

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
SOUTHERN DIVISION**

In re	§	
	§	
FABRICS ESTATE INC.,	§	Case No. 08-10249
FABRICS ESTATE HOLDINGS INC.,	§	Case No. 08-10250
CONCRETE ESTATE SYSTEMS	§	
CORPORATION,	§	Case No. 08-10252
FABRICS ESTATE INTERNATIONAL	§	
HOLDINGS I INC.,	§	Case No. 08-10253
FABRICS ESTATE INTERNATIONAL	§	
HOLDINGS II INC.,	§	Case No. 08-10254
	§	
Debtors.	§	
	§	Chapter 11
	§	
	§	Jointly Administered Under
	§	Case No. 08-10249

**FIRST AMENDED DISCLOSURE STATEMENT, AS REVISED, FOR
THE FIRST AMENDED JOINT PLAN OF LIQUIDATION FILED BY FABRICS
ESTATE INC., FABRICS ESTATE HOLDINGS INC., CONCRETE ESTATE SYSTEMS
CORPORATION, FABRICS ESTATE INTERNATIONAL HOLDINGS I INC., AND
FABRICS ESTATE INTERNATIONAL HOLDINGS II INC.**

Dated the 15th day of July, 2009

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DISCLAIMER

THIS DISCLOSURE STATEMENT HAS BEEN APPROVED BY ORDER OF THE BANKRUPTCY COURT AS CONTAINING INFORMATION OF A KIND, AND IN SUFFICIENT DETAIL, TO ENABLE HOLDERS OF CLAIMS TO MAKE AN INFORMED JUDGMENT IN VOTING TO ACCEPT OR REJECT THE PLAN. APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION OR RECOMMENDATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE PLAN, THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE AND PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF, OR ARE INCONSISTENT WITH, SUCH DOCUMENTS. FURTHERMORE, ALTHOUGH THE DEBTORS HAVE MADE EVERY EFFORT TO BE ACCURATE, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN THE SUBJECT OF AN AUDIT OR OTHER REVIEW BY AN ACCOUNTING FIRM. IN THE EVENT OF ANY CONFLICT, INCONSISTENCY, OR DISCREPANCY BETWEEN THE TERMS AND PROVISIONS IN THE PLAN, THIS DISCLOSURE STATEMENT, THE EXHIBITS ANNEXED TO THIS DISCLOSURE STATEMENT, OR THE FINANCIAL INFORMATION INCORPORATED HEREIN OR THEREIN BY REFERENCE, THE PLAN SHALL GOVERN FOR ALL PURPOSES. ALL HOLDERS OF CLAIMS SHOULD READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING ON THE PLAN.

THE STATEMENTS AND FINANCIAL INFORMATION CONTAINED HEREIN HAVE BEEN MADE AS OF THE DATE HEREOF UNLESS OTHERWISE SPECIFIED. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER AT THE TIME OF SUCH REVIEW THAT THERE HAVE BEEN NO CHANGES IN THE FACTS SET FORTH HEREIN, UNLESS SO SPECIFIED. ALTHOUGH THE DEBTORS HAVE MADE AN EFFORT TO DISCLOSE WHERE CHANGES IN PRESENT CIRCUMSTANCES COULD REASONABLY BE EXPECTED TO AFFECT MATERIALLY THE RECOVERY UNDER THE PLAN, THIS DISCLOSURE STATEMENT IS QUALIFIED TO THE EXTENT CERTAIN EVENTS DO OCCUR.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND NOT IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER APPLICABLE NON-BANKRUPTCY LAW. PERSONS OR ENTITIES HOLDING OR TRADING IN OR OTHERWISE PURCHASING, SELLING, OR TRANSFERRING CLAIMS AGAINST

THE DEBTORS SHOULD EVALUATE THIS DISCLOSURE STATEMENT IN LIGHT OF THE PURPOSE FOR WHICH IT WAS PREPARED.

IN ACCORDANCE WITH THE BANKRUPTCY CODE, THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.

ARTICLE I.

INTRODUCTION

A. OVERVIEW

Fabrics Estate Inc. (“Fabrics”), Fabrics Estate Holdings Inc. (“Holdings”), Concrete Estate Systems Corporation (“Concrete”), Fabrics Estate International Holdings I Inc. (“International I”), and Fabrics Estate International Holdings II Inc. (“International II”), debtors and debtors-in-possession in the above-captioned cases (the “Debtor(s)”) hereby submit this First Amended Disclosure Statement, as Revised, pursuant to section 1125(b) of Title 11, United States Code, 11 U.S.C. §§ 101 et seq. (the “Bankruptcy Code”), and Rule 3017 of the Federal Rules of Bankruptcy Procedure, in connection with the Debtors’ First Amended Joint Plan of Liquidation Under Chapter 11 of the United States Bankruptcy Code, filed by the Debtors on June 18, 2009 (the “Plan”), a copy of which is attached hereto as Exhibit B. This Disclosure Statement supersedes the Disclosure Statement for Joint Plan of Reorganization Filed by Propex Inc., Propex Holdings Inc., Propex Concrete Systems Corporation, Propex Fabrics International Holdings I Inc., and Propex Fabrics International Holdings II Inc., filed in the Bankruptcy Cases on October 29, 2008 (Docket No. 667) and amends the Disclosure Statement for the Joint Plan of Liquidation Filed by Propex Inc., Propex Holdings Inc., Propex Concrete Systems Corporation, Propex Fabrics International Holdings I Inc., and Propex Fabrics International Holdings II Inc., filed in the Bankruptcy Cases on June 18, 2009 (Docket No. 1172).¹ All capitalized terms used but not defined in the Disclosure Statement shall have the respective meanings ascribed to such terms in the Glossary of Defined Terms (attached as Exhibit C to this Disclosure Statement), unless otherwise noted. In the event of any inconsistency between the Disclosure Statement and the Plan, the terms of the Plan shall govern and such inconsistency shall be resolved in favor of the Plan.

The purpose of this Disclosure Statement is to enable you, as a Creditor whose Claim is Impaired under the Plan, to make an informed decision in exercising your right to accept or reject the Plan. By order dated July 15, 2009 (the “Disclosure Statement Approval Order”), a copy of which is attached hereto as Exhibit A, the United States Bankruptcy Court for the Eastern District of Tennessee, Southern Division (the “Bankruptcy Court”) has found that this Disclosure Statement provides adequate information to enable holders of Claims that are Impaired under the Plan to make an informed judgment in exercising their right to vote for acceptance or rejection of the Plan.

B. SUMMARY OF THE PLAN

As approved by the Bankruptcy Court, in late January 2009, the Debtors took the beginning steps in marketing their assets to interested parties. With the assistance of their financial advisor, Houlihan, Lokey, Howard & Zukin Capital, Inc. (“Houlihan”), the Debtors

¹ All references hereunder to “Docket No. _____” refer to documents filed in Case No. 08-10249 in the Bankruptcy Court for the Eastern District of Tennessee. Such documents may be viewed free of charge on the internet at <http://chapter11.epiqsystems.com>.

marketed the sale of substantially all of their assets pursuant to the terms of the 2009 DIP Loan.² The Debtors obtained an expression of interest from more than 45 parties, the majority of whom executed confidentiality agreements and conducted due diligence with the intention of submitting a bid. After compliance with the bidding and auction procedures approved by the Bankruptcy Court, three parties participated in a competitive auction on March 23, 2009. Xerxes Operating Company, L.L.C. and Xerxes Foreign Holding Corp. (collectively referred to herein as “Xerxes”) emerged as the winning bidder with a bid aggregating more than \$100 million on an adjusted basis. On March 27, 2009, the Bankruptcy Court entered its Sale Order approving the sale of substantially all of the Debtors’ assets to Xerxes, including the assumption and assignment of most of the Debtors’ executory contracts and unexpired leases. A list of the executory contracts and unexpired leases assumed and assigned under the asset purchase agreement executed between the Debtors and Xerxes (the “Xerxes APA”) is attached hereto as Exhibit F. The closing of the Asset Sale occurred on or about April 24, 2009, and Xerxes is now the owner of substantially all of the assets previously owned by the Debtors as provided by the Xerxes APA and pursuant to the authority of the Sale Order.

Although the Xerxes APA provided for the sale of substantially all of the Debtors’ assets, some assets and approximately \$4.8 million in cash still remain in the Estates. As such, the Debtors’ Estates are currently being liquidated and will be providing distributions to creditors. The Plan contemplates the winding down of the Debtors’ estates and the resolution of the outstanding Claims against the Debtors pursuant to sections 1129(a) and 1123 of the Bankruptcy Code. The Plan classifies all Claims against and Interests in the Debtors into 5 separate Classes. Classes 1 through 4 include Claims against and Interests in all Debtors, except for Holdings. Class 5 includes Claims against and Interests in Holdings.

The Plan constitutes a single plan of liquidation for all of the Debtors. **UPON THE EFFECTIVE DATE, ALL ASSETS (INCLUDING ALL CASH AND CAUSES OF ACTION) WILL BE TRANSFERRED TO A LIQUIDATING TRUST, AND THE LIQUIDATING TRUST WILL BE VESTED WITH THE SOLE AUTHORITY TO, AMONG OTHER THINGS, REVIEW, INITIATE, AND/OR PURSUE ANY AND ALL CAUSES OF ACTION (INCLUDING AVOIDANCE ACTIONS), FILE CLAIM OBJECTIONS, AND SET RESERVES, AND THE DEBTORS WILL HAVE NO RESPONSIBILITY TO REVIEW, INITIATE, AND/OR PURSUE ANY AND ALL CAUSES OF ACTION (INCLUDING AVOIDANCE ACTIONS). THE LIQUIDATING TRUST, WHICH WILL BE ADMINISTERED BY THE LIQUIDATING TRUSTEE, WILL SERVE PRIMARILY AS THE VEHICLE FOR MAKING THE DISTRIBUTIONS**

²Due to the credit crunch in the U.S. economy at the time, which continues to the present day, the terms of the 2009 DIP Loan were the best the Debtors were able to obtain in the marketplace. As will be explained in more detail below, the Debtors’ entry into the 2009 DIP Loan began the chain of events which led to the Estates having sufficient cash on hand to transfer to effectuate a distribution to unsecured creditors. The Debtors’ pre-petition secured lenders held a secured claim not less than \$230 million, a claim which would have assuredly absorbed all recoveries under a Chapter 7 liquidation case, thereby leaving no proceeds to distribute to unsecured creditors. Yet, concomitant with the efforts leading to the Asset Sale, the Debtors’ and their pre-petition secured lenders, among others, entered into a Stipulation which allowed the Estates to retain certain monies which will be transferred to the Liquidating Trust, thereby allowing the Liquidating Trustee to make distributions to creditors, potentially even unsecured creditors (who will receive a Distribution under this Plan, which would not have been possible without the Debtors’ entry into the 2009 DIP Loan).

PROVIDED BY THE PLAN. The Plan provides for the payment in full of Allowed Administrative Expense Claims and Allowed Priority Tax Claims prior to any payment to other Creditors and/or Classes. After making such payments, the Plan further contemplates sufficient cash remaining in the Estates to make payment in full to Allowed Secured Claims and Allowed Priority Claims. Any remaining cash in the Estates will thereafter be utilized by the Liquidating Trust, in its sole discretion, to review, initiate, and/or pursue causes of action (including avoidance actions) and/or file claim objections. To the extent there is cash remaining in the Estates after the payment of fees and costs associated with the Liquidating Trust's review, initiation, and/or pursuit of causes of action (including avoidance actions) and/or claim objections, the remaining cash will be distributed by the Liquidating Trust on a pro rata basis to Allowed General Unsecured Claims. **THE ESTIMATES INCLUDED IN THIS DISCLOSURE STATEMENT SHOW UNSECURED CREDITORS RECEIVING A RANGE OF APPROXIMATELY 1.7 CENTS TO 2 CENTS PER DOLLAR ON THEIR CLAIMS. HOWEVER, IT IS UNCERTAIN WHAT UNSECURED CREDITORS WILL RECEIVE, IF ANYTHING, FOLLOWING THE LIQUIDATING TRUST'S REVIEW, INITIATION, AND/OR PROSECUTION OF CAUSES OF ACTION (INCLUDING AVOIDANCE ACTIONS) AND/OR CLAIM OBJECTIONS. HOWEVER, UNSECURED CREDITORS ARE UNLIKELY TO RECEIVE MORE THAN 3 CENTS PER DOLLAR ON THEIR CLAIMS.** The Debtors believe that any alternative to confirmation of the Plan, such as conversion of these cases to a Chapter 7 case under the Bankruptcy Code or attempts by another party in interest to file a plan, would result in significant delays, litigation, costs, and/or impaired recoveries. Moreover, the Debtors believe that the Debtors' creditors will receive greater and earlier recoveries under the Plan than those that would be achieved pursuant to a converted Chapter 7 case or under an alternative plan. **FOR THESE REASONS THE DEBTORS URGE YOU TO RETURN YOUR BALLOT "ACCEPTING" THE PLAN.**

A brief summary of the Classes, the treatment of each Class, and the voting rights of each Class is set forth in the table below.³ A complete description of the treatment of each Class is set forth in Article V of the Plan and Article IV of this Disclosure Statement. Parties should refer to those sections for a complete description of the proposed treatment for each Class.

³ Proofs of claim were filed by individuals claiming alleged retirement-related benefits exceeding an alleged aggregate secured amount of \$200,000. The Debtors believe that there is no basis for claiming such retirement-related benefits as secured claims. Therefore, these alleged amounts claimed in these proofs of claim, along with other amounts deemed not entitled to secured status, were not included in the secured claim calculation, below, which approximates secured claims as ranging from \$1,000 to \$25,000. Further, Catoosa Resources LLC filed a proof of claim claiming an alleged secured amount of \$550,000. The alleged claim of Catoosa Resources LLC is not entitled to secured status and was not included in the below calculation. Furthermore, proofs of claim were filed by individuals claiming alleged retirement-related benefits exceeding an alleged aggregate priority amount of \$1.5 million. The Debtors believe that there is no basis for claiming such retirement-related benefits as priority claims. Therefore, these amounts were not included in the priority claim calculation, below, which approximates priority claims as ranging from \$21,000 to \$100,000. Further, (i) the Tennessee Department of Revenue filed a proof of claim claiming an alleged tax liability of \$175,000, and (ii) the Internal Revenue Service filed a proof of claim claiming an alleged tax liability in excess of \$2.5 million. The Debtors' books and records show that these amounts have been paid; therefore, these alleged amounts claimed in these proofs of claim, along with other amounts deemed not entitled to priority status, were not included in the below calculation. Moreover, Fluor Enterprises, Inc. filed a proof of claim claiming an alleged priority claim in excess of \$252,000. The alleged claim of Fluor Enterprises, Inc. is not entitled to priority status and was not included in the above calculation.

<u>Class</u>	<u>Description</u>	<u>Estimated Aggregate Allowed Amount</u>	<u>Class Treatment</u>	<u>Class Voting Rights</u>
1	Allowed Secured Claims	approximately \$1,000 to \$25,000	Unimpaired	Conclusively presumed to accept Plan; not entitled to vote
2	Allowed Priority Claims	approximately \$21,000 to \$100,000	Unimpaired	Conclusively presumed to accept Plan; not entitled to vote
3	Allowed General Unsecured Claims	approximately \$175 million to \$210 million	Impaired	Entitled to vote
4	Allowed Interests	various	Impaired	Deemed to reject Plan; not entitled to vote
5	Allowed Holdings Claims and Interests	approximately \$33 million to \$54 million	Impaired	Deemed to reject Plan; not entitled to vote

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, the Plan. All such Claims are instead treated separately in accordance with Article II of the Plan and in accordance with the requirements set forth in section 1129(a)(9)(A) of the Bankruptcy Code. A more complete description of the treatment of Administrative Expense Claims and Priority Tax Claims is provided in Article II of the Plan and Article IV of the Disclosure Statement.

C. VOTING AND CONFIRMATION PROCEDURES

Accompanying this Disclosure Statement are copies of the following documents: (1) the Order Approving Disclosure Statement, which is attached to this Disclosure Statement as Exhibit A; (2) the Joint Plan of Liquidation, which is attached to this Disclosure Statement as Exhibit B; (3) the Glossary of Defined Terms, which is attached to this Disclosure Statement as Exhibit C; (4) the Notice to Voting Classes, which is attached to this Disclosure Statement as Exhibit D; (5) the Ballot to be executed by holders of Claims in Class 3 to accept or reject the Plan, which is attached to this Disclosure Statement as Exhibit E; (6) a list of the executory contracts and unexpired leases assumed and assigned under the Xerxes APA as Exhibit F; (7) the Debtors' most recent monthly operating report as Exhibit G; (8) a copy of the Stipulation as Exhibit H; (9) Schedule 2.2(a)(iv) of the Xerxes APA as Exhibit I; (10) Schedule 2.2(a)(vi) of the Xerxes APA as Exhibit J; (11) Schedule 2.2(a)(vii) of the Xerxes APA as Exhibit K; (11) Schedule 2.2(a)(xiii) of the Xerxes APA as Exhibit L; (12) portions of question 3(b) of the Debtors' statements of financial affairs as Exhibit M; and (13) portions of question 3(c) of the Debtors' statements of financial affairs as Exhibit N. This Disclosure Statement, the form of Ballot, and the related materials delivered together herewith (collectively, the "Solicitation Package") are being furnished to holders of Claims in Class 3 for the purpose of soliciting votes on the Plan.

If you did not receive a Ballot in your Solicitation Package, and believe that you should have received a Ballot, please contact the Claims Agent, Epiq Bankruptcy Solutions, LLC, (i) by hand delivery or overnight mail at 757 Third Avenue, 3rd Floor, New York, NY 10017, (ii) by mail at FDR Station, P.O. Box 5283, New York, NY 10150-5283, or (iii) by telephone at (646) 282-2500.

1. Who May Vote

Pursuant to the provisions of the Bankruptcy Code, only Classes of Claims that are “impaired” and that are not deemed as a matter of law to have rejected a plan of reorganization under section 1126(g) of the Bankruptcy Code are entitled to vote to accept or reject the Plan. Any class that is “unimpaired” is not entitled to vote to accept or reject a plan of reorganization and is conclusively presumed to have accepted the Plan. As set forth in section 1124 of the Bankruptcy Code, a class is “impaired” if legal, equitable, or contractual rights attaching to the claims or equity interests of that class are modified or altered. For purposes of the Plan only, holders of Claims in Class 3 are Impaired and are entitled to vote on the Plan.

A Claim must be “allowed” for purposes of voting in order for such creditor to have the right to vote. Generally, for voting purposes a Claim is deemed “allowed” absent an objection to the Claim if (i) a proof of claim was timely filed, or (ii) if no proof of claim was filed, the Claim is identified in the Debtors’ Schedules as other than “disputed,” “contingent,” or “unliquidated,” and an amount of the Claim is specified in the Schedules, in which case the Claim will be deemed allowed for the specified amount. In either case, when an objection to a Claim is filed, the creditor holding the Claim cannot vote unless the Bankruptcy Court, after notice and hearing, either overrules the objection, or allows the Claim for voting purposes. Accordingly, if you did not receive a Ballot and believe that you are entitled to vote on the Plan, you must file a motion pursuant to Federal Bankruptcy Rule 3018 with the Bankruptcy Court for the temporary allowance of your Claim for voting purposes by _____, 2009, or you will not be entitled to vote to accept or reject the Plan.

THE DEBTORS AND THE LIQUIDATING TRUSTEE IN ALL EVENTS RESERVE THE RIGHT THROUGH THE CLAIM RECONCILIATION PROCESS TO OBJECT TO OR SEEK TO DISALLOW ANY CLAIM FOR DISTRIBUTION PURPOSES UNDER THE PLAN.

2. Voting Instructions and Voting Deadline

All votes to accept or reject the Plan must be cast by using the Ballot enclosed with this Disclosure Statement. No votes other than ones using such Ballots will be counted, except to the extent the Bankruptcy Court orders otherwise. The Bankruptcy Court has fixed August 17, 2009 at 5:00 p.m. EDT 2009 as the Voting Deadline for the determination of the holders of Claims who are entitled to (a) receive a copy of this Disclosure Statement and all of the related materials and (b) vote to accept or reject the Plan. After carefully reviewing the Plan and this Disclosure Statement, including the annexed exhibits, please indicate your acceptance or rejection of the Plan on the Ballot and return such Ballot in the enclosed envelope by no later than August 17, 2009 at 5:00 p.m. EDT to:

By mail:
Fabrics Estate Inc.
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, P.O. Box 5283
New York, NY 10150-5283

By hand delivery or overnight mail:
Fabrics Estate Inc.
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, NY 10017

BALLOTS MUST BE COMPLETED AND RECEIVED NO LATER THAN 5:00 P.M. (EASTERN TIME) ON AUGUST 17, 2009 (THE “VOTING DEADLINE”). ANY BALLOT THAT IS NOT EXECUTED BY A DULY AUTHORIZED PERSON SHALL NOT BE COUNTED. ANY BALLOT THAT IS EXECUTED BY THE HOLDER OF AN ALLOWED CLAIM BUT THAT DOES NOT INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN WILL BE DEEMED TO BE AN ACCEPTANCE. ANY BALLOT THAT IS FAXED SHALL NOT BE COUNTED IN THE VOTING TO ACCEPT OR REJECT THE PLAN, UNLESS THAT BALLOT IS ACCEPTED IN THE DEBTORS’ DISCRETION.

3. *Whom to Contact for More Information*

If you have any questions about the procedure for voting your Claim or the packet of materials you received, please contact the Balloting and Claims Agent at the address indicated above or by telephone at (646) 282-2500. If you wish to obtain additional copies of the Plan, this Disclosure Statement, or the exhibits to those documents, at your own expense, unless otherwise specifically required by Bankruptcy Rule 3017(d), please contact King & Spalding LLP, 1100 Louisiana St., Suite 4000, Houston, Texas 77002, Attn: Toni Silva. Copies of these documents may also be accessed on the website: <http://chapter11.epiqsystems.com>.

4. *Acceptance or Rejection of the Plan*

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 Allowed Claims in that Class that cast ballots for acceptance or rejection of the Plan. Assuming that at least one Impaired Class votes to accept the Plan, the Debtors will seek to confirm the Plan under section 1129(b) of the Bankruptcy Code, which permits the confirmation of a plan notwithstanding the non-acceptance by one or more impaired classes of claims. Under section 1129(b) of the Bankruptcy Code, a plan may be confirmed if (a) the plan has been accepted by at least one impaired class of claims and (b) the Bankruptcy Court determines that the plan does not discriminate unfairly and is “fair and equitable” with respect to the non-accepting classes. A more detailed discussion of these requirements is provided in Articles X and XI of this Disclosure Statement.

5. *Time and Place of the Confirmation Hearing*

Section 1128(a) of the Bankruptcy Code requires the Court, after notice, to hold a confirmation hearing. Section 1128(b) of the Bankruptcy Code provides that any party in interest may object to confirmation of the Plan.

Pursuant to section 1128 of the Bankruptcy Code and Bankruptcy Rule 3017(c), the Bankruptcy Court has scheduled the Confirmation Hearing to commence on August 26, 2009 at 9:00 a.m. (Eastern time), before the Honorable John C. Cook of the United States Bankruptcy Court for the Eastern District of Tennessee, Southern Division, Courtroom A, Historic U.S. Courthouse, 31 East 11th Street, Chattanooga, TN 37402-2722. A notice setting forth the time and date of the Confirmation Hearing has been included along with this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement of such adjourned hearing date by the Bankruptcy Court in open court at such hearing.

6. *Objections to the Plan*

Any objection to Confirmation of the Plan must be in writing; must comply with the Bankruptcy Code, Bankruptcy Rules, and the Local Rules of the Bankruptcy Court; and must be filed with the United States Bankruptcy Court for the Eastern District of Tennessee, Southern Division, Historic U.S. Courthouse, 31 East 11th Street, Chattanooga, TN 37402-2722, and served upon the following parties, so as to be received no later than August 17, 2009 at 5:00 p.m. (Eastern time): (a) Henry J. Kaim, King & Spalding LLP, 1100 Louisiana St., Suite 4000, Houston, Texas 77002 (counsel for the Debtors); (b) Kim Swafford, Office of the United States Trustee, Historic U.S. Courthouse, 31 East 11th Street, 4th Floor, Chattanooga, TN 37402; and (c) James R. Savin, Esq., Akin Gump Strauss Hauer & Feld LLP, 1333 New Hampshire Avenue, N.W., Washington, D.C. 20036 and Shaya Rochester, Akin Gump Strauss Hauer & Feld LLP, One Bryant Park, New York, NY 10036 (counsel for the Committee).

ARTICLE II.

HISTORY OF THE DEBTORS AND EVENTS LEADING TO THE CHAPTER 11 FILING

A. FORMATION, BUSINESS, DEBT STRUCTURE, AND OTHER PRE-PETITION OBLIGATIONS OF THE DEBTORS

1. Formation and History of the Debtors

Fabrics is a Delaware corporation, formerly with its principal office located at 6025 Lee Highway, Suite 425, Chattanooga, Tennessee 37421. The remaining Debtors, Holdings, Concrete, International I, and International II, are also Delaware corporations. Holdings is a corporation that owns, directly or indirectly, 100% of the stock of Fabrics. Fabrics is a corporation that owns, directly or indirectly, 100% of the stock of International I, International II, and Concrete. Fabrics functioned as the Debtors' principal operating entity prior to the Asset Sale to Xerxes. Fabrics was formerly known as Propex Fabrics Inc. until the name was changed in June 2006. Prior to that, the company was known as AMOCO Fabrics and Fibers Company ("AMOCO").

The Debtors (with their predecessors) were engaged in the textile industry since 1884. On December 1, 2004, AMOCO and certain of its affiliates, collectively known as the BP Fabrics and Fibers Business, were acquired from BP p.l.c. by an investor group that include investment entities affiliated with The Sterling Group, L.P., Genstar Capital, L.P., Laminar Direct Capital, L.P., BNP Paribas Private Capital Group (through Paribas North America Inc.), certain members of the Debtors' then-senior management, and certain other investors. This entity became a stand-alone company known as Propex Fabrics Inc.

In January 2006, the Debtors refinanced their existing operations in order to acquire all the outstanding stock of SI Concrete Systems Corporation (now known as Concrete) and SI Geosolutions Corporation (now known as Fabrics Geosolutions Corporation), for approximately \$232.6 million (the "SI Acquisition"). The Debtors financed the purchase price with borrowings under a refinanced senior credit facility and approximately \$28.1 million of cash on-hand.

The former SI entities were leaders in providing innovative, high-performance products that provided support, strength, and stabilization solutions for its customers in the furnishings and construction materials markets. The SI Acquisition made Fabrics a more diversified company in terms of customers and products and provided Fabrics with opportunities to leverage the capabilities of both companies to optimize operations. The SI business included certain products complementary to Fabrics's existing product lines and other products that extended Fabrics's current product portfolio.

The former SI's business was comprised of three product lines – geotextiles, performance fabrics, and concrete fibers. SI's sales were predominantly to U.S.-based customers, although its concrete fibers product line included a U.K. sales office which marketed its concrete fibers products to European customers. The SI Acquisition increased the size of Fabrics's U.S. business activities.

2. Fabrics's Business Operations

As of the filing of these bankruptcy cases on January 18, 2008, Fabrics was the world's largest independent manufacturer and marketer of both primary and secondary carpet backing, and a leading producer of woven, nonwoven and stitch-bonded fabrics and fibers used in furniture and bedding, automotive, geosynthetics, industrial applications and concrete reinforcement. Fabrics's synthetic and steel fibers provided secondary reinforcement and helped to minimize concrete cracking in various applications, and Fabrics's geosynthetic fabrics improved the service life of roadways and drainage systems, minimized erosion, and provided protection from stormwater sediment run-off. Fabrics also engineered fabrics that were used for specialty packaging, protective membranes, and agricultural applications. Fabrics's product lines offered efficiency, cost effectiveness, and high performance in these applications as compared to alternate materials.

Fabrics operated globally in the three geographic regions of North America, Europe and Brazil, from which Fabrics marketed its products to over 40 countries and maintained the number one or number two positions in most of the markets in which Fabrics participated. Within North America, Fabrics divided its business among four segments: furnishings,

geosynthetics, industrial products and concrete fiber. Fabrics primarily sold its products to leading carpet manufacturers, well-known furniture and bedding manufacturers and converters, concrete producers, and distributors of various original equipment manufacturer users of geosynthetic and industrial fabrics.

In Fabrics's furnishings segment, it was the largest independent producer of carpet backing in North America and a leading supplier of furniture and automotive internal construction fabrics. In Fabrics's geosynthetics segment, it was the largest North American supplier of geotextile products and had a leading position in certain erosion control products. In Fabrics's industrial products segment, it sold fabrics for various industrial applications, such as high performance packaging and protective membrane for building construction. In Fabrics's concrete fiber segment, it was one of the largest suppliers of synthetic concrete reinforcement fiber products in the world.

In Europe and Brazil, Fabrics primarily marketed carpet backing and industrial products, and Fabrics was a leading supplier of those products in those regions. Although primarily a regional business in terms of differing customers, competitive issues, and economic and other drivers, Fabrics had significant overlap of product offerings across all geographic regions.

3. *Pre-Petition Capital Structure of the Debtors*

On December 1, 2004, the Debtors issued an aggregate of \$150.0 million of 10% senior Unsecured Notes pursuant to an indenture with Wells Fargo Bank, N.A., as trustee (subsequently, the Wilmington Trust Company replaced Wells Fargo Bank, N.A.). The notes were scheduled to mature on December 1, 2012, and were issued to finance a portion of the acquisition of the AMOCO entities from BP p.l.c. in December 2004. The Debtors also obtained, as part of the acquisition, specific assets comprising BP's Canadian fabrics business and various intellectual property (the "AMOCO Acquisition"). The aggregate purchase price for the combined business was \$340 million, excluding acquisition costs. Subsequent to the AMOCO Acquisition in 2004 and in response to the purchase of a significant competitor by a major customer (e.g., customer's backward integration), the Debtors sought to restructure their business operations as part of a strategy to maximize profitability and market share in the carpet backing market, while further establishing market dominance in certain product areas. As part of that strategy, the Debtors sought to both divest certain assets and to combine certain businesses which were expected to, over a period of 2 to 3 years, realize significant cost reduction synergies.

In January 2006, the Debtors refinanced their existing operations in order to complete the SI Acquisition. The Debtors financed the purchase price with borrowings under a refinanced senior credit facility and approximately \$28.1 million of cash on-hand. The Debtors obtained, at that time, a senior credit facility which totaled \$360 million, including a \$260 million term loan facility, a \$50 million revolving credit facility, and a \$50 million bridge loan facility. The credit facilities were provided by a syndicate of financial institutions arranged by BNP Paribas Securities Corp., which served as administrative agent for the lender group. Each of the Debtors were obligors or guarantors under the senior credit facility.

On March 1, 2006, the Debtors entered into an asset sale agreement with Aladdin Manufacturing Corporation, an affiliate of Mohawk Industries, Inc., whereby the Debtors' Roanoke, Alabama, carpet backing manufacturing facility was sold for \$65.5 million plus the value of the closing inventory (approximately \$5 million), and the proceeds were used to satisfy the \$50 million bridge loan facility and to prepay a portion of the term loan facility.

During January 2007, the Debtors entered into an amendment to the credit facilities following the default of certain financial covenants contained in the credit agreement during the fourth quarter of 2006, which adjusted the financial covenants through March 31, 2008, increased the interest rate, and provided for a \$20 million reduction of debt outstanding through cash on hand. As of the Petition Date, the amounts outstanding under the remaining senior debt facilities totaled approximately \$205 million for the term facility and approximately \$20 million for the revolving credit facility, respectively, along with \$5,964,000 in outstanding letters of credit, \$4,870,000 of which were drawn following the Petition Date. Together, the Debtors owed approximately \$230.2 million in pre-petition secured debt as of the Petition Date.⁴

B. EVENTS LEADING TO, AND CIRCUMSTANCES SURROUNDING, THE CHAPTER 11 FILING

The Debtors' industrial products, geosynthetics, concrete and furnishings segments were negatively impacted by the significant downturn in the housing market. Increasing oil prices also negatively impacted the cost of the Debtors' primary raw material, polypropylene resin, a plastic derived from petroleum. In addition, Fabrics's segments had to compete against an increasing level of imports into the markets they served, making it difficult to pass through increasing raw material costs. These conditions negatively impacted revenues. While cost reduction in line with leveraging operational synergies were mostly achieved, other unanticipated operational challenges resulting from a strategy to consolidate facilities led to unexpected higher costs. With the decline in revenues based on the above non-exclusive factors, the Debtors defaulted on their pre-petition senior secured facility and the lenders refused to provide further access to their revolving credit facility following the default. The Debtors attempted to refinance the credit facilities, but were unable to do so and they did not have adequate liquidity to fund their business outside of a chapter 11 proceeding. As a result, the Debtors were forced to file these Bankruptcy Cases.

ARTICLE III.

SIGNIFICANT DEVELOPMENTS IN THE CHAPTER 11 CASES

A. "FIRST DAY" ORDERS AND RETENTION OF PROFESSIONALS

⁴ This pre-petition secured debt, following payment of over \$49 million from the proceeds of the Asset Sale, has been waived in full by the pre-petition lenders pursuant to the Stipulation entered into by the Debtors, the Committee, Houlihan, and BNP Paribas (as administrative agent for the pre-petition lenders). The Bankruptcy Court approved the Stipulation on April 20, 2009. In sum, over \$180 million of the pre-petition secured debt has been waived, allowing the sum of approximately \$4.8 million in cash to remain in the Estates.

On the Petition Date, the Debtors filed “first day” motions and applications with the Bankruptcy Court seeking certain relief to aid in the efficient administration of the Bankruptcy Cases and to facilitate the Debtors’ transition to debtor-in-possession status. These motions and applications were granted at the “first day” hearing held on January 22, 2008. Pursuant to the Court’s first-day orders and subsequent retention orders, King & Spalding LLP was retained as counsel to the Debtors; Houlihan was retained as the Debtors’ financial advisor; and Epiq Bankruptcy Solutions, LLC was retained as the Balloting and Claims Agent in these bankruptcy cases. In addition, the Debtors sought and obtained several orders from the Bankruptcy Court that were intended to enable the Debtors to operate to the extent possible in the normal course of business during the chapter 11 process. Among other relief obtained at the “first day hearing,” the Debtors obtained interim approval to enter into the 2008 DIP Loan. The 2008 DIP Loan is described in Article III, Section C of the Disclosure Statement.

On September 26, 2008, the Debtors filed their Application to Approve Retention of PricewaterhouseCoopers LLP (“PwC”) as Accountants to the Debtors (Docket No. 610) (the “Initial PwC Application”). The Initial PwC Application requested Court authority to retain PwC as an ordinary course professional to perform certain tax services and an earnings and profits study. The Bankruptcy Court entered its order granting the Initial PwC Application on October 17, 2008 (Docket No. 644). On December 9, 2008, the Debtors filed their Motion to Approve Amendment to Debtors’ Application to Approve Retention of PricewaterhouseCoopers LLP as Accountants to the Debtors (Docket No. 745) (the “First Amended PwC Application”). The First Amended PwC Application requested Court authority to retain PwC under sections 327 and 328 of the Bankruptcy Code to (i) audit the Debtors’ consolidated financial statements at December 28, 2008, and for the year then ending, and (ii) prepare and provide the Debtors with an audit report. The Court entered its order granting the First Amended PwC Application on January 7, 2009 (Docket No. 810). On June 29, 2009, the Debtors filed their Expedited Motion to Authorize Amendment to Debtors’ Application to Approve Retention of PricewaterhouseCoopers LLP as Accountants to the Debtors (Docket No. 1183) (the “Second Amended PwC Application”). The Second Amended PwC Application sought a Court order authorizing the retention of PwC under sections 327 and 328 to, among other things, assist the Debtors in preparing federal and state income tax returns for 2008 and federal and state income tax returns for 2009 through the 2009 short tax year ending April 24, 2009 (i.e. the date of the Closing on the sale of substantially all of the Debtors’ assets). The Second Amended PwC Application further notes the following:

The [engagement] letter provides that PwC will be paid under a modified fixed fee structure premised on its standard hourly billing rates, with a minimum total fee of \$135,000 and a maximum total fee of \$150,000. On April 23, 2009, the Debtors paid PwC a retainer for such work totaling \$150,000 for the above-described services.

Second Amended PwC Application, ¶ 5. The Second Amended PwC Application is currently scheduled to be heard before the Bankruptcy Court on July 15, 2009, at 9:00 a.m. (Eastern prevailing time).

B. APPOINTMENT OF THE COMMITTEE

On January 25, 2008 the United States Trustee appointed the Official Committee of Unsecured Creditors pursuant to section 1102(a) of the Bankruptcy Code. The members of the Committee that were appointed are: Wilmington Trust Company, Pension Benefit Guaranty Corporation, Total Petrochemicals USA, Inc., SMH Capital Advisors, Inc., and BP Corporation North America, Inc.. By order entered on February 27, 2008, the Committee was authorized to retain Akin Gump Strauss Hauer and Feld LLP as their legal counsel. By order dated March 12, 2008, the Committee was authorized to retain FTI Consulting, Inc. as their financial advisors. By order entered on June 12, 2008, the Committee was authorized to retain The Garden City Group, Inc. as their communications agent.

C. DEBTOR-IN-POSSESSION FINANCING

As part of the “first day” hearing in the bankruptcy case, the Debtors sought authorization to enter into a debtor-in-possession credit agreement (the “2008 DIP Loan”) with a syndicate of financial institutions arranged by BNP Paribas Securities Corp. (the “2008 DIP Lenders”), which provided financing of up to a maximum amount of \$60 million. On January 23, 2008, the Bankruptcy Court entered an order (the “2008 Interim DIP Order”) that authorized the Debtors to enter into the 2008 DIP Loan on an interim basis. A final hearing on the Debtors’ motion to enter into the 2008 DIP Loan was conducted on February 13, 2008. On February 13, 2008, a final order (the “2008 Final DIP Order”) was entered that authorized the Debtors to enter into the 2008 DIP Loan.⁵

Borrowings under the 2008 DIP Loan were used to fund general operations. The 2008 DIP Loan was secured by, among other things, first priority senior priming liens on substantially all of the Debtors’ assets, excluding Avoidance Actions, and subject to a carve-out of \$1 million for payment of professional expenses. The 2008 DIP Loan imposed numerous restrictions on the Debtors, including a provision that required the Debtors to file a plan and disclosure statement by October 18, 2008. However, the Debtors and the 2008 DIP Lenders agreed to (i) extend the exclusivity period to October 29, 2008, and (ii) extend the Debtors’ ability to receive and tabulate votes regarding the plan, i.e. the solicitation period, until December 29, 2008 (the “Solicitation Period”). On October 17, 2008, the Bankruptcy Court entered an order extending the Debtors’ exclusivity period to October 29, 2008, and extending the Debtors’ Solicitation Period to December 29, 2008.

On October 29, 2008, the Debtors filed a Disclosure Statement (Docket No. 667) (the “Reorganization Disclosure Statement”) and Joint Plan of Reorganization (Docket No. 666) with

⁵ Pursuant to the 2008 DIP Loan, 2008 Interim DIP Order, and 2008 Final DIP Order (the “2008 DIP Documents”), the Debtors pledged 100% of the stock of their foreign subsidiaries to the 2008 DIP Lenders. The Committee subsequently filed an appeal regarding this stock pledge, wherein the Committee argued that the 2008 DIP Documents did not provide for a 100% pledge of the stock of the Debtors’ foreign subsidiaries. This appeal has been subsequently dismissed pursuant to the Stipulation.

the Bankruptcy Court. At this time, the Debtors had not yet secured exit financing to assist them in emerging from these Bankruptcy Cases, a fact which was expressly conveyed to the Court and creditors in the Reorganization Disclosure Statement. Reorganization Disclosure Statement, Article VI(A)(1). On December 11, 2008, the Debtors received a non-binding letter of interest (the "Wayzata Proposed Letter Agreement") regarding exit financing from Wayzata Investment Partners LLC ("Wayzata"). On December 12, 2008, the Debtors filed their motion for Bankruptcy Court approval of entry into the Wayzata Proposed Letter Agreement. The Court approved this motion on December 29, 2008. The Debtors confronted difficulty in finalizing an exit financing agreement with Wayzata and were nearing the December 29th Solicitation Period deadline. Therefore, on December 8, 2008, the Debtors filed their motion to extend the Solicitation Period to February 28, 2009. On December 29, 2008, the Court entered its order extending the Solicitation Period until January 31, 2009.

In January 2009, the Debtors were confronted with the impending January 23, 2009, maturity date of the 2008 DIP Loan (the "January 23 Maturity Date"). To continue with the day-to-day operations of their businesses in pursuit of their intended reorganization goals, it was imperative that the Debtors receive financing beyond the January 23 Maturity Date. Yet, negotiations with the 2008 DIP Lenders were unsuccessful in extending the January 23 Maturity Date, thereby requiring the Debtors to reengage the marketplace for debtor-in-possession financing. The Debtors approached Wayzata regarding such financing, and negotiations with Wayzata resulted in the entry of a proposed term sheet which provided the Debtors the ability to obtain up to \$65 million in financing beyond the January 23 Maturity Date (the "2009 DIP Loan"). Along with providing Wayzata with first priority senior priming liens on substantially all of the Debtors' assets, excluding Avoidance Actions, and subject to a carve-out of \$4.2 million for payment of professional expenses, the 2009 DIP Loan contained covenants which required the Debtors to take certain actions, including, among other things, seeking either (i) confirmation of an amended chapter 11 plan which incorporated a sale of substantially all of the Debtors' assets, or (ii) in the absence of a confirmed plan, a sale of substantially all of the Debtors' assets pursuant to 11 U.S.C. § 363. On January 16, 2009, the Debtors filed their motion for Bankruptcy Court authority to enter into the 2009 DIP Loan.⁶ On January 29, 2009,⁷ the Bankruptcy Court entered an order (the "2009 Interim DIP Order") that authorized the Debtors to enter into the 2009 DIP Loan on an interim basis. A final hearing on the Debtors' motion to enter into the 2009 DIP Loan was conducted on February 9, 2009. On February 9, 2009, a final order (the "2009 Final DIP Order") was entered that authorized the Debtors to enter into the 2009 DIP Loan.

D. SALES OF ASSETS

1. Sale of Miscellaneous Assets

⁶ On January 16, 2009, the Debtors also filed Debtors' Emergency Motion Pursuant to 11 U.S.C. §§ 105, 363, and 364 to Pay and Satisfy 2008 DIP Loan (Docket No. 828) (the "2008 Payoff Motion"). The 2008 Payoff Motion sought Bankruptcy Court authority to payoff the Debtors' remaining obligations under the 2008 DIP Loan, which totaled approximately \$33 million. On January 29, 2009, the Bankruptcy Court entered its order approving the 2008 Payoff Motion (Docket No. 866).

⁷ The 2008 DIP Lenders agreed to extend the January 23 Maturity Date for a few days in order to allow the Bankruptcy Court to conduct a hearing and issue its ruling regarding the 2009 DIP Loan.

On March 19, 2008, the Debtors filed their Motion for Entry of An Order Establishing Procedures to Sell, Dispose or Transfer Miscellaneous Assets and Equipment Not to Exceed \$500,000 (the “Miscellaneous Assets Motion”). Pursuant to the Miscellaneous Assets Motion, the Debtors sought Bankruptcy Court approval to sell, dispose or transfer assets, with an aggregate value of not more than \$500,000, that they deemed, in their business judgment, to no longer be necessary to the estates. The Bankruptcy Court approved the Miscellaneous Assets Motion on April 9, 2008 (the “Miscellaneous Assets Order”). The Debtors sold, disposed or transferred assets pursuant to the Miscellaneous Assets Order and apprised the Committee of such assets sold. The amount of assets sold under the Miscellaneous Assets Order was approximately \$156,550 through September 2008, excluding the proceeds derived from the Alto Sale, discussed below. The Committee did not object to any of the assets sold pursuant to the authority granted the Debtors under the Miscellaneous Assets Order.

2. Sale of Facility in Alto, Georgia

On June 6, 2008, the Debtors filed a motion seeking Bankruptcy Court approval of a sale of a manufacturing facility located at 1515 North County Line Road in Alto, Georgia for \$3,100,000 (the “Alto Sale”). The Bankruptcy Court entered an order approving the Alto Sale on June 25, 2008, and such sale was closed on June 30, 2008. The sum of approximately \$890,000 was collected from the Alto Sale by the Debtors on August 15, 2008, and the sum of approximately \$200,000 was collected from the Alto Sale by the Debtors on September 13, 2008.

3. Sale of Substantially All of the Debtors’ Assets

In late January 2009, the Debtors took the beginning steps to effectuate a sale of substantially all of their assets, pursuant to the terms of the 2009 DIP Loan. With the assistance of their financial advisor, Houlihan, the Debtors, in an effort to obtain the best price for their assets, engaged the marketplace for potential purchasers. More than 45 parties expressed initial interest in the Debtors’ assets, the majority of whom executed confidentiality agreements and conducted due diligence for purposes of potentially submitting a bid on the Debtors’ assets.

While engaging the marketplace for potential purchasers, the Debtors, on February 17, 2009, filed (i) a motion to, among other things, approve and establish procedures regarding the bidding and auction process for the Debtors’ assets (Docket No. 890) (the “Bid Procedures Motion”) and (ii) a motion to sell substantially all of their assets free and clear of all liens, claims, and encumbrances (Docket No. 891) (the “Sale Motion”). The Bid Procedures Motion disclosed to the Bankruptcy Court and creditors that on February 17, 2009, the Debtors entered into an asset purchase agreement with Xerxes, wherein Xerxes agreed to provide cash consideration for the Debtors’ assets in the amount of \$61.5 million. The Bid Procedures Motion further noted that the Xerxes bid was only an initial bid and subject to competitive bidding pursuant to procedures sought to be established under the Bid Procedures Motion. On March 9, 2009, the Bankruptcy Court entered its order approving the Bid Procedures Motion (Docket No. 924) (the “Bid Procedures Order”). Pursuant to the procedures established under the Bid

Procedures Order, three parties (one of whom was Xerxes) submitted qualifying bids and were entitled to participate at the auction for the sale of the Debtors' assets.

On March 23, 2009, the Debtors conducted the auction for the sale of their assets, during which three parties (one of whom was Xerxes) participated in a competitive bidding process. Xerxes emerged from the auction as the highest bidder with (i) a purchase price of \$82 million (net of a modification to its contract, eliminating its Net Asset Valuation) and (ii) the assumption of ongoing ordinary course obligations. On March 24, 2009, the Bankruptcy Court held its hearing to consider the Sale Motion and entered its Sale Order approving the Sale Motion and Xerxes's winning bid. The sale of the Debtors' assets to Xerxes closed on or about April 24, 2009 (the "Closing").⁸ Xerxes is now the owner of substantially all of the assets previously held by the Debtors. A fuller description of the assets sold under the Xerxes APA is provided herein under Article III.E.3.

E. THE XERXES APA

1. Xerxes' Relationship to the 2009 DIP Lender

Xerxes, who is the current owner of the assets sold under the Xerxes APA, is an affiliate of Wayzata, the 2009 DIP Lender. This relationship was explicitly disclosed to the Court and creditors on multiple occasions⁹ and no party-in-interest, including the Committee, raised an objection to this relationship.

2. The Stipulation Regarding Sales Proceeds and the Closing

The Debtors, the Committee, Houlihan, and the Pre-Petition Lenders entered into a Stipulation, which was approved by the Bankruptcy Court on April 20, 2009 (Docket No. 1120) (a copy of which is attached hereto as Exhibit H). The stipulating parties reached an agreement whereby (i) certain suits in these cases were dismissed with prejudice and (ii) the Debtors were able to retain certain of the cash proceeds from the Asset Sale to distribute to creditors. Without the Stipulation, unsecured creditors would have received no distributions under these Bankruptcy Cases. On April 27, 2009, the sum of approximately \$2.1 million was transferred to the Estates pursuant to the Stipulation. Additionally the sum of \$4.2 million was funded to the carve-out. Following Bankruptcy Court authorized payments of \$1 million to Woody McGee (the Debtors' Chief Restructuring Officer) and \$416,483.73 in other Bankruptcy Court approved payments, the sum of approximately \$4.8 million is left remaining in the Estates.

i. Suits Dismissed under the Stipulation

⁸ Pursuant to the authority provided under a separate order from the Bankruptcy Court (the "2009 DIP Loan Payoff Order"), the Debtors utilized a portion of the sales proceeds received at the Closing to pay their obligations to Wayzata under the 2009 DIP Loan. BNP Paribas and Black Diamond have subsequently filed a notice of appeal regarding the 2009 DIP Loan Payoff Order. As of the date of this Disclosure Statement, this appeal is ongoing.

⁹ The Sale Order (Docket No. 1051) also explicitly recognized this fact: "The Purchasers and/or their Affiliates are postpetition secured creditors of the Debtors, holding, among other things, valid liens and claims in and against the Debtors and their estates arising in connection with" the 2009 DIP Loan. Sale Order, p. 13.

As set forth above, on February 13, 2008, the Bankruptcy Court entered its 2008 Final DIP Order, which, among other things, provided collateral to the 2008 DIP Lenders in the form of a pledge of 100% of the stock of the Debtors' foreign subsidiaries. Upon the insistence of the 2008 DIP Lenders, on July 29, 2008, the Debtors filed Debtors Motion for an Order Authorizing and Approving the Debtors' Amendment to Security Agreement and Extension and Confirming Grant of Lien on the Stock of the Debtors' Foreign Subsidiaries (Docket No. 502) (the "Foreign Stock Pledge Motion"), wherein the Debtors requested, among other things, an order confirming that the 2008 DIP Lenders were granted a 100% lien on the stock of the Debtors' foreign subsidiaries pursuant to the terms of the 2008 DIP Loan and 2008 Final DIP Order. Over the objection of the Committee, on August 21, 2008, the Bankruptcy Court entered its order granting the Foreign Stock Pledge Motion (Docket No. 564) (the "Foreign Stock Pledge Order"). On September 2, 2008, the Committee filed a notice of appeal regarding the Foreign Stock Pledge Order in the U.S. District Court for the Eastern District of Tennessee (Chattanooga) (Case No. 1:08-cv-00238) (the "Foreign Stock Pledge Appeal").

On September 23, 2008, the Committee filed a complaint against the Pre-Petition Lenders, which, among other things, brought multiple causes of action challenging the validity of certain of the liens held by the Pre-Petition Lenders under the Pre-Petition Credit Agreement (the "Committee Complaint"). On March 5, 2009, the Bankruptcy Court entered its order dismissing certain of the causes of action asserted by the Committee in the Committee Complaint (the "March 5 Order"). On March 12, 2009, the Committee filed a notice of appeal with regard to the March 5 Order (the "Complaint Appeal").

Pursuant to the terms of the Stipulation, the Foreign Stock Pledge Appeal, the Committee Complaint, and the Complaint Appeal were dismissed with prejudice.

ii. Proceeds from the Asset Sale

At the time the Stipulation was entered into among the parties, the Pre-Petition Lenders held a pre-petition secured claim against the Debtors in an amount not less than \$230 million. As set forth above, Xerxes' winning bid for the sale of substantially all of the Debtors' assets included (i) a purchase price of \$82 million and (ii) the assumption of ongoing ordinary course obligations. The \$82 million in cash derived from the Asset Sale would have been fully consumed by the Pre-Petition Lenders' \$230 million pre-petition secured debt, absent the effect of the Stipulation. As a result, unsecured creditors would have received no distribution under this Plan. However, pursuant to the terms of the Stipulation agreed upon among the applicable parties, the Pre-Petition Lenders accepted payment from the net sales proceeds of the Asset Sale, waived any remaining deficiency claim out of their pre-petition secured debt, and agreed to leave cash in the Estates from the net sales proceeds, as follows: (a) \$600,000 plus (b) three (3%) of the net cash proceeds of any such disposition that otherwise would be remitted to the Prepetition Secured Lenders, plus (c) any funds remaining out of the \$4.2 carve-out provided under the 2009 Final DIP Order after the payment of professional fees and expenses, plus (d) all causes of action of the Estates arising under Chapter 5 of the Bankruptcy Code¹⁰, plus (e) \$500,000 to be used as

¹⁰ As mentioned later in the Disclosure Statement, as of the Effective Date, all causes of action, including avoidance actions, will be transferred to the Liquidating Trust, and the Liquidating Trustee will have the sole responsibility to review and pursue all causes of action (including Avoidance Actions).

payment of the success fee to Houlihan in their role as the Debtors' financial advisor throughout these bankruptcy cases.

Under the Stipulation, the Debtors' Estates currently have approximately \$2.1 million of cash on hand remaining from the proceeds of the Asset Sale (the "Sale Proceeds Account") and approximately \$2.7 million of cash on hand remaining from the \$4.2 million carve out (the "Carve Out Account")¹¹, the proceeds of which will be used to make distributions to creditors (even unsecured creditors). The Stipulation has provided the Debtors with the ability to have remaining cash on hand to provide distributions to unsecured creditors under the Plan. **The Debtors believe that approval of this Plan will constitute the best opportunity for unsecured creditors to receive the maximum Distribution under these Bankruptcy Cases.** Rejection of this Plan will assuredly lead to conversion of these Chapter 11 cases to ones under chapter 7 of the Bankruptcy Code. Conversion will require the appointment of a chapter 7 trustee, who will need to familiarize himself/herself with the background of these Bankruptcy Cases, thereby incurring fees and expenses which will be paid out of the amounts remaining in the Sales Proceeds Account and Carve Out Account, and any chapter 7 trustee will be entitled to a statutory percentage of any distribution to creditors. This will reduce the possibility that unsecured creditors will receive Distributions in these Bankruptcy Cases.

3. Assets Sold under the Xerxes APA¹²

Under the Xerxes APA, and pursuant to the authority provided by the Bankruptcy Court's Sale Order, Xerxes purchased substantially all of the Debtors' assets, except for those items termed "Excluded Assets" in the Xerxes APA. The Excluded Assets include (i) the Carve Out Account, (ii) causes of action under Chapter 5 of the Bankruptcy Code, (iii) a facility lease agreement with Lenox River Farms LLC as landlord, as set forth on Schedule 2.2(a)(iv) of the Xerxes APA (a copy of which is attached hereto as Exhibit I), (iv) the contracts listed on Schedule 2.2(a)(vi) of the Xerxes APA (a copy of which is attached hereto as Exhibit J), (v) the Employee Benefit Plans listed on Schedule 2.2(a)(vii) of the Xerxes APA (the "Excluded Employee Benefit Plans") (a copy of which is attached hereto as Exhibit K), (vi) the originals of any of the Debtors' minute books and stock books, (vii) the equity securities or other ownership interest of Fabrics, Concrete, International I, or International II, (viii) all assets, rights, pre-payments, deposits and refunds under any Excluded Employee Benefit Plan, (ix) to the extent related (in whole or in part) to the Excluded Assets, all insurance policies of the Debtors and all credits, refunds and proceeds thereunder, and (x) the assets listed on Schedule 2.2(a)(xiii) of the Xerxes APA (a copy of which is attached hereto as Exhibit L) (collectively, the "Excluded Assets"). For the avoidance of doubt, all other property not included within the Excluded Assets was sold to Xerxes under the Xerxes APA and pursuant to the authority provided under the Sale Order.

¹¹ The Carve Out Account was first be used to pay the fees and expenses of estate professionals, including the Debtors' attorneys and Woody McGee (the Debtors' Agent under this Plan), with remaining proceeds from the Carve Out Account to be distributed, after all costs incurred for wind down, to creditors.

¹² The following summarizes the assets sold to Xerxes under the Xerxes APA. To the extent there is any inconsistency between the summary provided herein and the Xerxes APA, the terms of the Xerxes APA, provided in Docket No. 1051, shall prevail.

4. Assumption of Liabilities by Xerxes under the Xerxes APA

The Xerxes APA also provided for the assumption by Xerxes of the vast majority of the Debtors' ordinary course liabilities. Among other things, the Xerxes APA provided for the assumption and assignment of substantially all of the Debtor's executory contracts to Xerxes (a list of the contracts assumed and assigned under the Xerxes APA is attached hereto as Exhibit F). Prior to assuming a contract, the Bankruptcy Code requires a debtor to pay all pre-petition amounts owing to the contract or lease counterparty (the "Cure Amounts"). Pursuant to the Xerxes APA, Xerxes assumed the obligation to pay these Cure Amounts.

Xerxes also assumed the obligation to pay all pre-petition real and personal property taxes with regard to the assets purchased in an amount not exceeding \$2.5 million. These obligations were paid, and numerous lien/claim releases were obtained and filed with the Bankruptcy Court. Further, and among other assumed obligations, Xerxes assumed the obligation to pay all unpaid post-petition trade payables and other liabilities incurred in the ordinary course of business. This assumption of liabilities by Xerxes relieves the Estates' of potential substantial amounts of administrative expenses that, if required to be paid by the Debtors, would have left no proceeds to distribute to unsecured creditors. However, assumption of these liabilities has provided sufficient remaining proceeds in the Estates to provide distributions to unsecured creditors.

5. Effect of the Xerxes APA

The Sale Order was entered on March 27, 2009, and no party appealed the Sale Order within the ten (10) day appeals period provided under Rule 8002 of the Federal Rules of Bankruptcy Procedure. Therefore, the Sale Order is a final, non-appealable order. As such, the Bankruptcy Court's findings under the Sale Order are conclusive, including, among other things, the Bankruptcy Court's findings that all assets sold to Xerxes under the Xerxes APA are sold free and clear of all liens, claims, and encumbrances that may have existed prior to the Closing.

F. PAYMENT OF 2009 DIP LOAN AND PENDING APPEAL REGARDING SAME

On April 10, 2009, the Debtors filed Debtors' Emergency Motion Pursuant to 11 U.S.C. §§ 105, 363, and 364 to Pay and Satisfy the 2009 DIP Loan From the Net Proceeds of Sale (Docket No. 1076) (the "2009 Payoff Motion"). The maturity date on the 2009 DIP Loan was triggered by Closing, and the 2009 Payoff Motion sought Bankruptcy Court authority to payoff the Debtors' remaining obligations under the 2009 DIP Loan with the net sales proceeds received at Closing. This relief was of a similar nature to the relief the Debtors sought and received under the 2008 Payoff Motion. However, objections to the 2009 DIP Loan were filed by BNP Paribas (as administrative agent for the Pre-Petition Lenders) and Black Diamond Capital Management, L.L.C. (a member of the Pre-Petition Lenders) ("Black Diamond") (Docket Nos. 1081 & 1082, respectively) (the "2009 Payoff Objections"). The 2009 Payoff Objections did not dispute that the Debtors were required to payoff the 2009 DIP Loan. However, the 2009 Payoff Objections

did object to the use of the net proceeds from the Asset Sale to payoff the 2009 DIP Loan; the use of these proceeds to payoff the 2009 DIP Loan would, as argued by the 2009 Payoff Objections, reduce the amount of sales proceeds to distribute to creditors. The 2009 Payoff Objections contended that the Debtors' cash on hand (the "Pre-Closing Cash") should be used to payoff the 2009 DIP Loan. However, both the Debtors and Xerxes contended that the Pre-Closing Cash was sold to Xerxes under the Xerxes APA and Sale Order and could not be used to payoff the 2009 DIP Loan. In its order granting the 2009 Payoff Motion, dated April 15, 2009, the Bankruptcy Court agreed with the Debtors and Xerxes and provided that the 2009 DIP Loan shall be paid from the net proceeds received at Closing (Docket No. 1108) (the "2009 Payoff Order").

On April 27, 2009, Black Diamond filed a notice of appeal regarding the 2009 Payoff Order (Docket No. 1123). On May 7, 2009, BNP Paribas filed a notice of appeal regarding the 2009 Payoff Motion (Docket No. 1140). On May 27, 2009, both BNP Paribas's and Black Diamond's appeals were transmitted to the District Court for the Eastern District of Tennessee, Southern Division. These appeals are currently pending.

G. DISSEMINATION OF INFORMATION ABOUT THE CASE

The Debtors have been actively engaged in providing information about the Debtors' businesses and proceedings in these cases to various parties-in-interest. The Debtors provided creditors extensive information about the Debtors' financial, corporate, and operational status in their schedules and in the monthly reports filed with the Bankruptcy Court throughout these cases. The Debtors also have provided regular updates to the Committee through its counsel and its financial professional, FTI Consulting, Inc. In addition, the Debtors have provided formal and informal updates to various creditors through email, mail and various unscheduled calls over the course of these cases. Finally, the Debtors' Balloting and Claims Agent, Epiq, has made all pleadings filed in the case available on its website, <http://chapter11.epiqsystems.com>. The Committee has formulated a parallel website, www.gardencitygroup.com, through its communications agent, The Garden City Group, Inc., which has also been providing information to creditors.

H. REJECTION AND ASSUMPTION OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

Prior to entry of the Sale Order and the assumption and assignment of the executory contracts and leases under the Xerxes APA, the Debtors reviewed certain of their executory contracts and unexpired leases to determine those contracts that were no longer beneficial to their business operations. As a result of this analysis, the Debtors obtained approval from the Bankruptcy Court to reject certain of their executory contracts and unexpired leases. The Debtors rejected, among other things, numerous vehicle leases, lease schedules regarding lift trucks, an office lease located at 2640 Lakeland Road, Dalton, GA 30721, two office leases located at 6025 Lee Highway in Chattanooga, TN 37421, employment agreements and certain other executory contracts the Debtors determined, in their business judgment, were no longer needed by the estates.

Similarly, the Debtors, prior to entry of the Sale Order, assumed certain contracts where such contracts were deemed, pursuant to the Debtors' business judgment, beneficial to their ongoing business operations or could be amended such that they would be beneficial to the Debtors' business operations. Such contracts included, but were not limited to, several non-residential real property leases deemed necessary to the continued operations of the Debtors' businesses.

Pursuant to the Sale Order and the Xerxes APA, discussed above, substantially all of the Debtors' contracts and leases not rejected prior to the Asset Sale were assumed and assigned to Xerxes, who is now the owner of such contracts and leases. **TO THE EXTENT THERE ARE ANY CONTRACTS AND LEASES REMAINING IN THE DEBTORS' ESTATES THAT HAVE NOT BEEN (I) PREVIOUSLY REJECTED OR (II) ASSUMED AND ASSIGNED PURSUANT TO THE SALE ORDER AND THE XERXES APA, SUCH CONTRACTS AND LEASES SHALL BE REJECTED UNDER THE PLAN. PROOFS OF CLAIM FOR DAMAGES ALLEGEDLY ARISING FROM THE REJECTION PURSUANT TO THIS PLAN OR THE CONFIRMATION ORDER OF ANY EXECUTORY CONTRACT OR UNEXPIRED LEASE TO WHICH A CLAIMANT IS A PARTY MUST BE FILED WITH THE BANKRUPTCY COURT AND SERVED ON THE DEBTORS AND THE LIQUIDATING TRUST NOT LATER THAN THIRTY (30) DAYS AFTER THE EFFECTIVE DATE. ALL PROOFS OF CLAIM FOR SUCH DAMAGES NOT TIMELY FILED AND PROPERLY SERVED AS SET FORTH HEREIN SHALL BE FOREVER BARRED AND DISCHARGED AND THE HOLDER OF SUCH A CLAIM SHALL NOT BE ENTITLED TO PARTICIPATE IN ANY DISTRIBUTION UNDER THIS PLAN.**

I. CLAIMS BAR DATE AND CLAIMS SUMMARY

On February 13, 2008, the Bankruptcy Court entered an order (the "Bar Date Order") fixing July 16, 2008, as the deadline by which all creditors (including, without limitation, each governmental unit, individual, partnership, joint venture, corporation, estate, and trust) must file proofs of claim in these Bankruptcy Cases. The Bar Date Order also approved the form and manner of notice of the Bar Date. On February 15, 2008, notice of the Bar Date Order was sent to all known holders of Claims against the Debtors, all counterparties to executory contracts or unexpired leases with the Debtors, and other parties in interest as required by the Bar Date Order. Furthermore, pursuant to the terms of the Court's order providing for notice by publication, notice of the Bar Date Order was also published in (i) the Walker County Messenger (LaFayette, GA), (ii) the Jeff Davis Ledger (Hazlehurst, GA), (iii) The Post Searchlight (Bainbridge, GA), (iv) the Catoosa County News (Ringgold, GA), (v) the Dalton Daily Citizen (Dalton, GA), (vi) The Gainesville Times (Gainesville, GA), (vii) The Berrien Press (Nashville, GA), (viii) The Daily Journal/Messenger (Seneca, SC), (ix) The Randolph Leader (Roanoke, AL), (x) the Chattanooga Free Press (Chattanooga, TN), and (xi) The Atlanta Journal Constitution (Atlanta, GA).

As of the date of this Disclosure Statement, the Debtors have conducted only a preliminary review of these Claims to determine whether they are properly classified, duplicative, or invalid for any other reason. Based on their preliminary review, the Debtors estimate currently that the allowed amount of Allowed Secured Claims will range from

approximately \$1,000 to \$25,000 and the Debtors estimate that the amount of General Unsecured Claims, following the elimination of claims which have been paid and the elimination of contingent and/or disputed claims, will range from approximately \$175 million to \$210 million. Because the Debtors have not yet conducted an in-depth analysis of the Claims to determine which Claims may be invalid, the Debtors opted for a conservative approach in determining the estimates provided in this Disclosure Statement. Therefore, the Debtors believe that the estimates provided herein represent the upper range of the amounts of Claims in the various Classes. Nevertheless, because the actual Allowed Amount of Claims will not be known until all Objections to Claims are resolved, it is possible that the actual allowed amount of Unsecured Claims will be greater than that estimated by the Debtors in this Disclosure Statement. **UPON THE EFFECTIVE DATE, ALL CLAIMS WILL BE TRANSFERRED TO THE LIQUIDATING TRUST AND THE LIQUIDATING TRUST WILL HAVE THE SOLE AUTHORITY TO REVIEW AND FILE, IN HIS DISCRETION, CLAIM OBJECTIONS.**

J. AVOIDANCE ACTIONS

On and after the Effective Date, the Liquidating Trustee will be a representative of the Debtors' Estates pursuant to Bankruptcy Code section 1123(b)(3) and as such will have the power to prosecute, in the name of the Liquidating Trust, the Debtors' Estates, or otherwise, any claims of the Debtors' Estates, including Avoidance Actions (which include preference actions and fraudulent transfer actions, as described in more detail below). **UPON THE EFFECTIVE DATE, ALL OF THE DEBTORS' AVOIDANCE ACTIONS WILL BE TRANSFERRED TO THE LIQUIDATING TRUST, AND THE LIQUIDATING TRUST WILL BE VESTED WITH THE SOLE AUTHORITY TO REVIEW, INITIATE, AND/OR PURSUE ANY AND ALL AVOIDANCE ACTIONS.**

1. Preferences

Under federal bankruptcy law, a debtor-in-possession may avoid pre-petition transfers of assets of a debtor as "preferential transfers." To constitute a preferential transfer, the transfer must be (1) of the debtor's property; (2) to or for an antecedent debt; (3) made while the debtor was insolvent; (4) made within 90 days before the filing of a bankruptcy petition or made within one year if to an "insider"¹³; and (5) a transfer that enables the creditor to receive more than it

¹³ Section 101(31) of the Bankruptcy Code defines an "insider", in relevant part, as:

(B) if the debtor is a corporation—

- (i) director of the debtor;
- (ii) officer of the debtor;
- (iii) person in control of the debtor;
- (iv) partnership in which the debtor is a general partner;
- (v) general partner of the debtor; or
- (vi) relative of a general partner, director, officer, or person in control of the debtor.

...

would receive under chapter 7 liquidation of the debtor's assets. For this purpose, the Bankruptcy Code creates a rebuttable presumption that the debtor was insolvent during the 90 days immediately before the filing of the bankruptcy petition. All payments made by the Debtors to creditors within 90 days prior to the filing of the bankruptcy petition are listed under question 3(b) of the Debtors' statements of financial affairs. A copy of the relevant portions of the Debtors' statements of financial affairs relating to payments made within 90 days prior to the filing of the bankruptcy petition are attached hereto as Exhibit M. All payments made by the Debtors to "insiders" within one year prior to the filing of the bankruptcy petition are listed under question 3(c) of the Debtors' statements of financial affairs. A copy of the relevant portions of the Debtors' statements of financial affairs relating to payments made to insiders within one year prior to the filing of the bankruptcy petition are attached hereto as Exhibit N. **UPON THE EFFECTIVE DATE, THE LIQUIDATING TRUST WILL BE VESTED WITH THE SOLE AUTHORITY TO REVIEW, INITIATE, AND/OR PURSUE ANY AND ALL PREFERENCE ACTIONS.**

2. *Fraudulent Transfers*

Fraudulent transfer law generally is designed to avoid two types of transactions: (i) conveyances that constitute "actual fraud" upon creditors, and (ii) conveyances that constitute "constructive fraud" upon creditors. In the bankruptcy context, fraudulent transfer liability arises under sections 548 and 544 of the Bankruptcy Code. Section 548 permits the debtor-in-possession to "reach back" for a period of two years to avoid fraudulent transfers made by the debtors or fraudulent obligations incurred by the debtors, and Section 544 permits the debtor-in-possession to apply applicable state fraudulent transfer law to any such action. Assuming that Tennessee state law were to apply, the debtor-in-possession could challenge conveyances, transfers, or obligations made or incurred by the Debtors within the past four (4) years if similar requirements are met. **UPON THE EFFECTIVE DATE, THE LIQUIDATING TRUST WILL BE VESTED WITH THE SOLE AUTHORITY TO REVIEW, INITIATE, AND/OR PURSUE ANY AND ALL FRAUDULENT TRANSFER ACTIONS.**

ARTICLE IV.

SUMMARY OF THE PLAN

A. CLASSIFICATION OF CLAIMS AND INTERESTS

1. *Introduction*

The categories of Claims and Interests set forth below classify all Claims against and Interests in the Debtors for all purposes of the Plan. A Claim or Interest shall be deemed classified in a particular Class only to the extent the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of such Claim or Interest qualifies within the description of such different Class. A

(E) affiliate or insider of an affiliate as if such affiliate were the debtor.

11 U.S.C. § 101(31).

Claim or Interest is in a particular Class only to the extent that such Claim or Interest is Allowed in that Class and has not been paid, released, or otherwise settled prior to the Effective Date. **THE TREATMENT WITH RESPECT TO EACH CLASS OF CLAIMS AND INTERESTS PROVIDED FOR IN THE PLAN SHALL BE IN FULL AND COMPLETE SATISFACTION, RELEASE AND DISCHARGE OF SUCH CLAIMS AND INTERESTS.**

2. Classification

The classification of Claims discussed in Article III of the Plan is as follows:

Summary of Estate Classification

<u>Class</u>	<u>Designation</u>	<u>Impairment</u>	<u>Entitled to Vote</u>
1	Allowed Secured Claims	Unimpaired	No
2	Allowed Priority Claims	Unimpaired	No
3	Allowed General Unsecured Claims	Impaired	Yes
4	Allowed Interests	Impaired	No, pursuant to Bankruptcy Code section 1126(g)
5	Allowed Holdings Claims and Interests	Impaired	No, pursuant to Bankruptcy Code section 1126(g)

The Classes of Claims and Interests, as well as their treatment and an analysis of whether they are impaired or unimpaired, are discussed in Articles IV and V of the Plan and in more detail as follows:

(a) Class 1 -- Allowed Secured Claims. At the option of the Liquidating Trustee, each holder of an Allowed Secured Claim shall receive, in full satisfaction, settlement, release and discharge of and, in exchange for, such Allowed Secured Claim, one of the following treatments: (i) Cash equal to the value of the Allowed Secured Claimant's interest in the property of the Estate that constitutes collateral for such Allowed Secured Claim, as described in section 506(a) of the Bankruptcy Code; (ii) Cash equal to the full amount of the Allowed Secured Claim; (iii) such other treatment as determined by the Liquidating Trustee and held by the Bankruptcy Court as constituting the indubitable equivalent of such Claimant's Allowed Secured Claim, in accordance with section 1129(b)(2)(A)(iii) of the Bankruptcy Code; or (iv) such other treatment

as to which the Liquidating Trustee and the holder of such Allowed Secured Claim have agreed upon in writing. The Liquidating Trust's failure to object to any such Allowed Secured Claim shall be without prejudice to the Liquidating Trust's right to contest or otherwise defend against such Claim in the Bankruptcy Court or other appropriate non-bankruptcy forum (at the option of the Debtors or the Liquidating Trustee) when and if such Claim is sought to be enforced by the holder of such Allowed Secured Claim.

Voting: Class 1 is an Unimpaired Class, and the holders of Claims in Class 1 are not entitled to vote.

(b) Class 2 -- Allowed Priority Claims. Each holder of an Allowed Priority Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim full payment of the amount of such Allowed Priority Claim, in Cash, (i) within thirty (30) days of the Effective Date or (ii) by such other date as may be agreed upon in writing by the holder of such Claim and the Debtors or the Liquidating Trust.

Voting: Class 2 is an Unimpaired Class, and the holders of Claims in Class 2 are not entitled to vote.

(c) Class 3 -- Allowed General Unsecured Claims. Class 3 consists of Allowed General Unsecured Claims, including without limitation, Allowed Pre-Petition Unsecured Note Claims. On the Effective Date, the Pre-Petition Unsecured Note Claims shall be allowed in the aggregate amount of \$152,000,000.00, which includes principal and accrued and unpaid interest on the Pre-Petition Unsecured Notes as of the Petition Date. Each holder of an Allowed General Unsecured Claim shall receive, in full and final satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed General Unsecured Claim, its Pro Rata share of the General Unsecured Claim Distribution, if any, available from the Liquidating Trust after payment in full of Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and all Class 1 and Class 2 claims.

Voting: Class 3 is an Impaired Class, and the holders of Claims in Class 3 are entitled to vote.

(d) Class 4 -- Allowed Interests. On the Effective Date, all Interests of the Debtors shall be cancelled and extinguished, and the holders of Allowed Interests shall not receive or retain any Distribution on account of such Allowed Interests.

Voting: Class 4 is an Impaired Class, but votes will not be solicited from holders of Interests in Class 4 pursuant to Bankruptcy Code section 1126(g).

(e) Class 5 -- Allowed Holdings Claims and Interests. Holdings has no assets with which to pay Claims or Interests. On the Effective Date, all Claims and Interests against Holdings shall be cancelled and extinguished, and the holders of Allowed Claims and Allowed Interests shall not receive or retain any Distribution on account of such Allowed Claims and Allowed Interests.

Voting: Class 5 is an Impaired Class, but votes will not be solicited from holders of Interests in Class 5 pursuant to Bankruptcy Code section 1126(g).

B. TREATMENT OF UNCLASSIFIED CLAIMS

1. Summary

Pursuant to section 1123(a)(1) of the Bankruptcy Code, Administrative Expense Claims and Priority Tax Claims against the Debtors are not classified for purposes of voting on, or receiving Distributions under, the Plan. All such Claims are instead treated separately in accordance with Article II of the Plan and in accordance with the requirements set forth in section 1129(a)(9)(A) of the Bankruptcy Code.

2. Administrative Expense Claims

Administrative Expense Claims are claims for payment of administrative expenses of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(1) of the Bankruptcy Code. The Debtors currently estimate that, aside from fees of Professionals, Administrative Expense Claims will range from approximately \$47,000 to \$75,000. Subject to the provisions of sections 328, 330(a), and 331 of the Bankruptcy Code, the Plan provides that each holder of an Allowed Administrative Expense Claim shall be paid by the Liquidating Trustee, at his election, in full, in Cash, upon the later of (i) ten (10) Business Days after the Effective Date, (ii) the date upon which such Administrative Expense Claim becomes an Allowed Claim, (iii) the due date thereof in accordance with its terms or (iv) such other date as may be agreed upon between the holder of such Allowed Administrative Expense Claim and the Liquidating Trustee.

3. Bar Date for Filing Administrative Expense Claims But Excluding Ordinary Course Administrative Claims

The Bar Date for filing Administrative Expense Claims is discussed in Section 2.2 of the Plan. All requests for payment or assertion of an Administrative Expense Claim, other than Claims by Professionals that have not been paid, released, satisfied or otherwise settled, must be filed with the Bankruptcy Court no later than (i) the date established by the Bankruptcy Court as the Administrative Expense Claim Bar Date; or (ii) thirty (30) days after the Effective Date, if the Bankruptcy Court does not establish an Administrative Expense Claim Bar Date. Any request for payment of an Administrative Expense Claim that is not timely filed, as set forth above, will be forever disallowed and barred. In such event, Claimants will not be able to assert such Claims, in any manner whatsoever, against any Debtor. Ordinary Course Administrative Claims, as set out in the Xerxes APA, shall be paid by the Purchaser in the ordinary course of business.

4. *Special Provisions Regarding Indenture Trustee Fee Claims*

On or after the Effective Date, the Indenture Trustee Fee Claims shall be treated as an Administrative Claim against the Debtors pursuant to Section 503(b) of the Bankruptcy Code and shall be paid by the Liquidating Trust without the need for the Indenture Trustee to file an application for allowance with the Bankruptcy Court. To receive payment of the Indenture Trustee Fee Claims, the Indenture Trustee shall provide reasonable and customary detail or invoices in support of such Indenture Trustee Fee Claims to the Liquidating Trust no later than fifteen days after the Effective Date. The Liquidating Trust shall have the right to file an objection to such claim based on a “reasonableness” standard within twenty days after receipt of supporting documentation. The Liquidating Trust shall pay any such Indenture Trustee Fee Claims by the later of (i) thirty days after the receipt of supporting documentation from the Indenture Trustee or (ii) ten Business Days after the resolution of any objections to the claims of the Indenture Trustee with respect to the portion of the Indenture Trustee Fee Claims subject to such objection. Any disputed amount of the Indenture Trustee Fee Claims shall be subject to the jurisdiction of the Bankruptcy Court.

In the event that the Liquidating Trust and the Indenture Trustee are unable to resolve a dispute with respect to an Indenture Trustee Fee Claim, the Indenture Trustee may, in its sole discretion, elect to (i) submit any such dispute to the Bankruptcy Court for resolution or (ii) assert its Charging Lien to obtain payment of such disputed Indenture Trustee Fee Claim.

Distributions received by the holders of the Pre-Petition Unsecured Notes pursuant to the Plan will not be reduced on account of the payment of the Indenture Trustee Fee Claims.

Notwithstanding the foregoing and anything contained in the Plan, nothing therein shall be deemed to impair, waive, extinguish or negatively impact the Charging Lien. Indenture Trustee Fee Claims arising after the Effective Date shall be paid in the ordinary course by the Liquidating Trustee.

5. *Allowed Priority Tax Claims*

Priority Tax Claims include unsecured claims of governmental units for unpaid taxes entitled to priority under section 507(a)(8) of the Bankruptcy Code. Each holder of an Allowed Priority Tax Claim shall receive in full satisfaction, release and discharge of and in exchange for such Claim (i) the amount of such Allowed Priority Tax Claim, in one Cash payment, on or as soon as practicable after the later of (x) the Effective Date, or (y) the date that is ten (10) Business Days after the Allowance Date; or (ii) such other treatment as may be agreed upon in writing by the holder of such Claim and the Liquidating Trustee.

6. *Payment of Administrative Expense Claims and Priority Tax Claims*

Before any Distributions are made to creditors in Classes 1-3, the Liquidating Trustee shall satisfy or reserve in full for Allowed Administrative Expense Claims and Allowed Priority Tax Claims.

ARTICLE V.

MEANS FOR IMPLEMENTATION OF THE PLAN

A. SOURCES OF FUNDING FOR DISTRIBUTIONS UNDER THE PLAN

The Debtors' Estates currently have approximately \$2.1 million of cash on hand remaining from the proceeds of the Asset Sale (the "Sale Proceeds Account"). The Debtors' Estates also have an additional amount of approximately \$2.7 million of cash on hand (the "Carve Out Account"). The Carve Out Account will first be used to pay the fees and expenses of estate professionals, including Debtors' attorneys, the Committee's attorneys, and Woody McGee (the Debtors' Agent under this Plan), for work performed up to and including the Effective Date. Upon the Effective Date, the remaining proceeds from the Carve Out Account will be transferred to the Liquidating Trust and will be used to compensate the Liquidating Trustee for work performed in conjunction with managing the Liquidating Trust. To the extent there is cash remaining in the Carve Out Account after the payment of the Liquidating Trustee's fees and costs, such remaining proceeds from the Carve Out Account will be distributed to creditors by the Liquidating Trust.

Except as otherwise provided in the Plan or the Confirmation Order, all Cash necessary for the Liquidating Trust to make Distributions pursuant to the Plan shall be obtained from existing Cash balances, including the Sales Proceeds, the remaining portions of the Carve Out Account, and the other assets of the Liquidating Trust.

B. CREATION OF THE LIQUIDATING TRUST

Prior to the Effective Date, the Debtors' Agent will retain power and control over the Debtors' Estates. On the Effective Date, the employment of the Debtors' Agent will be terminated, and the Liquidating Trust will be established and become effective and title to the Trust Assets will automatically vest in the Liquidating Trust, without the need to execute any documents or instruments of transfer. **THE TRUST ASSETS (INCLUDING WITHOUT LIMITATION ALL AVOIDANCE ACTIONS) WILL BE RESERVED, PRESERVED, ASSIGNED, TRANSFERRED, AND CONVEYED, AS THE CASE MAY BE, TO THE LIQUIDATING TRUST FREE AND CLEAR OF LIENS, CLAIMS AND ENCUMBRANCES OR INTERESTS EXCEPT TO THE EXTENT THAT SUCH LIENS AND CLAIMS ARE RETAINED UNDER THE PLAN.** Gene Davis will serve as the Liquidating Trustee of the Liquidating Trust and the Liquidating Trust will assume liability for and incur the obligation to make the Distributions required to be made under this Plan.

C. POWERS AND DUTIES OF THE LIQUIDATING TRUSTEE

1. Maintenance, Safekeeping and Distribution of Assets

Subject to the provisions of the Liquidating Trust Agreement and the Plan, the Liquidating Trust will take possession of the Trust Assets and will conserve, protect, collect and

liquidate or otherwise convert into cash all assets that constitute part of the Trust Assets and all other property incidental thereto which may thereafter be acquired by the Liquidating Trust from time to time. To the end of accomplishing the purposes of the Plan and the Liquidating Trust, after the Effective Date the Liquidating Trust will make Distributions to creditors and the Liquidating Trustee will have the sole right, power and discretion to manage the affairs of the Liquidating Trust. On and after the Effective Date, the Liquidating Trust will be a representative of the Debtors' Estates pursuant to Bankruptcy Code section 1123(b)(3) and as such, the Liquidating Trustee will have the power to prosecute, in the name of the Liquidating Trust, the Debtors' Estates, or otherwise, any claims of the Debtors' Estates, including Avoidance Actions. Additionally, the Liquidating Trust will have the power to: (i) do all acts contemplated by the Plan to be done by the Liquidating Trust, and (ii) do all other acts that may be necessary or appropriate for the final distribution of Trust Assets, including the execution and delivery of appropriate agreements or other documents of disposition, liquidation, or dissolution containing terms that are consistent with the terms of the Plan and that satisfy the applicable requirements of applicable state law and such other terms to which the applicable entities may agree.

2. *Assumption of Liabilities*

Except as otherwise provided in the Plan, the Liquidating Trust shall assume liability for and incur the obligation to make the Distributions required to be made under this Plan and to handle all aspects of the claim contest and dispute process on and after the Effective Date, as described in Article VII of the Plan. Further, payment of any fees and expenses of the Indenture Trustee, as described in section 2.3 of the Plan, shall be the sole responsibility of the Liquidating Trust.

3. *Proceeds of Litigation*

Proceeds of any litigation conducted by the Liquidating Trust will be added to the assets of the Liquidating Trust, administered pursuant to the Liquidating Trust Agreement, and distributed pursuant to Article V of the Plan.

4. *Avoidance Actions*

The Liquidating Trust will have the sole authority to prosecute Avoidance Actions. **ALL CREDITORS AND RECIPIENTS OF PAYMENTS OR TRANSFERS THAT MAY BE DEEMED PREFERENCES OR FRAUDULENT TRANSFERS, WITH ACTUAL OR CONSTRUCTIVE NOTICE OF THESE BANKRUPTCY CASES ARE HEREBY PUT ON NOTICE THAT THE DEBTORS' STATEMENTS OF FINANCIAL AFFAIRS LIST THOSE PARTIES FROM WHOM THE LIQUIDATING TRUST MAY SEEK RECOVERIES. THIS PLAN IS NOT INTENDED AND DOES NOT WAIVE ANY OF THE DEBTORS' CHAPTER 5 CAUSES OF ACTION AS ALL SUCH ACTIONS ARE EXPRESSLY PRESERVED FOR THE BENEFIT OF THE LIQUIDATING TRUST.**

5. Compensation of Liquidating Trustee

The Liquidating Trustee shall be entitled to receive compensation for services rendered at customary rates charged by the Liquidating Trustee for the Liquidating Trustee's services. An engagement letter for the Liquidating Trustee will be filed as part of the Plan supplement.

6. Reporting Duties

Forty-five (45) days after the end of each annual calendar quarter and forty-five (45) days after termination of the Liquidating Trust, the Liquidating Trustee will file with the Court a written report showing (i) the assets and liabilities of the Liquidating Trust at the end of such quarter or upon termination and (ii) any material action taken by the Liquidating Trustee in the performance of his duties under the Liquidating Trust and under the Plan that has not been previously reported.

D. CANCELLATION OF NOTES, INSTRUMENTS, DEBENTURES, AND COMMON STOCK

ON THE EFFECTIVE DATE, EXCEPT AS OTHERWISE PROVIDED FOR HEREIN, (A) THE PREPETITION CREDIT AGREEMENT, THE INDENTURE, PREPETITION UNSECURED NOTES, COMMON STOCK AND ANY OTHER NOTES, BONDS (WITH THE EXCEPTION OF SURETY BONDS OUTSTANDING), INDENTURES, OR OTHER INSTRUMENTS OR DOCUMENTS EVIDENCING OR CREATING ANY INDEBTEDNESS OR OBLIGATIONS OF A DEBTOR THAT ARE IMPAIRED UNDER THIS PLAN SHALL BE CANCELLED, AND (B) THE OBLIGATIONS OF THE DEBTORS UNDER ANY AGREEMENTS, INDENTURES, OR CERTIFICATES OF DESIGNATION GOVERNING THE PREPETITION SECURED CLAIMS, COMMON STOCK AND ANY OTHER CLAIMS OR ANY NOTES, BONDS, INDENTURES, OR OTHER INSTRUMENTS OR DOCUMENTS EVIDENCING OR CREATING ANY CLAIMS AGAINST A DEBTOR THAT ARE IMPAIRED UNDER THIS PLAN SHALL BE ENJOINED. Notwithstanding the foregoing and anything contained in the Plan, the Indenture will continue in effect solely for the purposes of (a) allowing distributions to be made under the Plan pursuant to the Indenture and for the Indenture Trustee to perform such other necessary functions with respect thereto and to have the benefit of all the protections and other provisions of the Indenture in doing so, (b) permitting the Indenture Trustee to maintain or assert any rights or Charging Lien it may have on distributions pursuant to the terms of this Plan for Indenture Trustee Fee Claims, (c) permitting the Indenture Trustee to maintain and enforce any right to indemnification, contribution or other Claim it may have under the Indenture, (d) permitting the Indenture Trustee to exercise its rights and obligations relating to the interests of the holders of the Pre-Petition Unsecured Notes and its relationship with such holders and (e) appearing in these Chapter 11 cases. Following the completion of all Distributions to holders of the Pre-Petition Unsecured Notes set forth in the Plan, the Indenture Trustee shall be discharged of all further duties under the Indenture without any further notice or order by the Bankruptcy Court. As of the Effective Date, all Common Stock that has been

authorized to be issued but that has not been issued shall be deemed cancelled and extinguished without any further action of any party.

E. PROFESSIONAL FEES

All unpaid Professional Fees incurred prior to and including the Effective Date shall be subject to final allowance or disallowance upon application to the Bankruptcy Court pursuant to sections 330 or 503(b)(4) of the Bankruptcy Code. Final applications for Professional Fees for services rendered in connection with the Chapter 11 Cases shall be filed with the Bankruptcy Court no later than [_____]. The Debtors estimate that Professional Fees up to the Effective Date, including holdbacks, will range from approximately \$1.1 million to \$1.3 million.

F. TERMINATION OF LIQUIDATING TRUST

The Liquidating Trust will terminate, subject to this Court's approval, no later than at the end of three years from the Effective Date. Upon the completion of the Liquidating Trustee's duties the Liquidating Trustee may terminate the Liquidating Trust prior to the three-year period set forth above. On the termination date of the Liquidating Trust, the Liquidating Trustee will execute and deliver any and all documents and instruments reasonably requested to evidence such transfer. Upon termination and complete satisfaction of his duties under the Liquidating Trust Agreement, the Liquidating Trustee will be forever discharged and released from all powers, duties, responsibilities, and liabilities pursuant to the Liquidating Trust other than those attributable to the gross negligence or willful misconduct of the Liquidating Trustee

ARTICLE VI.

PROVISIONS REGARDING DISTRIBUTIONS

A. LIQUIDATING TRUSTEE OF THE LIQUIDATING TRUST

Unless otherwise provided for in the Plan, all Distributions under the Plan shall be made by Gene Davis, the Liquidating Trustee.

B. DISTRIBUTIONS OF CASH

Any Distribution of Cash made by the Liquidating Trustee pursuant to the Plan shall, at the Liquidating Trustee's option, be made by check.

C. NO INTEREST OR PENALTIES ON CLAIMS

Unless otherwise specifically provided for in the Plan, the Confirmation Order or other order of the Bankruptcy Court, or required by applicable bankruptcy law, postpetition interest shall not accrue or be paid on any Claims, and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim. Additionally, and without limiting the foregoing, interest shall not accrue or be paid on any Disputed Claim in respect of the period

from the Effective Date to the Final Distribution Date when and if such Disputed Claim becomes an Allowed Claim.

D. DISTRIBUTIONS TO HOLDERS AS OF THE RECORD DATE

All Distributions on Allowed Claims shall be made to the Record Date Holders of such Claims. As of the close of business on the Record Date, the Claims register maintained by the Balloting and Claims Agent shall be closed, and there shall be no further changes in the Record Holder of any Claim. The Record Date shall be established in the Confirmation Order or other order entered by the Bankruptcy Court. The Liquidating Trustee shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. The Liquidating Trustee shall instead be entitled to recognize and deal for all purposes under the Plan with the Record Date Holders as of the Record Date.

E. DELIVERY OF DISTRIBUTIONS

1. General Provisions Relating to Distributions

Except as otherwise agreed to by the Record Date Holder of an Allowed Claim and the Liquidating Trust, the Liquidating Trust shall make Distributions to such Claimants as provided in the Plan at the address reflected in the books and records of Debtors or as otherwise reflected on any Proof of Claim, proof of Interest, or notice of address or change of address filed in these Chapter 11 Cases. Any undeliverable or unclaimed Distribution under the Plan that does not become deliverable on or before six (6) months after the applicable Distribution Date shall be deemed to have been forfeited and waived, and the Person otherwise entitled thereto shall be forever barred and enjoined from asserting its Claim therefore against, or seeking to recover its Distribution from, the Debtors, any Estate, the Liquidating Trustee, the Liquidating Trust, or their property. Thereafter, the Liquidating Trustee shall withdraw any amounts remaining in the Unclaimed Distribution Reserve for Distribution in accordance with this Plan.

2. Distributions on Account of Pre-Petition Unsecured Note Claims

Distributions on account of holders of Allowed Pre-Petition Unsecured Note Claims shall be made to (a) the Indenture Trustee or (b) with the prior written consent of the Indenture Trustee, through the facilities of DTC, or, if applicable, the Liquidating Trustee. If a Distribution is made to the Indenture Trustee, the Indenture Trustee, in its capacity as a Disbursing Agent, shall administer the Distribution in accordance with the Plan and Indenture and be compensated in accordance with the procedures discussed below; provided, however, that nothing herein shall be deemed to impair, waive or extinguish any rights of the Indenture Trustee with respect to the Charging Lien.

Except as provided in the Plan, and subject to the requirements set forth above, Distributions to holders of Pre-Petition Unsecured Notes will be made to the record holders of the Pre-Petition Unsecured Note Claims as of the Distribution Date, as identified on a record holder register to be provided to the Liquidating Trust by the Indenture Trustee within five Business Days after the Distribution Date. This record holder register (a) will provide the name,

address and holdings of each respective registered holder as of the Distribution Date and (b) must be consistent with the applicable Pre-Petition Unsecured Note Claim, if filed, or as otherwise determined by the Bankruptcy Court.

With respect to the Allowed Pre-Petition Unsecured Note Claims, on the Effective Date (or as soon as practicable thereafter in accordance with the Plan and such other times as provided under the Plan), the Liquidating Trust will distribute to the Indenture Trustee all Distributions under the Plan on account of the Allowed Pre-Petition Unsecured Note Claims. The Indenture Trustee will then make Distributions to holders of the Allowed Pre-Petition Unsecured Note Claims in accordance with the Plan and the Indenture. For purposes of Distributions under this section, the Indenture Trustee shall be considered a Disbursing Agent.

Each Disbursing Agent providing services related to Distributions under the Plan will receive from the Liquidating Trust, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made by the Liquidating Trust and will not be deducted from Distributions to be made pursuant to the Plan to holders of Allowed Claims receiving Distributions from a Disbursing Agent.

The Disbursing Agent shall only be required to act and make Distributions in accordance with the terms of the Plan and shall have no (a) liability for actions taken in accordance with the Plan or in reliance upon information provided to it in accordance with the Plan or (b) obligation or liability for Distributions under the Plan to any party who does not hold a Claim against the Debtors as of the Distribution Date or who does not otherwise comply with the terms of the Plan. Notwithstanding the foregoing and anything contained in the Plan, nothing herein shall be deemed to impair, waive, extinguish or negatively impact the Charging Lien.

Except as provided in the Plan for lost, stolen, mutilated or destroyed Pre-Petition Unsecured Notes, each holder of any Pre-Petition Unsecured Note not held through book entry must tender such Pre-Petition Unsecured Note to the Disbursing Agent in accordance with a letter of transmittal to be provided to such holders by the Disbursing Agent as promptly as practicable on the Effective Date. The letter of transmittal will include, among other provisions, customary provisions with respect to the authority of the holder of such Pre-Petition Unsecured Note to act and the authenticity of any signatures required thereon. All surrendered Pre-Petition Unsecured Notes will be marked as cancelled and delivered to the Liquidating Trust. If the record holder of a Pre-Petition Unsecured Note is DTC or its nominee or such other securities depository or custodian thereof or is held in book entry or electronic form pursuant to a global security held by DTC, then the beneficial holder of such a Pre-Petition Unsecured Note Claim shall be deemed to have surrendered such holder's security, note, debenture or other evidence of indebtedness upon surrender of such global security by DTC or such other securities depository or custodian thereof.

F. WITHHOLDING AND REPORTING REQUIRMENTS

In connection with the Plan and all Distributions hereunder, the Liquidating Trust shall, to the extent applicable, comply with all tax withholding and reporting requirements imposed by

any federal, state, local, or foreign taxing authority, and all Distributions hereunder shall be subject to those requirements. The Liquidating Trust shall be authorized to take all actions necessary or appropriate to comply with those withholding and reporting requirements. Notwithstanding any other provision of the Plan, the holders of Claims or Interests of the Debtors shall have sole and exclusive responsibility for the satisfaction and payment of any tax obligations imposed by any Governmental Authority, including income, withholding and other tax obligations, on account of the provisions of the Plan. Neither the Debtors nor the Liquidating Trust shall have any liability to either the holder of a Claim or Interest or any Governmental Authority with respect to any such tax or similar obligation owed by such holder.

G. DUTY TO FILE TAX RETURNS

On and after the Effective Date, the Liquidating Trust shall be obligated to file any and all applicable state and federal tax returns on behalf of the Debtors and their Estates.

H. SETOFFS

The Debtors or the Liquidating Trust may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy laws, but shall not be required to, set off against any Claim, the payments or other Distributions to be made pursuant to the Plan in respect of such Claim, or claims of any nature whatsoever that the Debtors or the Liquidating Trust may have against the holder of such Claim; provided, however, that neither the failure to do so nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Liquidating Trust of any such Claim that the Debtors or the Liquidating Trust may have against such holder.

ARTICLE VII.

PROCEDURES FOR TREATING AND RESOLVING DISPUTED CLAIMS

A. OBJECTIONS TO CLAIMS

The Debtors' Agent, a Creditor or party-in-interest (as decided by the Bankruptcy Court upon dispute) may file objections to Claims prior to the Effective Date. **FROM AND AFTER THE EFFECTIVE DATE, THE LIQUIDATING TRUST SHALL HAVE THE EXCLUSIVE AUTHORITY TO OBJECT TO CLAIMS SO THAT THE BANKRUPTCY COURT CAN DETERMINE THE ALLOWED AMOUNT, IF ANY, OF SUCH CLAIMS.** The Liquidating Trust may file an objection at any time prior to the Final Distribution Date, and may reserve (in lieu of payment or Distribution of a Claim) for any Claim that the Liquidating Trust may, in good faith, dispute. A Claimant whose Claim is the subject of an objection must file with the Bankruptcy Court and serve upon the Liquidating Trustee a response to the objection. Failure to file and serve a response within the applicable period required by the Bankruptcy Code and Bankruptcy Rules shall result in the entry of a default judgment against the non-responding Claimant and the granting of the relief requested in the objection.

B. AMENDMENTS TO CLAIMS; CLAIMS FILED AFTER THE CONFIRMATION DATE

All Proofs of Claim, and the assertion of any Claim, must be filed and occur by the applicable Bar Date or such Claim shall otherwise be barred. Moreover, any Proofs of Claim filed after the Bar Date shall be deemed Disallowed in full and expunged without any action by the Debtors or the Liquidating Trust, unless the Claimant obtains an order of the Bankruptcy Court authorizing a late filing. Nothing herein shall affect, amend or modify the Bar Date in these Chapter 11 Cases.

C. NO DISTRIBUTIONS UNTIL CLAIM IS AN ALLOWED CLAIM

No payment or distribution shall be made with respect to any Claim to the extent it is a Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim.

D. ESTIMATION OF UNLIQUIDATED OR CONTINGENT CLAIMS

Pursuant to Bankruptcy Code Section 502(e), before the Effective Date, any Claimant or the Liquidating Trust may seek the estimation of any unliquidated claim or contingent claim. Any estimation of an unliquidated claim or a contingent claim shall constitute a final determination of such Claim for all purposes. To the extent an unliquidated claim or a contingent claim is estimated by Final Order of the Bankruptcy Court, it shall receive the treatment for the particular type of Claim set forth in Article V of the Plan in the amount estimated by the Bankruptcy Court. If a Claimant fails to seek estimation of its Claim at any time prior to the Final Distribution Date, such Claim shall be treated as a Disallowed Claim without further Order of the Bankruptcy Court at the Final Distribution Date. Any unliquidated claim or contingent claim shall be treated as a Disputed Claim until and unless it becomes an Allowed Claim pursuant to a Final Order of the Court.

E. VOTING

Holders of Disputed Claims shall not be entitled to vote with respect to the Plan unless such Claims are estimated, for voting purposes, by order of the Court. Only the Record Date holder is entitled to vote any Claim which is not a Disputed Claim.

F. RESOLUTION OF CLAIMS OBJECTIONS

On and after the Effective Date, the Liquidating Trustee shall have the sole authority to compromise, settle, otherwise resolve, or withdraw any objections to Claims without approval of the Bankruptcy Court.

G. DISTRIBUTIONS AFTER ALLOWANCE

As soon as practicable after (i) the occurrence of the applicable Objection Deadline, if no Objection to such Claim has been timely filed, or (ii) the Disputed Claim becomes an Allowed Claim, the Liquidating Trustee shall distribute to the holder thereof all Distributions to which such holder is then entitled under the Plan.

ARTICLE VIII.

CONDITIONS PRECEDENT TO THE EFFECTIVE DATE

A. CONDITIONS TO EFFECTIVE DATE

The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Article XI of the Plan:

- (i) The Confirmation Order confirming this Plan shall have been entered and become a Final Order in form and substance reasonably acceptable to the Debtors and the Committee, in the exercise of the Committee's reasonable discretion.
- (ii) All other Plan Documents and agreements necessary to implement this Plan on the Effective Date shall be reasonably acceptable to the Debtors and the Committee, in the exercise of the Committee's reasonable discretion, and have been executed and delivered and all other actions required to be taken in connection with the Effective Date shall have occurred.

B. NOTICE OF EFFECTIVE DATE

Within ten (10) days after the occurrence of the Effective Date, the Liquidating Trustee shall file with the Bankruptcy Court and cause to be mailed to all holders of Claims and Interests a notice of (i) the Effective Date; (ii) the Bar Date for the filing of Administrative Expense Claims; and (iii) any other matters deemed appropriate by the Liquidating Trustee.

C. WAIVER OF CONDITIONS

Under Article XI of the Plan, each of the conditions set forth above may be waived in whole or in part by the Debtors without any other notice to parties in interest or the Bankruptcy Court and without a hearing, except that such conditions cannot be waived without the Committee's consent, which may be given or denied in the exercise of the Committee's reasonable discretion.

ARTICLE IX.

CERTAIN EFFECTS OF CONFIRMATION

A. RELEASE BY DEBTORS OF CERTAIN PARTIES

On the Effective Date, the individuals described in the following sentence shall be forever irrevocably and unconditionally released and discharged from any and all Claims, actions, suits, debts, accounts, Causes of Action, agreements, promises, damages, judgments, demands and liabilities which the Debtors may have against them, whether held directly,

indirectly, or derivatively, which are in any way related to the Debtors, and arise from facts, circumstances, events or conditions occurring or otherwise existing prior to the Effective Date. The Persons released hereby are all the Debtors' representatives, including all Persons who have served as directors or officers or Persons serving in similar capacities of any of the Debtors on and after the Petition Date and all Professionals employed during the bankruptcy cases, including but not limited to William C. Oehmig, T. Hunter Nelson, Richard D. Paterson, Gene G. Stoeber, Perry D. Odak, Woody McGee, William S. Brant, Hugh McClain, Randy Powell, Martin T. (Tim) deVries, Lee McCarter and Richard Franks.

B. INJUNCTION

PROVIDED THAT THE EFFECTIVE DATE OCCURS, THE ENTRY OF THE CONFIRMATION ORDER SHALL BE DEEMED TO PERMANENTLY ENJOIN ALL PERSONS THAT HAVE HELD, CURRENTLY HOLD OR MAY HOLD A CLAIM AGAINST, OR BE OWED OBLIGATIONS BY, THE ESTATES, OR WHO HAVE HELD, CURRENTLY HOLD OR MAY HOLD AN INTEREST IN ANY DEBTOR, FROM TAKING ANY OF THE FOLLOWING ACTIONS ON ACCOUNT OF SUCH CLAIM OR INTEREST: (I) COMMENCING, CONDUCTING, OR CONTINUING IN ANY MANNER, DIRECTLY OR INDIRECTLY, ANY SUIT, ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST ANY DEBTOR, ANY OF THEIR REPRESENTATIVES, OR THE LIQUIDATING TRUST; (II) ENFORCING, LEVYING, ATTACHING, COLLECTING, OR OTHERWISE RECOVERING IN ANY MANNER OR BY ANY MEANS, DIRECTLY OR INDIRECTLY, ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST ANY DEBTOR, ANY OF THEIR REPRESENTATIVES, OR THE LIQUIDATING TRUST; (III) CREATING, PERFECTING OR ENFORCING IN ANY MANNER, DIRECTLY OR INDIRECTLY, ANY LIEN, CHARGE, ENCUMBRANCE OR OTHER LIEN OF ANY KIND AGAINST ANY DEBTOR, THEIR PROPERTY, ANY OF THEIR REPRESENTATIVES, OR THE LIQUIDATING TRUST; (IV) ASSERTING ANY SETOFF, RIGHT OF SUBROGATION OR RECOUPMENT OF ANY KIND, DIRECTLY OR INDIRECTLY, AGAINST ANY DEBT, LIABILITY OR OBLIGATION DUE TO ANY DEBTOR, ANY OF THEIR REPRESENTATIVES, OR THE LIQUIDATING TRUST; AND (V) PROCEEDING IN ANY MANNER, DIRECTLY OR INDIRECTLY, IN ANY PLACE WHATSOEVER AGAINST ANY DEBTOR, ANY OF THEIR REPRESENTATIVES, OR THE LIQUIDATING TRUST.

UNLESS OTHERWISE SPECIFICALLY PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL INJUNCTIONS OR STAYS PROVIDED FOR IN THESE CHAPTER 11 CASES PURSUANT TO BANKRUPTCY SECTIONS 105, 362 OR 524 OR OTHERWISE AND IN EFFECT ON THE CONFIRMATION DATE SHALL REMAIN IN FULL FORCE AND EFFECT UNTIL THE EFFECTIVE DATE.

The Pension Benefit Guaranty Corporation (the "PBGC") contends that this injunction is overbroad and may not comport with factors laid out by the Sixth Circuit Court of Appeals in *Class Five Nev. Claimants v. Dow Corning Corp. (In re Dow Corning Corp.)*, 280 F.3d 648 (6th Cir. 2002). The Debtors disagree and instead contend that the *Dow Corning* test shall be

satisfied at the confirmation hearing, or some other resolution shall be reached. The Debtors are prepared to present evidence to the Court at the confirmation hearing to prove compliance with the *Dow Corning* test, if necessary, to address the requirements to support a non-consensual release.

C. NO LIABILITY FOR SOLICITATION OR PARTICIPATION

Pursuant to Bankruptcy Code section 1125, Persons that solicit acceptances or rejections of the Plan, in good faith and in compliance with the applicable provisions of the Bankruptcy Code, shall not be liable, on account of such solicitation or participation, for violation of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan.

D. RELEASE OF LIENS

Except as set forth in section 8.10 of the Plan and otherwise specifically provided in the Plan or the Confirmation Order, all Liens, security interests, deeds of trust, or mortgages against any Debtor or property of the Estates shall and shall be deemed to be released, terminated, and nullified as of the Effective Date. Pursuant to Bankruptcy Code section 1142(b), the Debtors are authorized to execute and file any release of Lien, in their sole business judgment, to assist in consummation of the Plan if the holder of such Lien fails to execute such a release of Lien.

E. PRE-PETITION LAWSUITS

On the Effective Date, all lawsuits, litigation, administrative actions or other proceedings, judicial or administrative, relating to pre-petition events or conduct of the Debtors, in connection with the assertion of a Claim, shall be dismissed as to the Debtors. Such dismissal shall be with prejudice to the assertion of such Claim in any manner other than as prescribed by the Plan. Confirmation of the Plan and entry of the Confirmation Order shall have no effect on insurance policies of the Debtor.

F. MISCELLANEOUS PLAN PROVISIONS

1. Modification of Plan

The Debtors reserve the right to modify the Plan either before or after Confirmation, to the fullest extent permitted under Bankruptcy Code section 1127 and Bankruptcy Rule 3019. However, modifications to the Plan or to any Plan Documents requires the Committee's consent, which may be given or denied in the exercise of the Committee's reasonable discretion. After the Confirmation Date and prior to the substantial consummation of the Plan, any party in interest in these chapter 11 Cases may, so long as the treatment of holders of Claims or Interests under the Plan are not materially adversely affected, institute proceedings in the Bankruptcy Court to remedy any defect or omission or to reconcile any inconsistencies in the Plan, the Disclosure Statement or the Confirmation Order, and any other matters as may be necessary to carry out the purposes and effects of the Plan; provided, however, prior notice of such

proceedings shall be served in accordance with the Bankruptcy Rules or order of the Bankruptcy Court.

2. *Revocation, Withdrawal or Non-Consummation*

The Debtors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date and to file subsequent plans of liquidation. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if confirmation or consummation as to any or all of the Debtors does not occur, then, with respect to such Debtors, (a) the Plan shall be null and void in all respects, (b) any fixing or limiting to an amount certain any Claim or Interest or Class of Claims or Interests shall be deemed null and void, and (c) nothing contained in the Plan shall (i) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or any other Person, (ii) prejudice in any manner the rights of such Debtors or any other Person, or (iii) constitute an admission of any sort by the Debtors or any other Person.

3. *Retention of Jurisdiction*

The Plan provides that subsequent to the Effective Date, the Bankruptcy Court shall have or retain jurisdiction for the following purposes:

- (i) allow, disallow, determine, liquidate, classify, estimate, or establish the priority or secured or unsecured status of any Claim or Interest, including the resolution of any request for payment of any Administrative Expense Claim or Priority Claim and the resolution of any objections to the allowance or priority of Claims or Interests;
- (ii) grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or this Plan for periods ending on or before the Effective Date;
- (iii) resolve any matters related to the rejection of any executory contract or unexpired lease to which any Debtor is a party or with respect to which any Debtor may be liable and to hear, determine, and, if necessary, liquidate any Claims arising therefrom;
- (iv) ensure that Distributions to holders of Allowed Claims are accomplished by the Liquidating Trust pursuant to the provisions of this Plan and the Liquidating Trust Agreement;
- (v) decide or resolve any motions, adversary proceedings, contested, or litigated matters and any other matters and grant or deny any applications involving the Debtors that may be pending on the Effective Date;
- (vi) enter such orders as may be necessary or appropriate to implement or consummate the provisions of this Plan and all contracts, instruments, releases, and other agreements or documents created in connection with this Plan, the Disclosure Statement, or the Confirmation Order;
- (vii) resolve any cases, controversies, suits, or disputes that may arise in connection with the consummation, interpretation, or enforcement of this Plan or any

- contract, instrument, release, or other agreement or document that is executed or created pursuant to this Plan, or any entity's rights arising from or obligations incurred in connection with this Plan or such documents;
- (viii) approve any modification of this Plan before or after the Effective Date pursuant to section 1127 of the Bankruptcy Code or approve any modification of the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order, or remedy any defect or omission or reconcile any inconsistency in any Bankruptcy Court order, this Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement or document created in connection with this Plan, the Disclosure Statement, or the Confirmation Order, in such manner as may be necessary or appropriate to consummate this Plan;
 - (ix) hear and determine all applications for compensation and reimbursement of expenses of Professionals under this Plan or under sections 330, 331, 503(b), 1103, and 1129(c)(9) of the Bankruptcy Code, which shall be payable by the Liquidating Trust only upon allowance thereof pursuant to the order of the Bankruptcy Court, provided, however, that the fees and expenses of the Liquidating Trust, incurred after the Effective Date, including counsel fees, may be paid by the Liquidating Trust in the ordinary course of business and shall not be subject to the approval of the Bankruptcy Court;
 - (x) 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, implementation, or enforcement of this Plan or the Confirmation Order;
 - (xi) hear and determine Causes of Action by or on behalf of the Debtors or the Liquidating Trust;
 - (xii) hear and determine matters concerning state, local and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;
 - (xiii) enter and implement such orders as are necessary or appropriate if the Confirmation Order is for any reason or in any respect modified, stayed, reversed, revoked, or vacated, or Distributions pursuant to this Plan are enjoined or stayed;
 - (xiv) determine any other matters that may arise in connection with or relate to this Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument, release, or other agreement, or document created in connection with this Plan, the Disclosure Statement or the Confirmation Order;
 - (xv) enforce all orders, judgments, injunctions, releases, exculpations, indemnifications, and rulings entered in connection with the Chapter 11 Cases;

- (xvi) hear and determine all matters related to (i) the property of the Liquidating Trust from and after the Confirmation Date and (ii) the activities of the Liquidating Trustee;
- (xvii) hear and determine disputes with respect to compensation of the Debtors' professional advisors;
- (xviii) hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code; and
- (xix) enter an order closing the Chapter 11 Cases.

4. *Limited Role of Creditors' Committee On and After Effective Date*

On and after the Effective Date, the Committee shall continue to exist for the limited purposes of (i) filing fee applications for fees and expenses incurred in these Cases, and (ii) litigating and/or settling any pending litigation or appeal that is still ongoing as of the Effective Date and in which the Committee is a party. On the Effective Date, other than with respect to its duty to maintain the confidentiality of protected, confidential or commercially sensitive information concerning the Debtors in accordance with applicable agreements, orders of the Bankruptcy Court or the Committee's by-laws (which duty shall continue), its members and their Representatives shall be deemed released of all of their duties, responsibilities and obligations in connection with the chapter 11 Cases and the retention and employment of the Committee's Professionals shall terminate without further order of the Bankruptcy Court.

ARTICLE X.

CONFIRMATION AND CONSUMMATION PROCEDURE

A. GENERAL INFORMATION

All creditors whose Claims are impaired by the Plan (except those parties holding Interests or who are unimpaired) may cast their votes for or against the Plan. As a condition to confirmation of the Plan, the Bankruptcy Code requires that one Class of Impaired Claims votes to accept the Plan. Section 1126(c) of the Bankruptcy Code defines acceptance of a plan by a Class of Impaired Claims as acceptance by holders of at least two thirds of the dollar amount of the class and by more than one half in number of Claims. Holders of Claims who fail to vote are not counted as either accepting or rejecting a plan. Voting is accomplished by completing, dating, signing and returning the ballot form (the "Ballot") by the Voting Deadline. Ballots will be distributed to all creditors entitled to vote on the Plan and is part of the Solicitation Package accompanying the Disclosure Statement. The Ballot indicates (i) where the Ballot is to be filed and (ii) the deadline by which creditors must return their Ballots. See Article I of this Disclosure Statement for a more detailed explanation of who will receive Ballots and voting procedures.

B. SOLICITATION OF ACCEPTANCES

This Disclosure Statement has been approved by the Bankruptcy Court as containing "adequate information" to permit creditors and equity interest holders to make an informed

decision whether to accept or reject the Plan. Under the Bankruptcy Code, your acceptance of the Plan may not be solicited unless you receive a copy of this Disclosure Statement prior to, or concurrently with, such solicitation.

C. ACCEPTANCES NECESSARY TO CONFIRM THE PLAN

At the Confirmation Hearing, the Bankruptcy Court shall determine, among other things, whether the Plan has been accepted by the Debtors' creditors. Class 3 will be deemed to accept the Plan if at least two thirds (2/3) in dollar amount and more than one half (1/2) in number of the Allowed Claims in each Class timely and properly vote to accept the Plan.

D. CONSIDERATIONS RELEVANT TO ACCEPTANCE OF THE PLAN

The Debtors' recommendation that all Creditors should vote to accept the Plan is premised upon the Debtors' view that the Plan is preferable to other alternatives, such as conversion of the Bankruptcy Cases to a chapter 7 bankruptcy case which would likely be more time-consuming, more expensive, and likely result in lower distributions to creditors. It appears unlikely to the Debtors that an alternate plan of reorganization or liquidation can be proposed that would provide for payments in an amount equal or greater than the amounts proposed under the Plan. If the Plan is not accepted, it is likely that the interests of all creditors will be further diminished.

ARTICLE XI.

FEASIBILITY OF THE PLAN AND BEST INTERESTS TEST

A. FEASIBILITY OF THE PLAN

The Bankruptcy Code requires that, for the Plan to be confirmed, the Debtors must demonstrate that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors. The Plan contemplates the winding down of the Debtors' Estates; therefore, no subsequent liquidation or reorganization will ensue after the Effective Date. The Debtors believe that they will be able to timely perform all obligations described in the Plan and, therefore, that the Plan is feasible.

HOLDERS OF CLAIMS AND INTERESTS ARE ADVISED TO REVIEW CAREFULLY THE RISK FACTORS INCLUDED IN ARTICLE XIV OF THIS DISCLOSURE STATEMENT THAT MAY AFFECT THE FINANCIAL FEASIBILITY OF THE PLAN.

B. BEST INTEREST OF CREDITORS TEST

In certain circumstances, to be confirmed, the Plan must pass the "Best Interest Of Creditors Test" incorporated in section 1129(a)(7) of the Bankruptcy Code. The test applies to individual creditors and Interest holders (stockholders) that are both (i) in Impaired Classes under the Plan, and (ii) do not vote to accept the Plan. Section 1129(a)(7) of the Bankruptcy Code requires that such Creditors and Interest holders receive or retain an amount under the Plan

not less than the amount that such holders would receive or retain if the Debtors were to be liquidated under chapter 7 of the Bankruptcy Code.

In a typical chapter 7 case, a trustee is elected or appointed to liquidate the debtor's assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Secured creditors generally are paid first from the sales proceeds of properties securing their liens. If any assets are remaining in the bankruptcy estates after the satisfaction of secured creditors' claims from their collateral, Administrative Claims generally are next to receive payment. Unsecured creditors are paid from any remaining sales proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, equity interest holders receive the balance that remains, if any, after all creditors are paid.

C. APPLICATION OF BEST INTERESTS TEST TO THE LIQUIDATION ANALYSIS AND VALUATION OF THE DEBTORS

The Debtors believe that the Plan meets the "best interests" test of section 1129(a)(7) of the Bankruptcy Code because members of each Impaired Class will receive a more valuable distribution under the Plan than they would in a liquidation in a hypothetical chapter 7 case. Creditors will receive a better recovery through the distributions contemplated by the Plan because the professionals proposing this Plan have been working in these Bankruptcy Cases since their inception and are familiar with the background and progress of these bankruptcy cases. On the other hand, conversion of these Bankruptcy Cases to a chapter 7 liquidation proceeding will require the appointment of a trustee, who more than likely will need additional time to become familiar with the Bankruptcy Cases, and a statutory fee will be paid to the chapter 7 trustee. While gaining familiarity with these cases, a chapter 7 trustee will expend time payable by the remaining cash on hand in the Debtors' Estates, thereby reducing the potential distribution to creditors. Under this Plan, the payment of remaining cash on hand in the Debtors' Estates will be paid on the Effective Date after confirmation of this Plan, whereas conversion of this case to a chapter 7 liquidation proceeding will substantially delay distributions and reduce the amount of distributions currently available to creditors. The Debtors believe that the Plan satisfies the "best interests" test.

ARTICLE XII.

ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords holders of Claims the potential for the greatest return and, therefore, is in the best interests of such holders. If the Plan is not confirmed, however, the theoretical alternatives include: (a) an alternative plan or plans of liquidation; or (b) conversion of these Bankruptcy Cases to a chapter 7 bankruptcy case. The Debtors believe that the Plan provides a substantially greater return to holders of Claims than would an alternative plan of liquidation or conversion of these Bankruptcy Cases under chapter 7 of the Bankruptcy Code.

ARTICLE XIII.

CERTAIN RISK FACTORS TO CONSIDER

The following disclosures are not intended to be inclusive and should be read in connection with the other disclosures contained in this Disclosure Statement and the exhibits attached hereto. You should carefully consider the risks described below in addition to the other information contained in this document. It is recommended that you consult your legal, financial, and tax advisors regarding the risks associated with the Plan and the distributions you may receive thereunder.

A. CLAIMS ESTIMATION

There can be no assurance that the estimated Claim amounts assumed for the purposes of preparing the Plan are correct. The actual amount of Allowed Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the actual amount of Allowed Claims may vary from those estimated for the purpose of preparing the Plan. Depending on the outcome of claims objections, the estimated recovery percentages provided in this Disclosure Statement may be different than the actual recovery percentages that are realized under the Plan.

B. CERTAIN RISKS OF NONCONFIRMATION

There can be no assurance that the requisite acceptances to confirm the Plan will be received. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan. A rejecting Creditor or holder of an Interest might challenge the balloting procedures and results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court were to determine that the balloting procedures and results were appropriate, the Bankruptcy Court could still decline to confirm the Plan if it were to find that any of the statutory requirements for confirmation had not been met. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the confirmation of the Plan is not likely to be followed by a liquidation or a need for further financial reorganization.

ARTICLE XIV.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

THE DEBTORS HAVE NOT SOUGHT OR OBTAINED ANY RULING FROM THE INTERNAL REVENUE SERVICE OR FROM ANY OTHER TAXING AUTHORITY WITH RESPECT TO ANY OF THE TAX CONSEQUENCES OF THE PLAN, NOR HAVE THE DEBTORS SOUGHT OR OBTAINED AN OPINION OF COUNSEL WITH RESPECT TO ANY SUCH TAX CONSEQUENCES. NO REPRESENTATIONS OR ASSURANCES ARE MADE WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES AS SUMMARIZED HEREIN. CERTAIN TYPES OF CREDITORS

MAY BE SUBJECT TO SPECIAL RULES NOT ADDRESSED IN THIS SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES. FURTHER, CREDITORS MAY BE SUBJECT TO STATE, LOCAL, OR FOREIGN TAX CONSEQUENCES THAT ARE NOT ADDRESSED HEREIN. BECAUSE THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND MAY VARY BASED ON INDIVIDUAL CIRCUMSTANCES, EACH CREDITOR SHOULD CONSULT WITH ITS OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES OF ANY ASPECT OF THE PLAN WITH RESPECT TO SUCH CREDITOR.

IRS CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH REQUIREMENTS IMPOSED BY THE IRS, YOU ARE HEREBY ADVISED THAT ANY DISCUSSION OF TAX MATTERS CONTAINED IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE INTERNAL REVENUE CODE. THE DISCUSSION OF TAX MATTERS CONTAINED IN THIS DISCLOSURE STATEMENT WAS WRITTEN TO SUPPORT THE PROMOTION OF THE TRANSACTIONS DESCRIBED IN THIS DISCLOSURE STATEMENT. EACH TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. INTRODUCTION

A summary description of certain United States federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal United States federal income tax consequences of the Plan to the holders who are entitled to vote to accept or reject the Plan are described below. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the Internal Revenue Service (the "IRS") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding upon the IRS or such other authorities. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any holder. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position different from any discussed herein.

The discussion of United States federal income tax consequences below is based on the Internal Revenue Code of 1986, as amended (the "IRC"), Treasury Regulations, judicial authorities, published positions of the IRS and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

The following discussion does not address foreign, state or local tax consequences of the Plan, nor does it purport to address the United States federal income tax consequences of the Plan to special classes of taxpayers (e.g., banks and certain other financial institutions, insurance

companies, tax-exempt organizations, governmental entities, persons that are, or hold their Claims through, pass-through entities, persons whose functional currency is not the United States dollar, foreign persons, dealers in securities or foreign currency, employees, and persons who received their Claims pursuant to the exercise of an employee stock option or otherwise as compensation). Furthermore, the following discussion does not address United States federal taxes other than income taxes.

Each holder is strongly urged to consult its own tax advisor regarding the United States federal, state, and local and any foreign tax consequences of the transactions described herein and in the Plan.

B. UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO HOLDERS OF CLAIMS

The following discusses certain United States federal income tax consequences of the transactions contemplated by the Plan to holders that are “United States Holders,” as defined below. The United States federal income tax consequences of the transactions contemplated by the Plan to holders of Claims (including the character, timing and amount of income, gain or loss recognized) will depend upon, among other things, (1) the manner in which a holder acquired a Claim; (2) the length of time the Claim has been held; (3) whether the Claim was acquired at a discount; (4) whether the holder has taken a bad debt deduction with respect to the Claim (or any portion thereof) in the current or prior years; (5) whether the holder has previously included in its taxable income accrued but unpaid interest with respect to the Claim; (6) the holder’s method of tax accounting; and (7) whether the Claim is an installment obligation for federal income tax purposes. In addition, special tax considerations not discussed herein may apply to holders subject to special treatment under the U.S. federal income tax laws (including, for example, banks, governmental authorities or agencies, pass-through entities, dealers and traders in securities, insurance companies, and regulated investment companies, and persons holding Claims as part of a hedge, straddle, conversion or constructive sale transaction). Therefore, holders should consult their own tax advisors for information that may be relevant to their particular situations and circumstances and the particular tax consequences to them of the transactions contemplated by the Plan. This discussion assumes that the holder has not taken a bad debt deduction with respect to a Claim (or any portion thereof) in the current or any prior year and such Claim did not become completely or partially worthless in a prior taxable year. Moreover, the Debtors intend to claim deductions to the extent they are permitted to deduct pursuant to the Plan.

For purposes of the following discussion, a “United States Holder” is a holder that is (1) a citizen or individual resident of the United States (as determined for United States federal income tax purposes), (2) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in the United States or under the laws of the United States, any State within the United States, or the District of Columbia, (3) an estate the income of which is subject to United States federal income taxation regardless of its source, or (4) a trust if: (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) the trust was in existence on August 20, 1996 and

properly elected to be treated as a United States person. If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a holder of Claims, the tax treatment of a partner as a beneficial owner thereof will generally depend on the status of the partner and the activities of the partnership.

1. Holders of Claims

A Holder who receives cash in exchange for its Claim pursuant to the Plan generally will recognize income, gain or loss for United States federal income tax purposes in an amount equal to the difference between (1) the amount of cash received in exchange for its Claim and (2) the Holder's adjusted tax basis in its Claim. The character of such gain or loss as capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, the nature of the Claim in such Holder's hands, whether the Claim constitutes a capital asset in the hands of the Holder, whether the Claim was purchased at a discount, and whether and to what extent the Holder has previously claimed a bad debt deduction with respect to its Claim.

2. Allocation of Plan Distributions Between Principal and Interest

In general, a holder that was not previously required to include in taxable income any accrued but unpaid interest on such holder's Claim may be required to take such amount into income as taxable interest. A holder that was previously required to include in taxable income any accrued but unpaid interest on the Claim may be entitled to recognize a deductible loss to the extent that such interest is not satisfied under the Plan. Such loss may be ordinary, but the tax law is unclear on this point.

The extent to which the consideration received by a holder of a surrendered Claim will be attributable to accrued interest on the debt constituting the Claims is unclear. Certain Treasury Regulations generally treat a payment under a debt instrument first as a payment of accrued and unpaid interest and then as a payment of principal. Application of this rule to a final payment on a debt instrument being discharged at a discount in bankruptcy is unclear. In this regard, the Plan provides that, to the extent that any Allowed Claim entitled to a Distribution under the Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for United States federal income tax purposes to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of the Claim representing accrued but unpaid interest. The provisions of the Plan are not binding on the IRS or a court with respect to the appropriate tax treatment for creditors. Holders are advised to consult their own tax advisors to determine the amount, if any, of consideration received under the Plan that is allocable to interest.

3. Market Discount

The market discount provisions of the IRC may apply to holders of certain Claims. In general, a debt obligation other than a debt obligation with a fixed maturity of one year or less that is acquired by a holder in the secondary market (or, in certain circumstances, upon original

issuance) is a “market discount bond” as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, the revised issue price) exceeds the adjusted tax basis of the bond in the holder’s hands immediately after its acquisition. However, a debt obligation will not be a “market discount bond” if such excess is less than a statutory de minimis amount (equal to 0.25% of the debt obligation’s stated redemption price at maturity or revised issue price, in the case of a debt obligation issued with original issue discount, multiplied by the number of complete years remaining to maturity as of the time the Holder acquired the debt obligation). Gain recognized by a creditor with respect to a “market discount bond” will generally be treated as ordinary interest income to the extent of the market discount accrued on such bond during the creditor’s period of ownership, unless the creditor elected to include accrued market discount in taxable income currently. A holder of a market discount bond that is required under the market discount rules of the IRC to defer deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry the bond may be allowed to deduct such interest, in whole or in part, on disposition of such bond.

4. Holders of Interests

A holder of an Interest in the Fabrics Holdings, Inc. that is cancelled under the Plan will be allowed a “worthless stock deduction” in an amount equal to the holder’s adjusted basis in such 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 (which year may differ from the year the Plan is confirmed). 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 on the last day of the holder’s taxable year.

5. Information Reporting and Backup Withholding

Certain payments, including payments in respect of accrued interest or market discount, are generally subject to information reporting by the payer to the IRS. Moreover, such reportable payments are subject to backup withholding under certain circumstances. Under the IRC’s backup withholding rules, a United States holder may be subject to backup withholding at the applicable rate with respect to certain distributions or payments pursuant to the Plan, unless the holder (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates this fact or (b) provides a correct United States taxpayer identification number and certifies under penalty of perjury that the holder is a U.S. person, the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a Holder’s United States federal income tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS.

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN, AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX

PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT WITH THEIR TAX ADVISORS ABOUT THE FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

ARTICLE XV.

RECOMMENDATION

Based on the foregoing analysis of the Debtors, their remaining assets, and the Plan, the Debtors believe that the best interests of all parties would be served through confirmation of the Plan. **FOR THESE REASONS, THE DEBTORS URGE ALL CREDITORS TO VOTE TO "ACCEPT" THE PLAN.**

Dated this 15th day of July 2009.

Respectfully submitted,

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By: /s/ Woody McGee

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Title: CEO

FABRICS HOLDINGS INC.

By: /s/ Woody McGee

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**FABRICS CONCRETE SYSTEMS
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