

15.9 Settlement of Claims and Controversies: Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of this Plan shall constitute a good faith compromise and settlement of claims or controversies relating to the contractual, legal and subordination rights that a holder of a Employee Claim or General Unsecured Claim may have with respect to any Allowed Claim or any distribution to be made on account of such an Allowed Claim. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of and finding that any such compromise or settlement of all claims and controversies affected thereby is in the best interests of the Debtor and its estate and holders of Claims and is fair, equitable and reasonable. The provisions of the Plan regarding distributions with respect thereto apply to all applicable contractual, legal and subordination rights that holders of such Claims maintain and, from and after the Effective Date, the holders of such Claims shall be entitled to rely upon the validity and enforceability of any such provisions in accordance with the provisions of section 510(a) of the Bankruptcy Code.

## ARTICLE XVI CREDITORS' COMMITTEE

16.1 Creditors' Committee Composition and Term: The members of the Creditors' Committee appointed pursuant to section 1102 of the Bankruptcy Code, and their duly appointed successors, shall continue to serve from the Confirmation Date up to and including the Effective Date. On the Effective Date, the Creditors' Committee shall be dissolved and the members thereof and the professionals retained by the Creditors' Committee in accordance with section 1103 of the Bankruptcy Code shall be released and discharged from their respective fiduciary obligations.

ARTICLE XVII  
EXECUTORY CONTRACTS AND UNEXPIRED LEASES

17.1 Rejection of Executory Contracts and Unexpired Leases: Any executory contracts or unexpired leases which have not expired by their own terms on or prior to the Effective Date, which have not been assumed and assigned or rejected with the approval of the Bankruptcy Court, or which are not the subject of a motion to assume the same pending as of the Effective Date shall be deemed rejected by the Debtor in Possession on the Effective Date and the entry of the Confirmation Order by the Bankruptcy Court shall constitute approval of such rejections pursuant to sections 365(a) and 1123 of the Bankruptcy Code.

ARTICLE XVIII  
CONDITIONS PRECEDENT TO CONFIRMATION  
AND EFFECTIVE DATE OF THE PLAN

18.1 Conditions Precedent to Confirmation Date of the Plan: The occurrence of the Confirmation Date shall be subject to satisfaction of the following conditions precedent:

(a) The entry of the Confirmation Order in form and substance satisfactory to the Debtor.

(b) The Bankruptcy Court determines that the Debtor has sufficient funds to pay the Administrative Claims, Employee Claims, Secured Lenders' Claims, Secured Tax Claims and Unsecured Claims in Class 4A in accordance with the terms of the Plan; and

(c) The Settlement Agreement shall have been approved by the Bankruptcy Court under FED.R.BANKR.P. 9019.

18.2 Conditions Precedent to the Effective Date of the Plan: The "effective date of the plan," as used in section 1129 of the Bankruptcy Code, will not occur, and the Plan will be of no force and effect, until the Effective Date, which will be the first Business Day after the following condition precedent shall have been satisfied or, as described below, waived:

(a) Confirmation Order: The Confirmation Order shall be entered by the Bankruptcy Court and shall be in full force and effect and not subject to an appeal, reconsideration or stay or pleading seeking an appeal, reconsideration or a stay.

Without limiting the foregoing conditions of this Section 18.2, the Effective Date may occur notwithstanding the pendency of an appeal of the Confirmation Order or any order related thereto so long as there is no stay in effect. The Effective Date may occur before the expiration of time to take an appeal or to seek reconsideration of the Confirmation Order with the giving of any notice to any objecting party. In the event of any such appeal, the Debtor may seek the dismissal of such appeal as moot following the Effective Date. To the extent practicable or legally permissible, the Debtor may waive, in whole or in part, in its sole discretion, each of the foregoing conditions. Any such waiver of a condition precedent may be effected at any time, without notice or leave or order of the



Bankruptcy Court and without any formal action other than proceeding as if such condition did not exist.

ARTICLE XIX  
RETENTION OF JURISDICTION

19.1 Retention of Jurisdiction: The Bankruptcy Court shall retain and have exclusive jurisdiction over any matter arising under the Bankruptcy Code, arising in or related to the Chapter 11 Cases or the Plan, or that relates to the following, in each case to the greatest extent permitted by applicable law:

(a) to resolve any matters related to the assumption, assumption and assignment or rejection of any executory contract or unexpired lease to which any of the Debtor is a party or with respect to which the Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to the amendment after the Effective Date of the Plan, to add any executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be rejected;

(b) to enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all contracts, instruments, releases, and other agreements or documents created in connection with the Plan;

(c) to determine any and all motions, adversary proceedings, applications and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the Plan, may be instituted after the Effective Date; provided, however, that the Debtor shall reserve the right to commence collection actions, actions to recover receivables and other similar actions in all appropriate jurisdictions;

(d) to ensure that distributions to holders of Allowed Claims are accomplished as provided herein;

(e) to hear and determine any timely objections to Administrative Expense Claims or to proofs of Claim and Interests filed, both before and after the Confirmation Date, including any objections to the classification of any Claim or Interest, and to allow, disallow, determine, liquidate, classify, estimate or establish the priority of or secured or unsecured status of any Claim, in whole or in part;

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

(g) to issue such orders in aid of execution of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

(h) to consider any modifications of the Plan, to cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the Confirmation Order;

- (i) to hear and determine all applications for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Confirmation Date;
- (j) to hear and determine disputes arising in connection with or relating to the Plan or the interpretation, implementation, or enforcement of the Plan or the extent of any Entity's obligations incurred in connection with or released or exculpated under the Plan;
- (k) to issue injunctions, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with consummation or enforcement of the Plan;
- (l) to determine any other matters that may arise in connection with or are related to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan or the Disclosure Statement;
- (m) to hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
- (n) to hear any other matter or for any purpose specified in the Confirmation Order that is not inconsistent with the Bankruptcy Code;
- (o) to hear and determine any matters that may arise in connection with the Core Asset Sale Transaction or any order of the Bankruptcy Court with respect thereto; and
- (p) to enter a final decree closing the Chapter 11 Cases.

## ARTICLE XX MODIFICATION, REVOCATION, OR WITHDRAWAL OF THE PLAN

20.1 Modification of Plan: The Debtor reserves the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, to amend or modify the Plan at any time prior to the entry of the Confirmation Order. Upon entry of the Confirmation Order, the Debtor may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan. A holder of a Claim that has accepted the Plan shall be deemed to have accepted the Plan as modified if the proposed modification does not materially and adversely change the treatment of the Claim of such holder.

20.2 Revocation or Withdrawal:

- (a) The Plan may be revoked or withdrawn prior to the Confirmation Date by the Debtor;
- (b) If the Plan is revoked or withdrawn prior to the Confirmation Date, then the Plan shall be deemed null and void. In such event, nothing contained herein shall be deemed to

constitute a waiver or release of any claims by the Debtor or any other Entity or to prejudice in any manner the rights of the Debtor or any other Entity in any further proceedings involving the Debtor.

## ARTICLE XXI MISCELLANEOUS PROVISIONS

21.1 Disallowance of Claims: All Claims held by Entities against whom the Debtor has asserted or will assert a cause of action under sections 542, 543, 550, 551 or 552 of the Bankruptcy Code, or that is a transferee of a transfer avoidable under sections 544, 545, 547, 548, 549 or 553 of the Bankruptcy Code shall be deemed disallowed pursuant to section 502(d) of the Bankruptcy Code, and holders of such Claims may not vote to accept or reject the Plan, both consequences to be in effect until such time as such causes of action against that Entity have been settled or a Final Order entered and all sums due the Debtor by that Entity are turned over to the Debtor.

Any and all Claims filed with the Bankruptcy Court after the General Claims Bar Date shall be disallowed and holders of such Claims may not vote to accept or reject the Plan.

21.2 Title to Assets: Except as otherwise provided by the Plan, on the Effective Date, Debtor's title to all assets and properties encompassed by the Plan shall vest in Mobile Pulley, L.L.C. Estate in accordance with section 1141 of the Bankruptcy Code.

21.3 Released Parties: On the Effective Date, (i) the Debtor shall be deemed to release the Released Parties from any claims, demands and causes of action whatsoever, known or unknown, present or contingent, arising out of or related to the Released Parties relationship to the Debtor, this Case, or the credit extended by one or more of the Released Parties to the Debtor, including but not limited to any Preference Actions, lender liability claims, or claims challenging the Secured Lenders' claims, liens and security interests and (ii) in consideration of the mutual compromises, waiver of claims, settlements and release of claims contemplated in the Plan, the Committee, the Employees and each of the holders of Claims and Interests against the Debtor shall be deemed to release and forever discharge the Debtor and the Released Parties from any and all causes of actions, suits, debts, dues, sums of money, contracts, agreements, promises, damages, claims and demands whatsoever in law or equity.

21.4 Injunction: Except as otherwise expressly provided in the Plan, all Entities other than the Secured Lenders who have held, hold or may hold Claims or Interests against the Debtor are permanently enjoined, from and after the Effective Date, from (i) commencing or continuing in any manner any action or other proceeding of any kind on account of any such Claim or Interest against the Debtor or the Released Parties, (ii) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtor or the Released Parties arising from such Claims or Interest, (iii) creating, perfecting or enforcing any encumbrance of any kind against the Debtor, or against the property or interests in property of the Debtor with respect to any such Claims or Interests, and (iv) asserting any defense or right of setoff, subrogation, or recoupment of any kind against any obligation due from the Debtor or the Released Parties or against the property or interests in property of the Debtor or the Released Parties with respect to any such Claim or Interest. This injunction shall not preclude any cause of action against any Entities not included within the injunction described herein.

21.5 Term of Existing Injunctions or Stays: Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Case pursuant to sections 105, 362 or 525 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Effective Date.

21.6 Exculpation: The Debtor, the Released Parties, and all Persons and Entities employed by the Debtor pursuant to sections 327 and 1103 of the Bankruptcy Code (acting in such capacity) shall neither have nor incur any liability to any Person or Entity for any act taken or omitted to be taken in connection with or related to the formulation, preparation, dissemination, implementation, administration, confirmation or consummation of the Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created or entered into in connection with the Plan or any other act taken or omitted to be taken in connection with the Chapter 11 Case.

21.7 Preservation of Rights of Action: Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into in connection with the Plan, in accordance with section 1123(b) of the Bankruptcy Code, Mobile Pulley, L.L.C. shall retain sole and exclusive authority to enforce any claims, rights or causes of action that the Debtor or its chapter 11 estate may hold against any Entity, including any Bankruptcy Causes of Action as set forth in Section 11.5 herein.

21.8 Payment of Statutory Fees: All fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on and after the Effective Date to the extent required by applicable law.

21.9 Section 1146 Exception: Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer or exchange of any security under the Plan, or the making or delivery of an instrument of transfer under the Plan or the Core Asset Sale Transaction may not be taxed under any law imposing a stamp tax or similar tax.

21.10 Severability: The provisions of this Plan shall not be severable unless such severance is agreed to by the Debtor and such severance would constitute a permissible modification of the Plan pursuant to section 1127 of the Bankruptcy Code.

21.11 Conflicts: Except as set forth below, to the extent that any provision of the Disclosure Statement, or the Confirmation Order (or any exhibits, schedules, appendices, supplements or amendments to the foregoing) conflict with or are in any way inconsistent with the terms of the Plan, the Plan shall govern and control.

21.12 Governing Law: Except to the extent that the Bankruptcy Code or other federal law is applicable, or to the extent that an exhibit hereto or document contained in the Plan Supplement provides otherwise, the rights, duties and obligations arising under this Plan shall be governed by, and construed and enforced in accordance with, the Bankruptcy Code and, to the extent not inconsistent therewith, the laws of the State of Alabama without giving effect to principles of conflicts of laws.

21.13 Notices: All notices, requests, and demands to or upon the Debtor to be effective shall be in writing, including by facsimile transmission, and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when actually delivered to all of the

following or, in the case of notice by facsimile transmission, when received by all of the following, addressed as follows or to such other addresses as filed with the Bankruptcy Court.

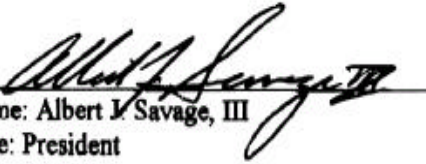
Jackson Walker L.L.P.  
1401 McKinney, Suite 1900  
Houston, Texas 77010  
Attention: Kirk A. Kennedy, Esq.  
Telephone: (713) 752-4531  
Telecopier: (713) 752-4221

21.14 Closing of Cases: The Debtor shall, promptly upon the full administration of the Chapter 11 Case, file with the Bankruptcy Court all documents required by Bankruptcy Rule 3022 and any applicable order of the Bankruptcy Court.

21.15 Section Headings: The section headings contained in this Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan.

Dated: May 1, 2003  
Mobile, Alabama

MOBILE PULLEY, LLC.  
DEBTOR AND DEBTOR IN POSSESSION

By:   
Name: Albert J. Savage, III  
Title: President

**EXHIBIT B**

**DISCLOSURE ORDER**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF ALABAMA**

In re:	)	
	)	<b>Chapter 11</b>
MOBILE PULLEY, L.L.C.,	)	
	)	<b>Case No. 02-15612 (MAM)</b>
Debtor.	)	

**ORDER APPROVING DEBTOR'S SECOND AMENDED  
DISCLOSURE STATEMENT FOR DEBTOR'S SECOND  
AMENDED LIQUIDATING PLAN OF REORGANIZATION  
PURSUANT TO CHAPTER 11 OF THE UNITED STATES  
BANKRUPTCY CODE, DATED MAY 1, 2003 AND SCHEDULING  
A HEARING TO CONSIDER CONFIRMATION OF THE  
DEBTOR'S SECOND AMENDED LIQUIDATING PLAN  
OF REORGANIZATION PURSUANT TO CHAPTER 11  
OF THE UNITED STATES BANKRUPTCY CODE**

Upon the record of the hearing held on May 6, 2003 (the "Disclosure Statement Hearing"), to consider approval, pursuant to Chapter 11 of the United States Bankruptcy Code, of the Debtor's Second Amended Disclosure Statement for Debtor's Second Amended Liquidating Plan of Reorganization Pursuant to Chapter 11 Of The United States Bankruptcy Code, dated May 1, 2003 (as may be further amended or supplemented, the "Disclosure Statement") as proposed by Mobile Pulley, L.L.C., the debtor and debtor-in-possession in the above captioned case (the "Debtor"), and seeking entry of an order approving the Disclosure Statement and scheduling a hearing to consider confirmation (the "Confirmation Hearing") of the Debtor's Second Amended Liquidating Plan of Reorganization Pursuant to Chapter 11 Of The United States Bankruptcy Code, dated May 1, 2003 (as may be further amended or supplemented, the "Plan"), and it appearing that the Court has jurisdiction over this matter, and due notice of the Disclosure Statement, the Disclosure Statement Hearing and the Motion having been given; and it appearing that no other or further notice need be given; and it appearing that the relief requested in the Motion is in the best interests of the Debtor, its estate, and its creditors;



and upon the record of the Disclosure Statement Hearing and all of the proceedings had before the Court; and sufficient cause appearing therefor, it is

ORDERED, that prior to Confirmation Hearing the Debtor is allowed to make non-material modifications to the Disclosure Statement and the Plan; and it is further

ORDERED, that in accordance with section 1125 of the Bankruptcy Code, and Rule 3017(c) of the Bankruptcy Rules, the Disclosure Statement presented at the Disclosure Statement Hearing is found to contain information that is of a kind, and in sufficient detail, as far as is reasonably practical in light of the nature and history of the Debtor, the Debtor's bankruptcy case, and the books and records of the Debtor, to enable the holders of claims against or interests in the Debtor to make an informed judgment to accept or reject the Plan, and is hereby approved; and it is further

ORDERED, that in accordance with Bankruptcy Rule 3017(c), the Confirmation Hearing on the Plan and any objections to the Plan that may be interposed shall be held before the Honorable Judge Margaret A. Mahoney in the United States Bankruptcy Court, 201 St. Louis Street, Mobile, Alabama 36602 at 1:30 p.m. on June 9, 2003, or as soon thereafter as counsel may be heard.

Dated: May 13, 2003

  
MARGARET A. MAHONEY  
U.S. BANKRUPTCY JUDGE

**EXHIBIT C**

**SUMMARY OF ACCOUNTS RECEIVABLE**

## EXHIBIT C

### SUMMARY OF ACCOUNTS RECEIVABLE

The following table shows the accounts receivable reflected on the books and records of Mobile Pulley, L.L.C. as of March 31, 2003 on a consolidated basis which includes accounts receivable of Mobile Pulley Machine Works and Mobile Pulley Marine Services, divisions of Mobile Pulley, L.L.C.

	<u>AMOUNT</u>	<u>BAD DEBT RESERVES</u>	<u>TOTAL</u>
Mobile Pulley, L.L.C.	\$1,124,753.00	(\$740,362.00)	\$384,391.00
Total Net Accounts			\$384,391.00 <sup>1</sup>

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<sup>1</sup> This is the approximate amount currently subject to collection by Maples & Fontenot, special litigation counsel to the Debtor.

**EXHIBIT D**

**SUMMARY OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL FEES**

## EXHIBIT D

### SUMMARY OF ADMINISTRATIVE CLAIMS AND PROFESSIONAL FEES

The following table summarizes the administrative claims and professional fees incurred in the Debtor's bankruptcy case:

<u>PROFESSIONAL/ CLAIMANT</u>	<u>SERVICES RENDERED</u>	<u>AMOUNTS PAID TO DATE</u> <sup>1</sup>	<u>ESTIMATED CLAIMS UPON CONFIRMATION OF PLAN</u> <sup>2</sup>
Albert J. Savage, III	Stay and Retention Package	\$10,833.34	\$86,666.67
Bankruptcy Management Corp.	Administrative Management of Bankruptcy Case	\$31,896.00	\$20,000.00 <sup>3</sup>
Haskell, Slaughter, Young & Rediker, L.L.C.	Counsel to Unsecured Creditors' Committee	\$0.00	\$75,000.00 <sup>4</sup>
Jackson Walker L.L.P.	Bankruptcy Counsel to Debtor	\$98,994.00	\$125,000.00 <sup>5</sup>
Jones Walker, <i>et al.</i>	Special Labor Counsel to Debtor	\$23,055.00	\$8,000.00
Kirkland and Ellis	Bankruptcy Counsel to Debtor	\$133,751.00	N/A <sup>6</sup>
Maples & Fontenot	Special Litigation Counsel to Debtor	\$61,482.00	N/A <sup>7</sup>

<sup>1</sup> Includes amounts that have been paid according to the Fees Procedure Order allowing 75% of billed fees and 100% of expenses to be paid on a monthly basis.

<sup>2</sup> Includes amounts due but unpaid and the estimates of future work required to close the case.

<sup>3</sup> This amount is exclusive of the BMC costs associated with preparing and serving the Disclosure Statement and Plan and tabulating ballots (expected to be approximately \$24.00 per package).

<sup>4</sup> Per the estimate of Committee counsel.

<sup>5</sup> Per the estimate of Debtor's counsel.

<sup>6</sup> Kirkland & Ellis has agreed to waive a portion of its fees.

<sup>7</sup> Any additional and/or unpaid fees owed to Maples & Fontenot ("M&F") will be paid from the proceeds of collected funds which are held by M&F.

**EXHIBIT E**

**LIQUIDATION ANALYSIS**

## EXHIBIT E

### LIQUIDATION ANALYSIS

The following table summarizes the differential treatment of classes of claims receiving returns on their claims in the Chapter 11 case and what they would receive in a Chapter 7 liquidation.

<u>PROCEEDING</u>	<u>AMOUNT OF ESTATE</u>	<u>CLASS 1 CLAIMS RETURN</u>	<u>CLASS 2 CLAIMS RETURN</u>	<u>CLASS 3 CLAIMS RETURN</u>	<u>CLASS 4A CLAIMS RETURN</u>
CHAPTER 11	\$2,401,298.00 <sup>1</sup>	\$1,600,00.00	\$80,000.00	\$305,000.00	\$150,000.00
CHAPTER 7	\$2,401,298.00 <sup>2</sup>	2,321,298.00  PLUS REMAINDER OF ESTATE	\$80,000.00	\$0.00**	\$0.00**

\*\* Under the Debtor's Chapter 11 Plan, claimants receiving cash will be providing releases to the Debtor and certain third parties. In a Chapter 7 liquidation, these claimants will retain all of their rights otherwise released pursuant to the Debtor's Chapter 11 Plan. The Debtor maintains in the Disclosure Statement that these rights have little, if any, liquidation value.

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<sup>1</sup> This amount reflects the net cash on hand as of April 30, 2003. It does not reflect any rights to accounts receivable or causes of action or any other contract or intangible rights that may exist which liquidation value is undeterminable.

<sup>2</sup> In a Chapter 7 liquidation, all administrative expenses of the Chapter 7 Trustee claims will be paid first and then Chapter 11 administrative expenses that are subject to the carve-out and the balance will be paid to the Secured Lenders whose claims exceed the balance of the estate.

**EXHIBIT F**

**YEAR-END 2002 FINANCIAL STATEMENTS**



**2002 Income Statement - Unaudited  
Mobile Pulley, LLC**

	<b>Total Twelve Months Ended 12/31/2002</b>
Sales - Manufacturing	7,510,967
Sales - Service	-
<b>Total Sales</b>	<b>7,510,967</b>
% Growth	
COGS - Manufacturing	7,150,961
COGS - Service	77,067
<b>Total COGS</b>	<b>7,228,028</b>
Gross Profit - Manufacturing	360,006
Gross Profit - Service	(77,067)
<b>Total Gross Profit</b>	<b>282,939</b>
% Net Sales	3.8%
S,G&A Expenses - Manufacturing	1,080,848
S,G&A Expenses - Service	-
<b>Total S,G&amp;A Expenses</b>	<b>1,080,848</b>
% Net Sales	14.4%
<b>EBITDA - Manufacturing</b>	<b>(720,842)</b>
<b>EBITDA - Service</b>	<b>(77,067)</b>
<b>Total EBITDA</b>	<b>(797,909)</b>
% Net Sales	-10.6%
Depreciation - COGS	548,232
Depreciation - S,G&A	157,704
Amortization	-
<b>Operating Profit (EBIT)</b>	<b>(1,503,845)</b>
% Net Sales	-20.0%
Other Income, Net	11,657
Senior Interest Expense	812,400
Subordinated Interest Expense	-
<b>Total Interest Expense</b>	<b>812,400</b>
Earnings Before Taxes	(2,304,588)
Provision for Income Taxes	-
<b>Net Income</b>	<b>(2,304,588)</b>

**Balance Sheet - Unaudited**  
**Mobile Pulley, LLC**  
**December 2002**

<u>Assets</u>	<u>MP, LLC</u>
Cash & Cash Equivalents	300,853
Accounts Receivable	1,604,268
Miscellaneous Receivables	-
Unbilled Receivables	-
Less: Bad Debt Allowance	(740,362)
Cost in Excess of Billings	-
Inventory	2,136,093
Less: Inventory Allowance	(75,000)
Prepaid Expenses	1,764
Other Current Assets	-
<b>Total Current Assets</b>	<b><u>3,227,616</u></b>
Gross Property, Plant & Equipment	11,617,384
Accumulated Depreciation	<u>2,947,951</u>
Net Property, Plant & Equipment	<u>8,669,433</u>
Other Assets	<u>(50,000)</u>
<b>Total Assets</b>	<b><u><u>11,847,049</u></u></b>
<b><u>Liabilities &amp; Equity</u></b>	
Accounts Payable	1,429,591
Accrued Liabilities	144,294
Billings in Excess of Costs	-
Deferred Revenue	-
Other Current Liabilities	-
<b>Total Current Liabilities</b>	<b><u>1,573,885</u></b>
Revolver	<u>22,179,757</u>
<b>Total Liabilities</b>	<b><u>23,753,642</u></b>
Common Stock	8,500
Additional Paid In Capital	762,500
Retained Earnings	<u>(12,677,593)</u>
<b>Total Equity</b>	<b><u>(11,906,593)</u></b>
<b>Total Liabilities &amp; Equity</b>	<b><u><u>11,847,049</u></u></b>