

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

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In re:	)	
	)	Chapter 11
	)	
PROLIANCE INTERNATIONAL, INC., <i>et al.</i> ,	)	Case No. 09-12278 (CSS)
	)	
Debtors.	)	Jointly Administered

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**DISCLOSURE STATEMENT WITH RESPECT TO THE  
DEBTORS' CHAPTER 11 PLAN OF LIQUIDATION**

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Dated: April 14, 2010

**THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 4:00 P.M. ON [\_\_\_], 2010 PREVAILING EASTERN TIME, UNLESS THE DEBTORS, IN CONSULTATION WITH THE COMMITTEE, EXTEND THE VOTING DEADLINE PRIOR TO [\_\_\_], 2010. TO BE COUNTED, THE VOTING AND CLAIMS AGENT MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.**

**CERTAIN INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, THE PLAN AND ANY EXHIBITS ATTACHED HERETO IS SPECULATIVE, AND PERSONS SHOULD NOT RELY ON SUCH DOCUMENTS IN MAKING INVESTMENT DECISIONS WITH RESPECT TO (A) THE DEBTORS OR (B) ANY OTHER ENTITIES THAT MAY BE AFFECTED BY THE CHAPTER 11 CASES.**

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE CHAPTER 11 PLAN OF LIQUIDATION OF THE DEBTORS TO HOLDERS OF CLAIMS AND INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(B) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER SIMILAR LAWS. THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE AUTHORITY AND NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT MAY CONTAIN "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS CONSIST OF ANY STATEMENT OTHER THAN A RECITATION OF HISTORICAL FACT AND CAN BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY SUCH AS "MAY," "EXPECT," "ANTICIPATE," "ESTIMATE" OR "CONTINUE" OR THE NEGATIVE THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. THE READER IS CAUTIONED THAT ALL FORWARD-LOOKING STATEMENTS ARE NECESSARILY SPECULATIVE AND THERE ARE CERTAIN RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE REFERRED TO IN SUCH FORWARD-LOOKING STATEMENTS. THE LIQUIDATION ANALYSIS, DISTRIBUTION PROJECTIONS AND OTHER INFORMATION CONTAINED HEREIN AND ATTACHED HERETO ARE ESTIMATES ONLY, AND THE TIMING AND AMOUNT OF ACTUAL DISTRIBUTIONS TO HOLDERS OF ALLOWED CLAIMS MAY BE AFFECTED BY MANY FACTORS THAT CANNOT BE PREDICTED. THEREFORE, ANY ANALYSES, ESTIMATES OR RECOVERY PROJECTIONS MAY OR MAY NOT TURN OUT TO BE ACCURATE.

NO LEGAL OR TAX ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE EACH HOLDER OF A CLAIM OR AN INTEREST TO CONSULT WITH ITS OWN ADVISORS WITH RESPECT TO ANY LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.

IT IS THE DEBTORS' POSITION THAT THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, HOLDERS OF CLAIMS AND INTERESTS AND OTHER ENTITIES SHOULD CONSTRUE THIS DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR CAUSE OF ACTION, CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THE DISCLOSURE STATEMENT. THE DISTRIBUTION TRUSTEE MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE CONFIRMATION OR EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THE DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS. THE PLAN RESERVES FOR THE DISTRIBUTION TRUSTEE THE RIGHT TO BRING CAUSES OF ACTION (DEFINED IN THE PLAN) AGAINST ANY ENTITY OR PARTY IN INTEREST EXCEPT THOSE SPECIFICALLY RELEASED.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE

SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT REPRESENT OR WARRANT THAT THE INFORMATION CONTAINED HEREIN OR ATTACHED HERETO IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

THE DEBTORS' MANAGEMENT HAS REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, NO ENTITY HAS AUDITED THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY TO DO SO. HOLDERS OF CLAIMS AND INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE DEBTORS FILED THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN, INCLUDING, WITHOUT LIMITATION, ANY RISK FACTORS CITED HEREIN, IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR PROPERTY OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM OR INTEREST IN A VOTING CLASS SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL HEREIN.

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**EXHIBITS**

**Exhibit A** Chapter 11 Liquidation Plan of the Debtors<sup>1</sup>

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<sup>1</sup> All exhibits to the Plan will be filed with the Bankruptcy Court no later than ten days before the deadline to vote to accept or reject the Plan. The exhibits will be made available on the website of the Debtors' claims and noticing agent, The Garden City Group, Inc.: <http://www.pliinfo.com>. The Debtors reserve the right to modify, amend, supplement, restate or withdraw the exhibits after they are filed and will promptly make such changes available on the website of the Debtors' claims and noticing agent.

## I. SUMMARY<sup>2</sup>

Pursuant to section 1125 of the Bankruptcy Code, the Debtors submit this Disclosure Statement to Holders of Claims and Equity Interests in connection with (a) the solicitation of votes to accept or reject the Plan, dated as of April 14, 2010 and (b) the Confirmation Hearing, which is scheduled for [\_\_\_\_], 2010 at [\_\_]:00 [\_\_].m. (prevailing Eastern Time).

The following summary is qualified in its entirety by the more detailed information and financial statements contained elsewhere in this Disclosure Statement.

### A. Events Leading to the Commencement of the Chapter 11 Cases and the Sale of the Debtors' Assets

On July 2, 2009, the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the stated intent of pursuing a sale of substantially all of their assets in a two-step process: (i) first, a sale of substantially all of the Debtors' business assets (collectively, the "North American Assets"); and (ii) second, a sale of all of the outstanding equity interests (the "NRF Stock") of the Debtors' wholly-owned subsidiary, Nederlandse Radiateuren Fabriek B.V. ("NRF"). The Debtors ultimately closed the sale of (i) the North American Assets to Centrum Equities XV, LLC ("Centrum") on August 14, 2009; and (ii) the NRF Stock to Banco Products (India) Ltd. ("Banco") on February 23, 2010.

The Debtors' roots date back to 1915, when a predecessor of the Debtors commenced operations in New Haven, Connecticut as a manufacturer of radiators for custom built automobiles, fire engines and original equipment manufacturers. The Debtors existing as of the Petition Date were the result of a July 22, 2005 merger between Transpro Inc. and Modine Aftermarket Holdings, Inc. The Debtors' business was organized into two segments, Domestic and International, which designed, manufactured and marketed heating and cooling components and systems for sale in the automotive, light and heavy duty truck aftermarkets in North and Central America and Europe.

As described more fully in the Affidavit of Arlen F. Henock in Support of First Day Pleadings (Docket No. 4) (the "Henock Affidavit"), which was filed on the Petition Date, the Debtors spent the better part of the year and a half prior to the Petition Date navigating through a number of landmines that began with the well-publicized decline in the U.S. auto industry. These difficult industry-related challenges were dwarfed, however, by the various operational and other obstacles that arose and followed from the destruction of the Debtors' domestic distribution center for heat exchange products located in Southaven, Mississippi by strong storms and tornadoes that struck the Mississippi area during the evening of February 5, 2008 (the "Southaven Casualty Event"). The Southaven Casualty Event resulted in the destruction of a significant portion of the Debtors' automotive and light truck heat exchange inventory, causing serious disruption to the Debtors' overall business operations. Further, the Southaven Casualty Event created severe liquidity constraints for the Debtors under the terms of their Senior Secured Credit Facility (as defined below). For those reasons and the others described in the Henock Affidavit, the Southaven Casualty Event was one of the major precipitating factors for these cases.

As described in greater detail in the Henock Affidavit, for reasons outside the Debtors' control, the Debtors were unable to effect a refinancing of the Senior Secured Credit Facility. As a result, the Debtors began to consider a possible investment or other strategic transaction. Through that process, it became clear to the Debtors that the optimal method by which they could maximize the value of their assets and best protect the interests of all stakeholders was to pursue a sale of substantially all of their assets. To that end, the Debtors filed these Chapter 11 Cases with the intent to pursue a sale of substantially all of their assets following their entry into a purchase agreement on the Petition Date establishing Centrum as the stalking horse purchaser for the sale of the North American Assets.

Summaries of the sale processes for each of the North American Assets and the NRF Stock are set forth in Article III.E hereof.

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<sup>2</sup>

Capitalized terms not defined herein shall have the meanings given to them in the Plan.

**B. The Purpose of the Plan**

On April 14, 2010, the Debtors filed the Plan with the Bankruptcy Court to facilitate the liquidation of the Debtors' Estates and the distribution of the Debtors' remaining assets, which consist mainly of sale proceeds, to Holders of Allowed Claims. A copy of the Plan is attached hereto as **Exhibit A** and incorporated herein by reference.

The Debtors believe the Plan provides the best recoveries possible for Holders of Allowed Claims and Equity Interests and strongly recommend that, if such Holders are entitled to vote, they vote to accept the Plan.

Pursuant to section 1141(d)(3) of the Bankruptcy Code, the Plan does not contain a discharge for the Debtors as (1) the Plan is a liquidating plan, (2) the Debtors will not be engaging in business after the consummation of the Plan, and (3) the Debtors are not entitled to a discharge under section 727(a) of the Bankruptcy Code.

**C. Treatment of Claims and Equity Interests**

THE FOLLOWING CHART IS A SUMMARY OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS AND THE POTENTIAL DISTRIBUTIONS UNDER THE PLAN. THE AMOUNTS SET FORTH BELOW ARE ESTIMATES ONLY. REFERENCE SHOULD BE MADE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN FOR A COMPLETE DESCRIPTION OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS. THE RECOVERIES SET FORTH BELOW ARE PROJECTED RECOVERIES AND ARE THEREFORE SUBJECT TO CHANGE. THE ALLOWANCE OF CLAIMS MAY BE SUBJECT TO LITIGATION OR OTHER ADJUSTMENTS, AND ACTUAL ALLOWED CLAIM AMOUNTS MAY DIFFER MATERIALLY FROM THESE ESTIMATED AMOUNTS.

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<u>Class/Type of Claim or Interest</u>	<u>Plan Treatment of Class</u>	<u>Projected Estimated Recovery Under Plan</u>
Administrative Claims	Paid in full in Cash	100%
Priority Claims	Paid in full in Cash	100%
Class 1 - Secured Lender Claims	Prior payment of Sale Proceeds	100%
Class 2 - Other Secured Claims	On or as soon as practicable after the Effective Date, the Debtors or the Liquidating Trustee shall pay each holder of an Allowed Other Secured Claim, in full and final satisfaction of such Allowed Other Secured Claim, except to the extent any holder of an Allowed Other Secured Claim agrees to a different treatment, either: (a) the collateral securing such Allowed Other Secured Claim; or (b) Cash in an amount equal to the value of such collateral.	100%

<u>Class/Type of Claim or Interest</u>	<u>Plan Treatment of Class</u>	<u>Projected Estimated Recovery Under Plan</u>
Class 3 – PBGC Claims	On or as soon as practicable after (a) the Effective Date, the Liquidating Trustee shall pay the PBGC the full amount of the PBGC Priority Claim and (b) the Initial Distribution Date, the Liquidating Trustee shall pay the PBGC, in full and final satisfaction of the PBGC Unsecured Claim, its Pro Rata share of the Liquidating Trust Fund, subject to fees, costs and expenses of the PLI Liquidating Trust.	100% on PBGC Priority Claim and less than 1% on PBGC Unsecured Claim
Class 4 - General Unsecured Claims	On or as soon as practicable after the Initial Distribution Date, the Liquidating Trustee shall pay each holder of an Allowed General Unsecured Claim, in full and final satisfaction of such Allowed General Unsecured Claim, its Pro Rata share of the Liquidating Trust Fund, subject to fees, costs and expenses of the PLI Liquidating Trust.	Less than 1%
Class 5 - Canceled Intercompany Claims	Intercompany Claims shall be canceled, and holders of such Canceled Intercompany Claims shall receive no Distribution on account of such Claims.	0%
Class 6 - Equity Interests	Holders of Equity Interests shall neither receive nor retain any property under the Plan.	0%

The actual recoveries under the Plan by the Holders of Class 4 Claims will be dependent upon a variety of factors, including the final Allowed amount of the Administrative Claims, the Priority Tax Claims and the Priority Claims. Accordingly, the actual amount available for Distribution to Holders of Class 4 Claims is unknown at this time.

**D. Entities Entitled to Vote on the Plan**

Under the provisions of the Bankruptcy Code, not all Holders of claims against and interests in a debtor are entitled to vote on a chapter 11 plan. Holders of Claims that are not Impaired by the Plan are deemed to accept the Plan under section 1126(f) of the Bankruptcy Code and therefore are not entitled to vote on the Plan. Holders of claims that will not receive a distribution under the Plan are deemed to conclusively reject the Plan and therefore are not entitled to vote on the Plan.

Claims and Equity Interests are classified for all purposes, including voting, confirmation and Distribution pursuant to the Plan and sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or an Interest to be classified in a particular Class only to the extent that the Claim or the Interest qualifies within the description of that Class and will be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of a different Class.

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**SUMMARY OF STATUS AND VOTING RIGHTS**

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<b>Class</b>	<b>Claim</b>	<b>Status</b>	<b>Voting Rights</b>
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**SUMMARY OF STATUS AND VOTING RIGHTS**

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Class	Claim	Status	Voting Rights
1	Secured Lender Claims	Impaired	Entitled to vote
2	Other Secured Claims	Unimpaired	Not entitled to vote; Deemed to Accept
3	PBGC Claims	Impaired	Entitled to vote
4	General Unsecured Claims	Impaired	To preserve estate resources, the Debtors and the Committee have determined (i) not to solicit votes from Class 4, (ii) to deem the Class to reject the Plan and (iii) to seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code.
5	Cancelled Intercompany Claims	Impaired	Notwithstanding the treatment of Canceled Intercompany Claims in Class 5, the Holders of Canceled Intercompany Claims, by virtue of their status as Debtors or Non-Debtor Affiliates, are deemed to accept the Plan.
6	Equity Interests	Impaired	Not entitled to vote; Deemed to reject

The following sets forth the Classes that are entitled to vote on the Plan and the Classes that are not entitled to vote on the Plan:

- The Debtors **ARE** soliciting votes to accept or reject the Plan from Holders of Claims in Classes 1 and 3 because such Claims are Impaired under the Plan and will potentially receive Distributions under the Plan. Accordingly, Holders of Claims in Classes 1 and 3 have the right to vote to accept or reject the Plan.
- The Debtors are **NOT** soliciting votes from the Holders of Claims in Class 2 because that Class, and the Claims of any Holders in that Class, are either unimpaired under the Plan or are otherwise deemed to accept the Plan.
- The Debtors are **NOT** soliciting votes from the Holders of Class 4 and 5 Claims and Class 6 Equity Interests. Although Holders of Class 4 Claims may receive Distributions under the Plan, to preserve estate resources, the Debtors and the Committee have determined not to solicit votes from Class 4 and to deem the Class to reject the Plan. Class 6 Holders are Impaired and will receive no Distribution under the Plan and are deemed to reject the Plan. The Holders of Class 5 Claims, by virtue of their status as Debtors or Non-Debtor Affiliates, are deemed to accept the Plan.

For a detailed description of the Classes of Claims and Equity Interests, as well as their respective treatment under the Plan, see Article III.B of the Plan.

**E. Solicitation Process**

The following documents and materials will constitute the Debtors' Solicitation Package:

- Plan,

- Disclosure Statement,
- Order approving the Disclosure Statement and related Solicitation Procedures ("Disclosure Statement Order"),
- Notice of the hearing at which confirmation of the Plan will be considered ("Confirmation Hearing Notice"),
- Appropriate Ballot and voting instructions, and
- Pre-addressed, postage prepaid return envelope.

The Debtors intend to distribute the Solicitation Packages no fewer than twenty-eight (28) calendar days before the Voting Deadline. The Debtors submit that distribution of the Solicitation Packages at least twenty-eight (28) calendar days prior to the Voting Date will provide the requisite materials to Holders of Claims entitled to vote on the Plan in compliance with Bankruptcy Rules 3017(d) and 2002(b).

The Solicitation Package will be distributed to Holders of Claims in Classes 1 and 3 as of the Voting Record Date and in accordance with the Solicitation Procedures. Holders of Claims in Class 4 will receive only a notice informing them (i) of the approval of the Disclosure Statement, (ii) the date of the Confirmation Hearing and deadline for objections to confirmation of the Plan, and (iii) that they may obtain the Solicitation Package at the website of the Debtors' claims and noticing agent, The Garden City Group, Inc., pursuant to the Solicitation Procedures. The Solicitation Package (except the Ballots) may also be obtained: (a) (i) by writing (sent via first class mail) to Ross S. Barr, Esq., Jones Day, 222 E. 41st Street, New York, New York 10017; or (ii) by e-mailing Mr. Barr at rsbarr@jonesday.com; (b) at the website of the Debtors' claims and noticing agent, The Garden City Group, Inc.: <http://www.pliinfo.com>; or (c) via PACER at <http://www.deb.uscourts.gov/>.

Other parties entitled to receive the Solicitation Packages, including the Internal Revenue Service and the Securities and Exchange Commission, will be served paper copies of the order approving the Disclosure Statement, the Disclosure Statement and all exhibits to the Disclosure Statement, including the Plan and the Confirmation Hearing Notice.

#### **F. Voting Procedures**

**The Voting Record Date is [ ] , 2010.** The Voting Record Date is the date on which the holders of Claims or Equity Interests that are entitled to vote to accept or reject the Plan will be determined.

**The Voting Deadline is 4:00 p.m. prevailing Eastern Time on [ ] , 2010.** To ensure that a vote is counted, holders of Class 1 and 3 Claims must: (a) complete the Ballot; (b) indicate a decision either to accept or reject the Plan; and (c) sign and return the Ballot to the address set forth on the enclosed pre-addressed envelope provided in the Solicitation Package or by delivery by first-class mail, overnight courier or personal delivery, so that all Ballots are **actually received** no later than the Voting Deadline, by Jones Day at the address below.

ANY BALLOT THAT IS PROPERLY EXECUTED BUT THAT DOES NOT CLEARLY INDICATE AN ACCEPTANCE OR REJECTION OF THE PLAN OR INDICATES BOTH AN ACCEPTANCE AND A REJECTION OF THE PLAN WILL NOT BE COUNTED.

EACH HOLDER OF A CLAIM OR INTEREST MUST VOTE ALL OF ITS CLAIM OR INTEREST WITHIN A PARTICULAR CLASS EITHER TO ACCEPT OR REJECT THE PLAN AND MAY NOT SPLIT SUCH VOTES. IF YOU CAST MORE THAN ONE BALLOT VOTING THE SAME CLAIM ON OR BEFORE THE VOTING DEADLINE, THE LAST BALLOT RECEIVED BEFORE THE VOTING DEADLINE WILL BE DEEMED TO REFLECT YOUR INTENT AND THUS WILL SUPERSEDE AND PRIOR BALLOTS.

<b>BALLOTS</b>
Ballots must be <b>actually received</b> by the Debtors by the <u>Voting Deadline at the following address:</u>
Jones Day Attn: Ross S. Barr 222 E. 41st Street New York, New York 10017

**IF A BALLOT IS RECEIVED AFTER THE VOTING DEADLINE, IT WILL NOT BE COUNTED UNLESS THE DEBTORS, IN CONSULTATION WITH THE COMMITTEE, DETERMINES OTHERWISE.**

Prior to deciding whether and how to vote on the Plan, each Holder in a voting Class should consider carefully all of the information in this Disclosure Statement, especially the risk factors described herein.

**G. Confirmation Hearing**

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

**The Confirmation Hearing will commence on [ ], 2010 at 10:00 a.m. prevailing Eastern Time,** before the Honorable Christopher S. Sontchi, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 5th Floor, Courtroom 6, Wilmington, Delaware 19801. The Confirmation Hearing may be adjourned from time to time without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof.

**The Plan Objection Deadline is 4:00 p.m. prevailing Eastern Time on [ ], 2010.** All objections to the Plan must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in accordance with the Disclosure Statement Order on or before the Plan Objection Deadline. In accordance with the Confirmation Hearing Notice filed with the Bankruptcy Court, objections to the Plan or requests for modifications to the Plan, if any, must:

- Be in writing;
- Conform to the Bankruptcy Rules and the Local Bankruptcy Rules;
- State the name and address of the objecting Entity and the amount and nature of the Claim or Interest of such Entity;
- State with particularity the basis and nature of the objection to the Plan and, if practicable, a proposed modification to the Plan that would resolve such objection; and
- Be filed, contemporaneously with a proof of service, with the Bankruptcy Court and served so that it is **actually received** by the notice parties identified in the Confirmation Hearing Notice on or prior to the Plan Objection Deadline.

**THE BANKRUPTCY COURT MAY NOT CONSIDER OBJECTIONS TO THE PLAN UNLESS THEY ARE TIMELY SERVED AND FILED IN COMPLIANCE WITH THE PROCEDURES SET FORTH IN THE DISCLOSURE STATEMENT ORDER.**

## **II. BACKGROUND TO THESE CHAPTER 11 CASES**

### **A. Debtors' Business**

#### **1. Debtors' Operations**

As described in greater detail above, the Debtors designed, manufactured and marketed heating and cooling components and systems for sale in the automotive, light and heavy duty truck aftermarkets in North and Central America and Europe.

#### **2. Employees**

As of the Petition Date, the Debtors had approximately 400 employees in the United States, and, together with their Non-Debtor Affiliates, had approximately 1,100 employees internationally. Following the sale of the North American Assets and the NRF Stock, the Debtors have five employees, two of which work part time.

#### **3. Directors and Officers**

As of March 31, 2010, the Debtors have only one remaining officer: Richard A. Wisot, the Debtors' Vice President, Treasurer and Secretary.

The Debtors' board of directors consists of William J. Abraham, Jr., Barry R. Banducci, Charles E. Johnson, Vincent L. Martin, James R. Rulseh and F. Alan Smith.

### **B. Debtors' Corporate Structure**

Debtor Proliance International, Inc. ("Proliance") is a Delaware corporation whose common stock was publicly traded on the NYSE Amex exchange (the "Exchange") under the symbol "PLI" prior to the Petition Date, at which time Proliance requested that the Exchange delist its common stock. As of the Petition Date, Proliance also had 2,500,000 authorized shares of preferred stock, par value of \$.01. As of June 15, 2009, there were 30,000 authorized shares of Series B preferred stock (the "Series B Preferred") with approximately 9,913 shares outstanding. At that time, the Series B Preferred was held by one individual, Paul S. Wilhide, as a result of Proliance's 1998 acquisition of EVAP, Inc. The Series B Preferred pays a 5% quarterly dividend based on the liquidation preference value of the shares.

The remaining Debtors are wholly-owned subsidiaries of Proliance.

### **C. Summary of Prepetition Indebtedness**

#### **1. Senior Secured Credit Facility**

As of the Petition Date, Proliance was obligated under a certain Credit and Guaranty Agreement (as amended, the "Senior Secured Credit Agreement"), dated as of July 19, 2007, entered into by and among: (a) Proliance; (b) Debtors Aftermarket Delaware Corporation and Aftermarket LLC as guarantors; (c) Silver Point Finance, LLC ("Silver Point"), as administrative agent and collateral agent (the "Prepetition Agent"); and (d) the lenders party thereto (collectively, the "Senior Secured Lenders"). Borrowings under the Senior Secured Credit Agreement were used for the Debtors' working capital and other general corporate purposes, including capital expenditures.

The Senior Secured Credit Agreement provided for a \$100 million credit facility, consisting of: (a) a \$50 million term loan (the "Term Loan"); (b) a \$25 million revolver A that includes a \$7.5 million subfacility for the issuance of letters of credit (the "Letters of Credit"); and (c) a \$25 million revolver B (the "Revolving B Facility," together with the Revolving A Facility, the "Revolving Facility," and the Revolving Facility, together with the Term Loan, the "Senior Secured Credit Facility"). The Term Loan has a five-year term, and all amounts outstanding thereunder are due on July 19, 2012.

The Senior Secured Credit Agreement contemplates that Proliance's obligations thereunder are (a) secured by a security interest in and first lien on substantially all of Proliance's assets, including accounts receivable, inventory, equipment, books and records, cash, general intangibles, real property and a pledge of all of the capital stock of each of Proliance's domestic subsidiaries and 65% of all of the capital stock of each of Proliance's first-tier foreign subsidiaries, and (b) guaranteed by each of the other Debtors, which guarantees are secured by a first priority lien on substantially all of such Debtors' respective assets, including a pledge of all of the capital stock of each of their domestic subsidiaries and 65% of all the capital stock of each of their first-tier foreign subsidiaries.

As of the Petition Date, Proliance owed approximately \$33.6 million under the Term Loan and approximately \$6.5 million under the Revolving Facility.

## **2. Trade Debt**

As of the Petition Date, the Debtors estimate that they had approximately \$51.7 million in trade debt.

### **III. ADMINISTRATION OF THE CHAPTER 11 CASES**

#### **A. Overview of Chapter 11**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated holders of claims and equity interests, subject to the priority of distributions prescribed by the Bankruptcy Code in a liquidation.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the commencement of the chapter 11 case. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

Consummating a plan is the principal objective of a chapter 11 case. A bankruptcy court's confirmation of a plan binds the debtor, any entity acquiring property under the plan, any holder of a claim against or equity interest in the debtor and all other entities as may be ordered by the bankruptcy court in accordance with the applicable provisions of the Bankruptcy Code, to the terms and conditions of the confirmed plan. Subject to certain limited exceptions, the order issued by the bankruptcy court confirming a plan provides for the treatment of claims and equity interests in accordance with the terms of the confirmed plan.

Prior to soliciting acceptances of a proposed chapter 11 plan, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding acceptance of the chapter 11 plan. This Disclosure Statement is being submitted in accordance with the requirements of section 1125 of the Bankruptcy Code.

#### **B. Initial Motions and Certain Related Relief**

Immediately following the Petition Date, the Debtors devoted substantial effort to stabilizing their operations and preserving and restoring their relationships with vendors and customers. To that end, the Debtors sought and obtained a number of orders from the Bankruptcy Court to minimize disruption to their operations and facilitate the administration of these Chapter 11 Cases. Several of these orders are briefly summarized below.

##### **1. Motion to Authorize Use of Operating Revenues**

On July 7, 2009, the Bankruptcy Court approved an order authorizing, among other things, the Debtors to use their operating revenues on an interim basis (Docket No. 64) (the "Interim Cash Collateral Order"). More specifically, pursuant to the Interim Cash Collateral Order, the Bankruptcy Court authorized the Debtors to immediately use their Operating Revenues (as such term is defined in the Interim Cash Collateral Order) in order to continue their business operations and preserve the going concern value of the North American Assets pending a sale thereof on the terms set forth on the budget attached to the Interim Cash Collateral Order. The Interim Cash

Collateral Order also authorized the Debtors to grant Additional Adequate Protection (as such term is defined in the Interim Cash Collateral Order) to the Senior Secured Lenders to the extent of any diminution in the value of the Senior Secured Lenders' interest in the Operating Revenues.

On July 24, 2009, the Bankruptcy Court entered a final order (Docket No. 136) (the "Final Cash Collateral Order") (a) granting the Debtors authority to use Cash Collateral (as such term is defined in the Final Cash Collateral Order) on the terms set forth in the budget attached to the Final Cash Collateral Order, (b) granting the Senior Secured Lenders various forms of adequate protection to the extent of any diminution in the value of the Senior Secured Lenders' interest in the Cash Collateral, and (c) approving the funding of a Wind-Down Account to fund the Debtors' wind-down of their Estates pursuant to the Wind-Down Budget and a Professional Fee Account (as such terms are defined in the Final Cash Collateral Order) to fund the professional fees incurred in connection therewith.

## **2. Applications to Retain Professionals**

To assist the Debtors in carrying out their duties as debtors-in-possession and to represent the Debtors' interests in the Chapter 11 Cases, the Debtors filed applications to retain: Jones Day, as their general bankruptcy counsel; Richards, Layton & Finger, P.A., as their Delaware co-counsel; BDO Seidman, LLP, as their accountants and auditors; and Broadpoint Capital, Inc., as their financial advisor and investment banker. The Bankruptcy Court approved the retention of each such professional on July 30, 2009, effective as of the Petition Date.

The Debtors also applied to retain TM Capital Corp. and Holland Corporate Finance N.V. to continue the efforts commenced prior to the Petition Date to market and sell the NRF Stock. The Bankruptcy Court approved the retention of each such professional on August 20, 2009, effective as of the Petition Date.

## **3. First Day Relief**

On July 6, 2009, the Bankruptcy Court entered orders (a) approving the continued use of the Debtors' cash management system, (b) authorizing the Debtors to pay the prepetition claims of certain key shippers and warehousemen, (c) authorizing the Debtors to pay prepetition employee wages and to continue employee benefit programs, (d) authorizing the Debtors to pay certain prepetition taxes, (e) authorizing the Debtors to continue certain customer programs and honor certain prepetition claims in connection therewith and (f) authorizing the Debtors to continue their insurance programs and pay related obligations. The Court also entered an interim order prohibiting utilities from discontinuing service to the Debtors on account of their bankruptcy filing and granting to certain of the Debtors' utility providers two-week deposits as adequate assurance. The Court entered a final utilities order on July 30, 2009. The relief granted in these orders helped stabilize the Debtors' business in the initial days of these Chapter 11 Cases.

## **C. Unsecured Creditors Committee**

On July 16, 2009, the U.S. Trustee appointed the Committee pursuant to section 1102 of the Bankruptcy Code. The members of the Committee include Lumei Auto Radiator, Luvata Netherlands, Transtec Global Group, Foshan Guang Dong Air Conditioning Co., Ltd., U&C Auto Parts Co., Ltd., Southwestern Motor Transport Inc., and Age Industries Ltd.

The Committee retained Lowenstein Sandler PC and Elliott Greenleaf as co-counsel and Executive Sounding Board Associates as financial advisor to the Committee. On September 18, 2009, the Bankruptcy Court entered orders approving the retention of Lowenstein Sandler PC and Elliott Greenleaf as co-counsel and Executive Sounding Board Associates as financial advisor to the Committee, effective as of July 16, 2009.

## **D. Filing Schedules and Setting of Bar Dates**

The Debtors filed their Schedules on August 31, 2009. On September 18, 2009, the Bankruptcy Court entered the Bar Date Order (Docket No. 321), which set forth the following dates by which proofs of claims must be Filed:

- First Administrative Bar Date: November 2, 2009;
- General Bar Date (including claims entitled to priority under section 503(b)(9) of the Bankruptcy Code): December 7, 2009;
- Governmental Bar Date: December 29, 2009.

Subject to certain limited exceptions contained in the Bankruptcy Code and as set forth in the Bar Date Order, other than Claims arising from the rejection of executory contracts after the General Bar Date, all proofs of Claim were to be submitted by the applicable Bar Date.

In accordance with the Bar Date Order, written notice of the Bar Dates and the Proof of Claim Form were mailed to, among others, all known claimants holding actual or potential Claims and other parties listed in the Bar Date Order within ten days after the date of entry of the Bar Date Order. Pursuant to paragraph 15 of the Bar Date Order, any person or entity that is required to file a proof of claim in this case but fails to do so by the applicable Bar Date shall be forever barred, estopped, and enjoined from:

(i) asserting any claim against the Debtors that the entity has that (a) is in an amount that exceeds the amount, if any, that is identified in the Schedules on behalf of such entity as undisputed, noncontingent and liquidated, or (b) is of a different nature, classification or priority (including any Administrative Claim) than any claim identified in the Schedules on behalf of such entity (any such claim under this subparagraph (i) being referred to herein as an "Unscheduled Claim"); or

(ii) voting upon, or receiving distributions under, any (a) liquidating plan or plans that may be confirmed by the Court in the Debtors' chapter 11 cases in respect of an Unscheduled Claim, or (b) any other order that authorizes the winding down of the Debtors' chapter 11 estates.

## **E. Asset Sales**

### **1. North American Sale**

#### (a) The Prepetition Sale and Marketing Process

As part of the Debtors' evaluation of strategic options to address their business and liquidity constraints, in March 2009, the Debtors hired Broadpoint Capital, Inc. ("Broadpoint") to assist the Debtors in continuing the marketing process for the Debtors' business, which began in 2008 under the direction of the Debtors' prior financial advisor, Jefferies & Company, Inc. In this regard, beginning in March 2009, Broadpoint contacted 26 parties over a period of 13 weeks and, as a result, received eight letters of interest (collectively, the "LOIs"). Of these LOIs, seven indicated that the only acceptable mechanism for the investment was a section 363 sale process in chapter 11 bankruptcy, and, thus, such interested parties predicated their bids for the Debtors' assets on such condition.

After examination of the LOIs and the Debtors' further negotiations with the various parties that submitted LOIs, the Debtors, in consultation with Broadpoint, determined that the bid submitted by the North American Stalking Horse (defined below) represented the highest and best bid for the North American Assets. Accordingly, the Debtors entered into that certain asset acquisition agreement, by and among Debtors Proliance, Aftermarket LLC ("Aftermarket") and Proliance International Holding Corporation ("PIHC," together with Proliance and Aftermarket, the "Sellers") and Centrum Equities XV, LLC (the "North American Stalking Horse"), dated as of June 30, 2009 (the "North American Purchase Agreement"), pursuant to which the North American Stalking Horse agreed to act as stalking horse bidder.

On the Petition Date, the Debtors filed the Motion of the Debtors for (I) an Order (A) Approving Bidding Procedures for the Sale of Certain Assets, (B) Authorizing the Debtors to Offer Certain Bid Protections and (C) Scheduling Final Sale Hearing and Approving Form and Manner of Notice Thereof, and (II) an Order Authorizing and Approving (A) the Sale of Certain Assets Free and Clear of Liens, Claims and Encumbrances, (B) the Assumption and Assignment of Executory Contracts and Unexpired Leases and (C) Related Relief (Docket No. 19)

(the "North American Sale Motion") seeking authority to enter into the North American Purchase Agreement and approval of bidding procedures to govern the sale of the North American Assets.

(b) The Postpetition Sale and Marketing Process

On July 24, 2009, this Court entered the Order (I) Approving Bidding Procedures For The Sale of The Debtors' Assets, (II) Authorizing The Debtors To Offer Certain Bid Protections And (III) Scheduling Final Sale Hearing And Approving Form And Manner of Notice Thereof (Docket No. 137) (the "North American Bid Procedures Order"), allowing for an expeditious sale of the Debtors' North American Assets in order to maximize the value thereof.

After entry of the North American Bid Procedures Order, Broadpoint began a new marketing process with the Debtors, seeking potentially interested purchasers for the North American Assets willing to enter into a sale transaction that would provide the highest and best recovery for all parties in interest in the Debtors' chapter 11 cases, using the North American Stalking Horse's bid as a baseline bid. Broadpoint worked with the Debtors in revising the marketing materials to be provided to potential bidders, and also in providing supplemental materials to potential bidders, which highlighted the sale and auction process set forth in the North American Sale Motion and the North American Bid Procedures Order.

Broadpoint reached out to a total of 66 parties as part of the sale process pursuant to section 363 of the Bankruptcy Code. This total includes 25 parties that Broadpoint had previously contacted as part of the prepetition sale process and 41 new parties contacted. Of the 66 parties contacted, 35 were financial investors and the remaining 31 were strategic investors. Ultimately, the two parties expressing serious interest in bidding on the Debtors' business and assets, both strategic investors, chose not to submit a bid prior to the Bid Deadline (as defined in the North American Bid Procedures Order) and did not request any extension thereof, or any other modification of the North American Bid Procedures Order that would allow them to pursue an investment.

As of the Bid Deadline, the Debtors and Broadpoint received no bids for the Debtors' business and assets other than the qualified bid of the North American Stalking Horse for the North American Assets. Moreover, no parties requested either (i) an extension of the Bid Deadline, or (ii) any other modification of the North American Bid Procedures in these chapter 11 cases as approved by the Court in the North American Bid Procedures Order. Accordingly, on August 11, 2009, the Debtors cancelled the auction scheduled for August 12, 2009 pursuant to the North American Bid Procedures Order.

Ultimately, on August 13, 2009, the Bankruptcy Court entered the Order Authorizing and Approving (I) The Sale of Certain Assets Free and Clear of all Liens, Equity Interests, Claims and Encumbrances; (II) The Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (III) Related Relief (Docket No. 230) (the "North American Sale Order"). The North American Sale Order provided for, among other things, (i) the sale of the Debtors' North American Assets to the North American Stalking Horse in exchange for \$15,020,089.64, less the Initial Escrow Deposit and the Salary Continuation Amount (as such terms are defined in the North American Sale Order) (the "North American Sale Proceeds") and (ii) the payment of the remaining North American Sale Proceeds to the Prepetition Agent following application of such proceeds first to fund the Wind-Down Account in the amount of \$5,600,000.00 and the Professional Fee Account.

The sale of the North American Assets closed on August 14, 2009.

Following the consummation of the sale of the Debtors' North American Assets, the Debtors' sole remaining material asset was the NRF Stock.

**2. Sale of the NRF Stock**

(a) The Sale and Marketing Process

After extensive presentations to, and negotiations with, all interested parties over the course of nearly ten months, the Debtors, in consultation with TM Capital Corp. ("TM Capital") and other professionals retained in these

Chapter 11 Cases, determined that the bid submitted by Mentha Capital Vintage Year II B.V. ("Mentha") represented the highest and best bid for the NRF Stock at that time and, accordingly, entered into that certain sale and purchase agreement, by and among Debtor Aftermarket Delaware Corporation ("ADC"), NRF, MC Radiator B.V.i.o. (the "NRF Stalking Horse"), and Mentha, dated as of December 30, 2009 (the "NRF Purchase Agreement"), pursuant to which the NRF Stalking Horse agreed to act as stalking horse bidder. That same day, the Debtors filed the Motion of the Debtors for (I) An Order (A) Approving Bid Procedures for the Sale of the Stock of the Debtors' Wholly-Owned Subsidiary, Nederlandse Radiateuren Fabriek B.V., (B) Authorizing the Debtors to Offer Certain Bid Protections and (C) Scheduling Final Sale Hearing and Approving Form and Manner of Notice Thereof, and (II) An Order Authorizing and Approving (A) the Sale of Stock of Nederlandse Radiateuren Fabriek B.V. Free and Clear of All Liens, Claims and Encumbrances, and (B) Related Relief (Docket No. 521) (the "NRF Sale Motion") seeking authority to enter into the NRF Purchase Agreement and approval of bidding procedures to govern the sale of the NRF Stock.

On January 22, 2010, the Bankruptcy Court entered the Amended Order (I) Authorizing Bid Procedures for the Sale of the Stock of the Debtors' Wholly-Owned Subsidiary, Nederlandse Radiateuren Fabriek B.V., (II) Authorizing the Debtors to Offer Certain Bid Protections and (III) Scheduling Final Sale Hearing and Approving Form and Manner of Notice Thereof (Docket No. 564) (the "NRF Bid Procedures Order"), which, among other things, allowed for an expeditious sale of the NRF Stock in order to maximize the value thereof.

After entry of the NRF Bid Procedures Order, TM Capital continued its marketing process with the Debtors, seeking potentially interested purchasers for the NRF Stock willing to enter into a sale transaction that would provide the highest and best recovery for all parties-in-interest in these Chapter 11 Cases, using the NRF Stalking Horse's bid for the NRF Stock as a baseline bid. TM Capital worked with the Debtors to provide potential bidders, among other things, access to an online data room containing extensive information relating to NRF and to explain and guide bidders through the sale and auction process set forth in the NRF Sale Motion and the NRF Bid Procedures Order.

TM Capital reached out to a total of 152 parties as part of the NRF sale process pursuant to section 363 of the Bankruptcy Code. This total includes 114 parties that TM Capital had previously contacted as part of the prepetition sale process and 38 new parties contacted. Of the 152 parties contacted, 75 were strategic investors and the remaining 77 were financial investors. Ultimately, as discussed in greater detail below, two parties other than the NRF Stalking Horse expressed serious interest in bidding on the NRF Stock, both of which are strategic investors, and, thus, such parties conducted due diligence to determine whether to submit a bid for the NRF Stock in accordance with the NRF Bid Procedures Order.

(b) The Auction and NRF Sale Order

As of the Bid Deadline (as defined in the NRF Bid Procedures Order), the Debtors received two bids for the NRF Stock, other than the qualified bid of the NRF Stalking Horse, which were submitted by the following entities: (a) Fruitage International Co., Ltd. ("Fruitage") (a wholly-owned subsidiary of Enterex Industrial Co., Inc.) and (b) Banco. Accordingly, on February 17, 2010, the Debtors conducted the Auction pursuant to the NRF Bid Procedures Order.

The following Qualified Bidders (as defined in the NRF Bid Procedures Order) and their counsel were present at the Auction: the NRF Stalking Horse Buyer, Fruitage and Banco. Counsel for each of the Debtors, the Prepetition Agent and the Committee were also present at the Auction.

The Auction concluded with the Debtors selecting, in a sound exercise of their business judgment, Banco as the highest or otherwise best bidder for the NRF Stock. Accordingly, the Debtors, in their discretion, and Banco finalized the terms of their stock purchase agreement, subject to Bankruptcy Court approval. Pursuant to the Banco Purchase Agreement, Banco agreed to provide €17.7 million cash for the NRF Stock.

On February 19, 2010, the Bankruptcy Court entered the Order Authorizing and Approving (I) the Sale of Stock of the Debtors' Wholly-Owned Subsidiary, Nederlandse Radiateuren Fabriek B.V. Free and Clear of All Liens, Claims and Encumbrances, and (II) Related Relief (Docket No. 607) (the "NRF Sale Order"). The NRF Sale Order provided for, among other things, (i) approval of the Banco Purchase Agreement, (ii) the sale of the NRF

Stock to Banco in exchange for €17.7 million cash, (iii) the retention by the Debtors of \$410,000 (the "Unsecured Creditor Carveout") of the Gross Proceeds (as defined in the NRF Sale Order) for the benefit of the Debtors' administrative and unsecured creditors to be distributed in accordance with the Bankruptcy Code's priority scheme, and (iv) the payment of the Gross Proceeds, less the Break-Up Fee and Expense Reimbursement, less the Permitted Amounts, less the PBGC Amount (as such terms are defined in the NRF Sale Order), less the Unsecured Creditor Carveout to the Prepetition Agent for the ratable benefit of the Senior Secured Lenders.

The sale of the NRF Stock closed on February 23, 2010.

#### **IV. SUMMARY OF THE PLAN**

##### **A. Summary**

The Plan constitutes a separate chapter 11 plan of liquidation for each Debtor. Article I.D. hereof contains a table that sets forth the classification under the Plan of Claims against and Equity Interests in the Debtors for all purposes, including voting, confirmation and distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. The Plan deems a Claim or Interest to be classified in a particular Class only to the extent that 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 Claim or Interest is in a particular Class only to the extent that any such Claim or Interest is has not been paid or otherwise settled prior to the Effective Date or is not the subject of a current objection. **The classification of a Claim in a particular Class for voting purposes shall not be deemed as an allowance of such Claim. The Debtors and the PLI Liquidating Trust reserve all rights to object to or dispute any such claims as further provided herein.**

##### **B. Administrative Claims and Priority Claims**

###### **1. Administrative Claims**

Subject to the provisions of sections 328, 330(a) and 331 of the Bankruptcy Code, the Debtors or the PLI Liquidating Trust shall pay each holder of an Allowed Administrative Claim the full unpaid amount of such Allowed Administrative Claim in Cash: (1) on the Effective Date or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due or as soon as practicable thereafter); (2) if such Claim is Allowed after the Effective Date, on the date such Claim is Allowed or as soon as practicable thereafter (or, if not then due, when such Allowed Administrative Claim is due); (3) at such time and upon such terms as may be agreed upon by such holder and the Debtors; or (4) at such time and upon such terms as set forth in an order of the Bankruptcy Court; provided, however, that Administrative Claims do not include Administrative Claims Filed after the applicable Administrative Bar Date or Administrative Claims Filed or asserted pursuant to section 503(b)(9) after the General Bar Date.

###### **(a) Professional Fee Claims**

The Bankruptcy Court shall fix in the Confirmation Order a date for filing of, and a date to hear and determine, all applications for final allowances of compensation or reimbursement of expenses under section 330 of the Bankruptcy Code or applications for allowance of Administrative Expenses arising under sections 503(b)(2), 503(b)(3), 503(b)(4) or 503(b)(6) of the Bankruptcy Code.

Allowed Professional Fee Claims must be paid in full, and Professional Fee Claims pending allowance by the Bankruptcy Court must be reserved for in full prior to any payment to Holders of Allowed Claims (including Priority Claims and General Unsecured Claims, but not including Administrative Claims).

###### **2. Priority Claims**

The Debtors or the Liquidating Trustee shall pay each holder of an Allowed Priority Claim the full unpaid amount of such Allowed Priority Claim in Cash, on the latest of (i) the Effective Date, (ii) the date such Allowed

Priority Claim becomes Allowed and (iii) the date such Allowed Priority Claim is payable under applicable non-bankruptcy law.

**C. Classes of Claims and Equity Interests: Classification, Treatment and Voting Rights**

Holders of Claims and Equity Interests are divided into Classes and treated as follows:

**1. Secured Lender Claim (Class 1) (Subclasses 1.A-1.D)**

**a. Classification Class 1 consists of the Secured Lender Claim.**

Class 1 consists of the Secured Lender Claim.

**b. Treatment**

The Senior Secured Lenders have previously been paid and/or shall retain the full value of the collateral securing the Secured Lender Claim.

**c. Voting**

Class 1 is Impaired, and the Prepetition Lenders are entitled to vote on the Plan.

**2. Other Secured Claims (Class 2) (Subclasses 2.A-2.D)**

**a. Classification**

Class 2 consists of Other Secured Claims.

**b. Treatment**

The Debtors shall place each holder of an Allowed Other Secured Claim in a separate Subclass, and will treat each Subclass as a separate class for Distribution purposes. On or as soon as practicable after the Effective Date, the Debtors or the Liquidating Trustee shall pay each holder of an Allowed Other Secured Claim, in full and final satisfaction of such Allowed Other Secured Claim, except to the extent any holder of an Allowed Other Secured Claim agrees to a different treatment, either:

- (i) The collateral securing such Allowed Other Secured Claim; or
- (ii) Cash in an amount equal to the value of such collateral.

**c. Voting**

Class 2 is Unimpaired, and holders of Other Secured Claims are conclusively deemed to have accepted the Plan. Only holders of Allowed Other Secured Claims shall receive a Distribution under the terms of the Plan.

**3. PBGC Claims (Class 3) (Subclasses 3.A-3.D)**

**a. Classification**

Class 3 consists of the PBGC Claims.

**b. Treatment**

On or as soon as practicable after (a) the Effective Date, the Liquidating Trustee shall pay the PBGC the full amount of the PBGC Priority Claim and (b) the Initial Distribution Date, the Liquidating Trustee shall pay the

PBGC, in full and final satisfaction of the PBGC Unsecured Claim, its Pro Rata share of the Liquidating Trust Fund, subject to fees, costs and expenses of the PLI Liquidating Trust.

**c. Voting**

Class 3 is Impaired, and the PBGC is entitled to vote on the Plan.

**4. General Unsecured Claims (Class 4) (Subclasses 4.A-4.D)**

**a. Classification**

Class 4 consists of General Unsecured Claims.

**b. Treatment**

On or as soon as practicable after the Initial Distribution Date, the Liquidating Trustee shall pay each holder of an Allowed General Unsecured Claim, in full and final satisfaction of such Allowed General Unsecured Claim, its Pro Rata share of the Liquidating Trust Fund, subject to fees, costs and expenses of the PLI Liquidating Trust.

**c. Voting**

Class 4 is Impaired, but to preserve Estate resources, the Debtors and the Committee have determined (i) not to solicit votes from Class 4, (ii) to deem Class 4 to reject the Plan and (iii) to seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. For the purpose of clarity, only holders of Allowed General Unsecured Claims shall receive a Distribution under the Plan.

**5. Canceled Intercompany Claims (Class 5) (Subclasses 5.A-5.D)**

**a. Classification**

Class 5 consists of Canceled Intercompany Claims.

**b. Treatment**

Intercompany Claims shall be canceled, and holders of such Canceled Intercompany Claims shall receive no Distribution on account of such Claims.

**c. Voting**

Notwithstanding the treatment of Canceled Intercompany Claims in Class 5, the Holders of Canceled Intercompany Claims, by virtue of their status as Debtors or Non-Debtor Affiliates are deemed to accept the Plan.

**6. Equity Interests (Class 6) (Subclasses 6.A-6.D)**

**a. Classification**

Class 6 consists of Equity Interests.

**b. Treatment**

Holders of Equity Interests shall neither receive nor retain any property under the Plan.

**c. Voting**

Class 6 is Impaired, and holders of Equity Interests are deemed to reject the Plan.

**D. Acceptance or Rejection of the Plan**

**1. Impaired Classes of Claims Entitled to Vote**

Except as otherwise provided in order(s) of the Bankruptcy Court pertaining to solicitation of votes on the Plan, Class 1 (Secured Lender Claims) and Class 3 (PBGC Claims) shall be entitled to vote to accept or reject the Plan.

**2. Classes Deemed to Accept the Plan**

Class 2 (Other Secured Claims) is either unimpaired under the Plan or is otherwise deemed to accept the Plan. Pursuant to Bankruptcy Code § 1126(f), Class 2 is conclusively presumed to have accepted the Plan, and the votes of Holders of Claims in Class 2 will therefore not be solicited.

**3. Classes Deemed to Reject the Plan**

Holders of Class 5 Cancelled Intercompany Claims and Class 6 Equity Interests will not receive any distribution under the Plan on account of such Claims and Equity Interests. Pursuant to Bankruptcy Code § 1126(g), Class 6 is Impaired and is conclusively presumed to have rejected the Plan, and the votes of Holders of Class 6 Equity Interests therefore will not be solicited. The votes of Class 5 claimants are not being solicited because by virtue of such Holders' status as Debtors or Non-Debtor Affiliates, they are deemed to accept the Plan. Although Holders of Class 4 Claims may receive Distributions under the Plan, to preserve estate resources, the Debtors and the Committee have determined not to solicit votes from Class 4 and to deem the Class to reject the Plan.

**4. Nonconsensual Confirmation**

In order to avoid the cost of solicitation, the Debtors intend to deem Class 4 to reject the Plan and to seek confirmation of the Plan under section 1129(b) of the Bankruptcy Code.

**V. MEANS FOR IMPLEMENTATION OF THE PLAN**

**A. Appointment of a Liquidating Trustee and a Liquidating Trust Committee.**

On or prior to the Confirmation Date, the Creditors' Committee shall nominate a Liquidating Trustee, subject to the right of the Debtors to consent to such nominee. Additionally, on or prior to the Confirmation Date, the Creditors' Committee shall appoint a three (3) member Liquidating Trust Committee, which shall consist of three (3) members appointed by the Creditors' Committee. The Liquidating Trustee shall serve at the direction of the Liquidating Trust Committee, provided, however, the Liquidating Trust Committee may not direct the Liquidating Trustee or the members of the Liquidating Trust Committee to act inconsistently with their duties under the Liquidating Trust Agreement and the Plan. The Liquidating Trust Committee may terminate the Liquidating Trustee at any time in accordance with the provisions of the Liquidating Trust Agreement.

**B. The PLI Liquidating Trust**

**1. Formation of the PLI Liquidating Trust**

On the Effective Date, the PLI Liquidating Trust shall be established pursuant to the Liquidating Trust Agreement for the purpose of (a) administering the Liquidating Trust Fund, (b) resolving all Disputed Claims, (c) pursuing the Causes of Action, and (d) making all Distributions to the Beneficiaries provided for under the Plan. The PLI Liquidating Trust is intended to qualify as a liquidating trust pursuant to United States Treasury Regulation Article 301.7701-4(d).

## **2. Funding of the PLI Liquidating Trust**

On the Effective Date, the Liquidating Trust Fund shall vest automatically in the PLI Liquidating Trust. The Plan shall be considered a motion pursuant to sections 105, 363 and 365 of the Bankruptcy Code for such relief. The transfer of the Liquidating Trust Fund to the PLI Liquidating Trust shall be made for the benefit and on behalf of the Beneficiaries. The assets comprising the Liquidating Trust Fund will be treated for tax purposes as being transferred by the Debtors to the Beneficiaries pursuant to the Plan in exchange for their Allowed Claims and then by the Beneficiaries to the PLI Liquidating Trust in exchange for the beneficial interests in the PLI Liquidating Trust. The Beneficiaries shall be treated as the grantors and owners of the PLI Liquidating Trust. Upon the transfer of the Liquidating Trust Fund, the PLI Liquidating Trust shall succeed to all of the Debtors' rights, title and interest in the Liquidating Trust Fund, and the Debtors will have no further interest in or with respect to the Liquidating Trust Fund.

As soon as possible after the Effective Date, but in no event later than sixty (60) days thereafter, (i) the Liquidating Trust Committee shall inform the PLI Liquidating Trust in writing of the fair market value of the Liquidating Trust Fund as of the Effective Date, based on its good faith determination, and (ii) the Liquidating Trustee shall establish appropriate means to apprise the Beneficiaries of such valuation. The valuation shall be used consistently by all parties (including, without limitation, the Debtors, the PLI Liquidating Trust, the Beneficiaries and the Liquidating Trust Committee) for all federal income tax purposes.

### **C. Rights and Powers of the Liquidating Trustee**

The Liquidating Trustee shall be deemed the Estates' representative in accordance with section 1123 of the Bankruptcy Code and shall have all the rights and powers set forth in the Liquidating Trust Agreement, including, without limitation, the powers of a trustee under sections 704 and 1106 of the Bankruptcy Code and Rule 2004 of the Bankruptcy Rules (including without limitation, the right to (1) effect all actions and execute all agreements, instruments and other documents necessary to implement the provisions of the Plan and the Liquidating Trust Agreement; (2) prosecute, settle, abandon or compromise any Causes of Action; (3) make Distributions contemplated hereby, (4) establish and administer any necessary reserves for Disputed Claims that may be required; (5) object to the Disputed Claims and prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court such objections; and (6) employ and compensate professionals and other agents, provided, however, that any such compensation shall be made only out of the Liquidating Trust Fund), to the extent not inconsistent with the status of the Liquidating Trust as a liquidating trust within the meaning of Treas. Reg. § 301.7701-4(d) for federal income tax purposes.

### **D. Fees and Expenses of the PLI Liquidating Trust**

Except as otherwise ordered by the Court, the Liquidating Trust Expenses on or after the Effective Date shall be paid in accordance with the PLI Liquidating Trust Agreement without further order of the Bankruptcy Court.

### **E. Semi-Annual Reports to Be Filed by the PLI Liquidating Trust**

The PLI Liquidating Trust shall File semi-annual reports regarding the liquidation or other administration of property comprising the Liquidating Trust Fund, the Distributions made by it and other matters required to be included in such report in accordance with the Liquidating Trust Agreement. In addition, the PLI Liquidating Trust will file tax returns as a grantor trust pursuant to United States Treasury Regulation Article 1.671-4(a).

### **F. Directors/Officers/Equity/Assets of the Debtors on the Effective Date**

On the Effective Date, the authority, power and incumbency of the persons then acting as directors and officers of the Debtors shall be terminated and such directors and officers shall be deemed to have resigned or to have been removed without cause.

## **G. Liquidation and Dissolution of the Debtors**

1. All of the Debtors shall be deemed to have been liquidated as of the Effective Date, and all Equity Interests in any Debtor shall automatically be canceled and extinguished as of the Effective Date without the need for any further action by the Court or any Entity.

2. On or after the entry of the Confirmation Order, the Debtors will enter into such Dissolution Transactions and will take such actions as may be necessary or appropriate to merge, dissolve or otherwise terminate the corporate existence of the Debtors as of the Effective Date. Notwithstanding the foregoing and regardless of whether the actions in the preceding sentence have yet been taken with respect to a particular Debtor, upon the transfer of the Liquidating Trust Fund and the Remaining Assets (as defined below) to the PLI Liquidating Trust under the Plan, the Debtors shall be deemed dissolved and their business operations withdrawn for all purposes without any necessity of filing any document, taking any further action or making any payment to any governmental authority in connection therewith.

The actions to effect the Dissolution Transactions described above may include: (i) the execution and delivery of appropriate agreements or other documents of transfer, merger, consolidation, disposition, liquidation or dissolution, containing terms that are consistent with the terms of the Plan and that satisfy the requirements of applicable law, as well as other terms to which these entities may agree; (ii) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, duty or obligation on terms consistent with the terms of the Plan and having such other terms as these entities may agree; (iii) the filing of appropriate certificates or articles of merger, consolidation, continuance or dissolution or similar instruments with the applicable governmental authorities; and (iv) the taking of all other actions that these entities determine to be necessary or appropriate, including making other filings or recordings that may be required by applicable law in connection with the Dissolution Transactions.

The Debtors' Boards of Directors shall be dissolved as of the Effective Date with no further action required by the Debtors, their Boards of Directors or the Liquidating Trustee.

3. On the Effective Date, each Debtor shall assign, transfer and distribute to the PLI Liquidating Trust (a) any of its remaining assets, properties or interests; and (b) all of its books and records relating to the foregoing (collectively, the "Remaining Assets"). For purposes of this Article, books and records include computer generated or computer maintained books and records and computer data, as well as electronically generated or maintained books and records or data, along with books and records of any Debtor maintained by or in the possession of third parties, wherever located.

## **H. Abandonment of Property**

The Liquidating Trustee may abandon any Remaining Assets that the Liquidating Trustee determines, in the exercise of its business judgment, are burdensome to the PLI Liquidating Trust or of inconsequential value and benefit to the PLI Liquidating Trust within the meaning of section 554 of the Bankruptcy Code. The Liquidating Trustee's abandonment of any Remaining Assets shall be effective upon the later of (i) twenty (20) calendar days after the Liquidating Trustee serves on the Liquidating Trust Committee and the United States Trustee, and files on the docket of the Chapter 11 Cases, a "Notice of Intent to Abandon Assets," which describes the subject Remaining Assets, summarizes the Liquidating Trustee's relevant conclusions with respect to such property, and provides notice of the opportunity to object, without any further order of the Bankruptcy Court or other court, or further notice or approvals of any kinds, and (ii) entry of an order of the Bankruptcy Court, in the event any objection to the Notice of Abandonment is filed on the docket of the Chapter 11 Cases and served on the Liquidating Trustee within the twenty (2) calendar day period described in this section of the Plan.

## **I. Operations of the Debtors Between the Confirmation Date and the Effective Date**

The Debtors shall continue to operate as Debtors in Possession during the period from the Confirmation Date through and until the Effective Date.

**J. Exclusivity Period**

Subject to further order of the Court, the Debtors shall, pursuant to section 1121 of the Bankruptcy Code, retain the exclusive right to amend the Plan until the Effective Date, subject to receiving the consent of the Creditors' Committee to such amendments.

**K. Establishment of the Second Administrative Bar Date**

1. The Plan would establish the Second Administrative Bar Date, pursuant to which, on or before 5:00 p.m., prevailing Eastern time, on the Second Administrative Bar Date, each holder of an Administrative Claim arising on or after August 15, 2009 through the Effective Date shall file with Garden City Group a request for payment of Administrative Claim by mailing, hand delivering or delivering by courier service such request for payment of Administrative Claim to The Garden City Group, Inc., Attn: Proliance International, Inc. Claims, P.O. Box 9372, Dublin, OH 43017-4272.

2. The request for payment of an Administrative Claim will be timely filed only if it is *actually received* by The Garden City Group by 5:00 p.m., prevailing Eastern time, on the Second Administrative Bar Date.

3. The Debtors' and the Creditors' Committee's professionals shall not be required to file a request for payment of any Administrative Claim on or before the Administrative Bar Date for fees and expenses arising under sections 330, 331 or 503(b)(2-5) of the Bankruptcy Code, as such Professionals will instead file final fee applications as required by the Bankruptcy Code, the Bankruptcy Rules and the Confirmation Order.

**L. Term of Injunctions or Stays**

Unless otherwise provided, all injunctions or stays provided for in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, shall remain in full force and effect until the Chapter 11 Cases are closed.

**M. Cancellation of Equity Interests**

1. On the Effective Date, except to the extent otherwise provided herein, all notes, stock, instruments, certificates and other documents evidencing Equity Interests shall be deemed automatically canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any way related thereto shall be discharged.

2. On the Effective Date, except to the extent otherwise provided herein, any indenture relating to any of the foregoing shall be deemed automatically canceled, as permitted by section 1123(a)(5)(F) of the Bankruptcy Code, and the obligations of the Debtors thereunder shall be discharged.

**N. Dissolution of the Committee**

Upon the Effective Date, the Committee shall dissolve automatically, whereupon its members, Professionals and agents shall be released from any further duties and responsibilities in the Chapter 11 Cases and under the Bankruptcy Code, except with respect to: (i) obligations arising under confidentiality agreements, joint interest agreements and protective orders entered during the Chapter 11 Cases which shall remain in full force and effect according to their terms; (ii) applications for Professional Fee Claims; (iii) requests for compensation and reimbursement of expenses pursuant to Bankruptcy Code § 503(b) for making a substantial contribution in the Chapter 11 Case; and (iv) any pending motions, or any motions or other actions seeking enforcement or implementation of the provisions of the Plan or the Confirmation Order. The Committee members and the Professionals retained by the Committee shall not be entitled to compensation and reimbursement of expenses for services rendered after the Effective Date, except for services rendered in connection with applications for allowance of compensation and reimbursement of expenses pending on the Effective Date or filed after the Effective Date.

## **VI. PROVISIONS GOVERNING DISTRIBUTIONS**

### **A. Initial Distribution Date**

On the Initial Distribution Date or as soon thereafter as is reasonably practicable, the PLI Liquidating Trust shall make, or shall make adequate reserves for, the Distributions required to be made under the Plan.

### **B. Disputed Reserves**

#### **1. Establishment of Disputed Reserves**

On the Initial Distribution Date, and after making all Distributions required to be made on such date under the Plan, the Liquidating Trustee shall establish a separate Disputed Reserve for Disputed Claims, each of which Disputed Reserves shall be administered by the Liquidating Trustee. The Liquidating Trustee shall reserve in Cash or other property, for Distribution on account of each Disputed Claim, the full asserted amount (or such lesser amount as may be estimated by the Court in accordance with Article VI.D of the Plan) with respect to each Disputed Claim.

#### **2. Maintenance of Disputed Reserves**

To the extent that the property placed in a Disputed Reserve consists of Cash, that Cash shall be deposited in an interest-bearing account. The PLI Liquidating Trust shall hold property in the Disputed Reserves in trust for the benefit of the holders of Claims ultimately determined to be Allowed. Each Disputed Reserve shall be closed and extinguished by the PLI Liquidating Trust when all Distributions and other dispositions of Cash or other property required to be made hereunder will have been made in accordance with the terms of the Plan. Upon closure of a Disputed Reserve, all Cash (including any Cash Investment Yield) or other property held in that Disputed Reserve shall revert in and become the property of the PLI Liquidating Trust. All funds or other property that vest or revert in the PLI Liquidating Trust pursuant to this paragraph shall be (a) used to pay the fees and expenses of the PLI Liquidating Trust as and to the extent set forth in the Liquidating Trust Agreement, and (b) thereafter distributed on a Pro Rata basis to holders of Allowed Claims.

### **C. Quarterly Distributions**

Any Distribution that is not made on the Initial Distribution Date or on any other date specified herein because the Claim that would have been entitled to receive that Distribution is not an Allowed Claim on such date, shall be held by the PLI Liquidating Trust in a Disputed Reserve pursuant to Article V.B of the Plan and Distributed (in full, in the case of Administrative Claims or Priority Claims; and up to its Ratable Proportion with respect to (a) the PBGC Unsecured Claim and (b) the Claims in Class 4) on the first Quarterly Distribution Date after such Claim is Allowed. No interest shall accrue or be paid on the unpaid amount of any Distribution paid on a Quarterly Distribution Date in accordance with this Article V.C of the Plan.

### **D. Record Date for Distributions**

Except as otherwise provided in a Final Order of the Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 on or prior to the Record Date will be treated as the holders of those Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to the transfer may not have expired by the Record Date. The PLI Liquidating Trust shall have no obligation to recognize any transfer of any Claim occurring after the Record Date. In making any Distribution with respect to any Claim, the PLI Liquidating Trust shall be entitled instead to recognize and deal with, for all purposes hereunder, only the Entity that is listed on the proof of Claim Filed with respect thereto or on the Schedules as the holder thereof as of the close of business on the Record Date and upon such other evidence or record of transfer or assignment that are known to the PLI Liquidating Trust as of the Record Date.

## **E. Delivery of Distributions**

### **1. General Provisions; Undeliverable Distributions**

Subject to Bankruptcy Rule 9010 and except as otherwise provided herein, Distributions to the holders of Allowed Claims shall be made by the PLI Liquidating Trust at (a) the address of each holder as set forth in the Schedules, unless superseded by the address set forth on proofs of Claim Filed by such holder or (b) the last known address of such holder if no proof of Claim is Filed or if the Debtors have been notified in writing of a change of address. If any Distribution is returned as undeliverable, the PLI Liquidating Trust may, in its discretion, make such efforts to determine the current address of the holder of the Claim with respect to which the Distribution was made as the PLI Liquidating Trust deems appropriate, but no Distribution to any holder shall be made unless and until the PLI Liquidating Trust has determined the then-current address of the holder, at which time the Distribution to such holder shall be made to the holder without interest. Amounts in respect of any undeliverable Distributions made by the PLI Liquidating Trust shall be returned to, and held in trust by, the PLI Liquidating Trust until the Distributions are claimed or are deemed to be unclaimed property under section 347(b) of the Bankruptcy Code as set forth in Article V.E.3 of the Plan. The PLI Liquidating Trust shall have the discretion to determine how to make Distributions in the most efficient and cost-effective manner possible; provided, however, that its discretion may not be exercised in a manner inconsistent with any express requirements of the Plan or the Liquidating Trust Agreement.

### **2. Minimum Distributions**

Notwithstanding anything herein to the contrary, if a Distribution to be made to a holder of an Allowed Claim on the Initial Distribution Date or any subsequent date for Distributions (other than the final Distribution Date) would be \$50 or less in the aggregate, no such Distribution will be made to that holder unless a request therefore is made in writing to the Liquidating Trustee no later than twenty (20) days after the Effective Date.

### **3. Unclaimed Property**

Except with respect to property not Distributed because it is being held in a Disputed Reserve, Distributions that are not claimed by the expiration of one year from the Effective Date shall be deemed to be unclaimed property under section 347(b) of the Bankruptcy Code and shall vest or revert in the PLI Liquidating Trust, and the Claims with respect to which those Distributions are made shall be automatically canceled. After the expiration of that one-year period, the claim of any Entity to those Distributions shall be discharged and forever barred. Nothing contained in the Plan shall require the PLI Liquidating Trust to attempt to locate any holder of an Allowed Claim. All funds or other property that vests or reverts in the PLI Liquidating Trust pursuant to this Article shall be distributed by the Liquidating Trustee to the other holders of Allowed Claims in accordance with the provisions of the Plan or the Liquidating Trust Agreement.

## **F. Surrender of Canceled Instruments and Securities**

### **1. Generally**

Except as set forth in Article V.G of the Plan, as a condition precedent to receiving any Distribution hereunder on account of an Allowed Claim evidenced by instruments, securities or other documentation canceled pursuant to Article IV.L of the Plan, the holder of such Claim shall tender such instrument, security or other documentation evidencing such Claim to the PLI Liquidating Trust (except as set forth in Article V.G of the Plan). Any Distributions pursuant to the Plan on account of any Claim evidenced by such instruments, securities or other documentation shall, pending such surrender, will be treated as an undeliverable Distribution in accordance with Article V.E of the Plan; provided, however, all notes, instruments and other securities issued under the Senior Secured Credit Facility shall be deemed terminated and canceled upon the Effective Date to the extent not already surrendered and canceled as part of the closing of the Sale.

## **2. Failure to Surrender Canceled Instruments**

If any holder of an Allowed Claim evidenced by instruments, securities or other documentation canceled pursuant to Article IV.L of the Plan, fails to surrender such instrument, security or other documentation or comply with the provisions of Article V.F.1 of the Plan within one year after the Effective Date, its Claim for a Distribution under the Plan on account of such instrument, security, or other documentation shall be discharged, and such holder shall be forever barred from asserting such Claim against the PLI Liquidating Trust or its property. In such case, any property held on account of such Claim shall be disposed of pursuant to the provisions set forth in Article V.E.3 of the Plan.

### **G. Lost, Stolen, Mutilated or Destroyed Instrument or Security**

Any holder of an Allowed Claim evidenced by instruments, securities or other documentation canceled pursuant to Article IV.M of the Plan that has been lost, stolen, mutilated or destroyed, shall, in lieu of surrendering such instrument, security or documentation: (a) deliver to the PLI Liquidating (i) an affidavit of loss reasonably satisfactory to the Liquidating Trustee setting forth the unavailability of such instrument, security, or other documentation and (ii) such additional security or indemnity as may reasonably be requested by the Liquidating Trustee to hold the PLI Liquidating Trust harmless from any damages, liabilities, or costs incurred in treating such Entity as a holder of an Allowed Claim and (b) satisfy any other requirement under any other relevant document. Upon compliance with Article V.G of the Plan by a holder of an Allowed Claim evidenced by such instrument, security or other documentation, such holder shall, for all purposes under the Plan, be deemed to have surrendered such instrument, security or other documentation.

### **H. Manner of Cash Payments Under the Plan or the Liquidating Trust Agreement**

Cash payments made pursuant to the Plan or the Liquidating Trust Agreement shall be in United States dollars by checks drawn on a domestic bank selected by the PLI Liquidating Trust or by wire transfer from a domestic bank, at the option of the PLI Liquidating Trust.

### **I. Time Bar to Cash Payments by Check**

Checks issued by the PLI Liquidating Trust on account of Allowed Claims shall be null and void if not negotiated within 90 days after the date of issuance thereof. Requests for the reissuance of any check that becomes null and void pursuant to Article V.I. of the Plan shall be made directly to the Liquidating Trustee by the holder of the Allowed Claim to whom the check was originally issued. Any Claim in respect of such voided check shall be made in writing on or before the later of the first anniversary of the Effective Date or the first anniversary of the date on which the Claim at issue became an Allowed Claim. After that date, all Claims in respect of void checks shall be discharged and forever barred and the proceeds of those checks shall revert in and become the property of the PLI Liquidating Trust as unclaimed property in accordance with section 347(b) of the Bankruptcy Code and be distributed as provided in Article V.E.3 of the Plan.

### **J. Limitations on Funding of Disputed Reserves**

Except as expressly set forth in the Plan, neither the Debtors nor the Liquidating Trustee shall have any duty to fund the Disputed Reserves.

### **K. Compliance with Tax Requirements**

In connection with making Distributions under the Plan, to the extent applicable, the Liquidating Trustee shall comply with all tax withholding and reporting requirements imposed on it by any governmental unit, and all Distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. The Liquidating Trustee may withhold the entire Distribution due to any holder of an Allowed Claim until such time as such holder provides the necessary information to comply with any withholding requirements of any governmental unit. Any property so withheld will then be paid by the Liquidating Trustee to the appropriate authority. If the holder of an Allowed Claim fails to provide the information necessary to comply with any withholding requirements of any

governmental unit within six months from the date of first notification to the holder of the need for such information or for the Cash necessary to comply with any applicable withholding requirements, then such holder's Distribution shall be treated as an undeliverable Distribution in accordance with Article V.E.1 of the Plan.

**L. No Payments of Fractional Dollars**

Notwithstanding any other provision of the Plan to the contrary, no payment of fractional dollars shall be made pursuant to the Plan. Whenever any payment of a fraction of a dollar under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding down of such fraction to the nearest whole dollar.

**M. Interest on Claims**

Except as specifically provided for in the Plan or the Confirmation Order, interest shall not accrue on Claims and no holder of a Claim shall be entitled to interest accruing on or after the Petition Date on any Claim. Interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Petition Date to the date a final Distribution is made thereon if and after that Disputed Claim becomes an Allowed Claim. Except as expressly provided herein or in a Final Order of the Court, no prepetition Claim shall be Allowed to the extent that it is for postpetition interest or other similar charges.

**N. No Distribution in Excess of Allowed Amount of Claim**

Notwithstanding anything to the contrary contained in the Plan, no holder of an Allowed Claim shall receive in respect of that Claim any Distribution in excess of the Allowed amount of that Claim.

**O. Setoff and Recoupment**

The PLI Liquidating Trust may, but shall not be required to, setoff against, or recoup from, any Claim and the Distributions to be made pursuant to the Plan in respect thereof, any claims or defenses of any nature whatsoever that any of the Debtors, the Estates or the PLI Liquidating Trust may have against the holder of such Claim, but neither the failure to do so nor the allowance of any Claim under the Plan shall constitute a waiver or release by the Debtors, the Estates, or the PLI Liquidating Trust of any right of setoff or recoupment that any of them may have against the holder of any Claim.

**VII. DISPUTED CLAIMS**

**A. No Distribution Pending Allowance**

Notwithstanding any other provision of the Plan, the Liquidating Trustee shall not Distribute any Cash or other property on account of any Disputed Claim unless and until such Claim becomes Allowed.

**B. Resolution of Disputed Claims**

Unless otherwise ordered by the Bankruptcy Court after notice and a hearing, the Liquidating Trustee shall have the right to the exclusion of all others (except as to the Professionals' applications for allowances of compensation and reimbursement of expenses under sections 330 and 503 of the Bankruptcy Code) to make, File, prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court objections to Claims. The costs of pursuing the objections to Claims shall be borne by the PLI Liquidating Trust.

**C. Objection Deadline**

All objections to Disputed Claims shall be Filed and served upon the holders of each such Claim not later than one year after the Effective Date, unless otherwise ordered by the Court after notice and a hearing.

**D. Estimation of Claims**

At any time, (a) prior to the Effective Date, the Debtors, and (b) subsequent to the Effective Date, the Liquidating Trustee may request that the Court estimate any contingent or unliquidated Claim to the extent permitted by section 502(c) of the Bankruptcy Code regardless of whether the Debtors or the PLI Liquidating Trust have previously objected to such Claim or whether the Court has ruled on any such objection, and the Court shall have jurisdiction to estimate any Claim at any time during litigation concerning any objection to such Claim, including during the pendency of any appeal relating to any such objection. If the Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on the Claim, as determined by the Court. If the estimated amount constitutes a maximum limitation on the Claim, the Debtors or the PLI Liquidating Trust, as applicable, may elect to pursue supplemental proceedings to object to the ultimate allowance of the Claim. All of the aforementioned Claims objection, estimation and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Court.

**E. Disallowance of Claims**

Except as otherwise agreed, any and all proofs of Claim Filed after the applicable Bar Date shall be deemed disallowed and expunged as of the Effective Date without any further notice to or action, order or approval of the Bankruptcy Court, and holders of such Claims may not receive any Distributions on account of such Claims, unless on or before the Confirmation Hearing the Bankruptcy Court has entered an order deeming such Claim to be timely filed.

**VIII. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

**A. Rejection of Remaining Executory Contracts and Unexpired Leases**

On the Confirmation Date, except for any Executory Contract that was previously assumed or rejected by an order of the Bankruptcy Court pursuant to Bankruptcy Code § 365, each Executory Contract that has not previously expired or terminated pursuant to its own terms shall be deemed rejected pursuant to Bankruptcy Code §§ 365 and 1123, effective as of the Confirmation Date. The Confirmation Order shall constitute an order of the Bankruptcy Court approving such rejection pursuant to Bankruptcy Code §§ 365 and 1123 as of the Confirmation Date.

**B. Rejection Damages Bar Date**

Except to the extent another Bar Date applies pursuant to an order of the Bankruptcy Court, all Proofs of Claim with respect to Claims arising from the rejection of Executory Contracts under the Plan must be filed with the Proliance Claims Processing Center at one of the following addresses:

**If by regular mail:**  
The Garden City Group, Inc.  
Attn: Proliance International, Inc. Claims  
P.O. Box 9372  
Dublin, OH 43017-4272

**if by overnight mail or hand delivery:**  
The Garden City Group, Inc.  
Attn: Proliance International, Inc. Claims  
5151 Blazer Pkwy, Suite A  
Dublin, OH 43017

and a copy served on counsel for the Debtors and the Liquidating Trustee, within thirty (30) days of the Confirmation Date (the "Rejection Damages Bar Date"), or such Claim shall be forever barred and shall not be

entitled to a distribution or be enforceable against the Debtors, their Estates, the PLI Liquidating Trust, the Liquidating Trustee, their successors, their assigns or their assets. Any Claim arising from the rejection of an Executory Contract (a "Rejection Damages Claims") shall be treated as a Claim in Class 4 (General Unsecured Claims) as appropriate. Nothing in the Plan extends or modifies any previously applicable Bar Date.

Proofs of Rejection Damages Claim will be deemed filed only when actually received by the Proliance Claims Processing Center on or before the Rejection Damages Bar Date. Proofs of Rejection Damages Claim may not be delivered by facsimile or electronic mail transmission. Any facsimile or electronic mail submissions will not be accepted and will not be deemed filed until a Proof of Rejection Damages Claim is submitted by one of the methods described above.

## **IX. CONDITIONS PRECEDENT**

### **A. Conditions Precedent to Effective Date**

The following are conditions precedent to the Effective Date that must be satisfied or waived:

1. The Bankruptcy Court shall have approved a disclosure statement with respect to the Plan;
2. Ten days have passed since the entry of the Confirmation Order in form and substance acceptable to the Debtors and the Committee in their absolute discretion;
3. The Confirmation Order shall have been entered by the Bankruptcy Court and shall not be subject to any stay of effectiveness; the Confirmation Date shall have occurred and no request for revocation of the Confirmation Order under Bankruptcy Code § 1144 shall have been made, or, if made, shall remain pending; and
4. The appointment of the Liquidating Trustee shall have been confirmed by the Confirmation Order or other order of the Bankruptcy Court. Notwithstanding the foregoing, the Debtors reserve the right to waive the occurrence of any condition precedent to the Effective Date or to modify any of the foregoing conditions precedent with the consent of the Creditors' Committee. Any such written waiver of a condition precedent set forth in this Article may be effected at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to consummate the Plan. Any actions required to be taken on the Effective Date shall take place and shall be deemed to have occurred simultaneously, and no such action shall be deemed to have occurred prior to the taking of any other such action.

## **X. RELEASE, INJUNCTIVE AND RELATED PROVISIONS**

### **A. Compromise and Settlement**

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the Distributions and other benefits provided pursuant to the Plan, the provisions of the Plan shall constitute a good faith compromise of all Claims and Equity Interests. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all Claims and Equity Interests, as well as a finding by the Bankruptcy Court that such compromise or settlement is fair, equitable, and reasonable and in the best interests of the Debtors, the Estates and holders of Claims and Equity Interests.

### **B. Releases**

1. **Releases by the Debtors. Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, for the good and valuable consideration provided by each of the Releasees, including, without limitation the discharge of debt and all other good and valuable consideration paid pursuant to the Plan or otherwise; each of the Debtors hereby provides a full discharge and release to the Releasees (and each such Releasee so released shall be deemed released and discharged by the Debtors) and their respective properties from any and all Causes of Action and any other debts, obligations, rights, suits, damages, actions, remedies and liabilities whatsoever, whether known or unknown, foreseen or unforeseen, existing as of the**

Effective Date or thereafter arising, in law, at equity, whether for tort, contract, violations of federal or state securities laws, or otherwise, based in whole or in part upon any act or omission, transaction, or other occurrence or circumstances existing or taking place prior to or on the Effective Date arising from or related in any way to the Debtors, including, without limitation, those that any of the Debtors or the Liquidating Trustee would have been legally entitled to assert or that any holder of a Claim or Equity Interest or other Entity would have been legally entitled to assert for or on behalf of any of the Debtors or Estates and further including those in any way related to the Chapter 11 Cases or the Plan; provided, however, that the foregoing provisions of Article IX.B.1 of the Plan shall not operate to waive or release from any Causes of Action expressly set forth in and preserved by the Plan or Plan Supplement or any defenses thereto; provided, further, that the provisions of Article IX.B.1 of the Plan shall not operate to waive or release any Causes of Action accrued by the Debtors in the ordinary course of business against holders of General Unsecured Claims.

2. Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the releases set forth in Article IX.B of the Plan pursuant to Bankruptcy Rule 9019 and its finding that they are: (a) in exchange for good and valuable consideration, representing a good faith settlement and compromise of the Claims and Causes of Action thereby released; (b) in the best interests of the Debtors and all holders of Claims; (c) fair, equitable and reasonable; (d) approved after due notice and opportunity for hearing; and (e) a bar to any of the Debtors or the Liquidating Trustee asserting any Claim or Cause of Action thereby released.

C. Exculpation

Notwithstanding anything contained in the Plan to the contrary, the Exculpated Parties shall neither have nor incur any liability to any Entity for any and all Claims and Causes of Action arising on or after the Petition Date, including any act taken or omitted to be taken in connection with, or related to, formulating, negotiating, preparing, disseminating, implementing, administering, confirming or consummating the Plan, the Disclosure Statement, Liquidating Trust Agreement, or any other contract, instrument, release or other agreement or document created or entered into in contemplation of the Sale or liquidation of the Debtors; provided, however, that the foregoing provisions of Article IX.C of the Plan shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that each Exculpated Party shall be entitled to rely upon the advice of counsel concerning its duties pursuant to, or in connection with, the above referenced documents; provided, further, that the foregoing provisions of Article IX.C of the Plan shall not apply to any acts, omissions, Claims, Causes of Action or other obligations expressly set forth in and preserved by the Plan or Plan Supplement or any defenses thereto.

D. Preservation of Rights of Actions

1. Vesting of Causes of Action

(a) Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Causes of Action that the Debtors may hold against any Entity shall vest upon the Effective Date in the PLI Liquidating Trust.

(b) Except as otherwise provided in the Plan or Confirmation Order, after the Effective Date, the Liquidating Trustee shall have the exclusive right to institute, prosecute, abandon, settle or compromise any Causes of Action, in accordance with the terms of the Liquidating Trust Agreement and without further order of the Bankruptcy Court, in any court or other tribunal, including, without limitation, in an adversary proceeding filed in one or more of the Chapter 11 Cases.

(c) Causes of Action and any recoveries therefrom shall remain the sole property of the PLI Liquidating Trust (for the sole benefit of the holders of General Unsecured Claims), as the case may be, and holders of Claims shall have no right to any such recovery.

## **2. Preservation of All Causes of Action Not Expressly Settled or Released**

(a) Unless a Cause of Action against a holder or other Entity is expressly waived, relinquished, released, compromised or settled in the Plan or any Final Order (including the Confirmation Order), the Debtors and the Liquidating Trustee expressly reserve such Cause of Action for later adjudication by the Debtors or the Liquidating Trustee (including, without limitation, Causes of Action not specifically identified or described in the Plan Supplement or elsewhere or of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time or facts or circumstances which may change or be different from those the Debtors now believe to exist) and, therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable or otherwise) or laches shall apply to such Causes of Action upon or after the entry of the Confirmation Order or Effective Date based on the Disclosure Statement, Plan or Confirmation Order, except where such Causes of Action have been released in the Plan (including, without limitation, and for the avoidance of doubt, the releases contained in Article IX.B.1 of the Plan) or any other Final Order (including the Confirmation Order). In addition, the Debtors and Liquidating Trustee expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which the Debtors are a defendant or an interested party, against any Entity, including, without limitation, the plaintiffs or co defendants in such lawsuits.

(b) Subject to the immediately preceding paragraph, any Entity to whom the Debtors have incurred an obligation (whether on account of services, purchase or sale of goods or otherwise), or who has received services from the Debtors or a transfer of money or property of the Debtors, or who has transacted business with the Debtors, or leased equipment or property from the Debtors should assume that any such obligation, transfer, or transaction may be reviewed by the Liquidating Trustee subsequent to the Effective Date and may be the subject of an action after the Effective Date, regardless of whether: (i) such Entity has filed a proof of claim against the Debtors in the Chapter 11 Cases; (ii) the Debtors or Liquidating Trustee have objected to any such Entity's proof of claim; (iii) any such Entity's Claim was included in the Schedules; (iv) the Debtors or Liquidating Trustee have objected to any such Entity's scheduled Claim; or (v) any such Entity's scheduled Claim has been identified by the Debtors or Liquidating Trustee as disputed, contingent or unliquidated.

## **E. Release and Injunction**

**1. From and after the Effective Date, all Entities are permanently enjoined from commencing or continuing in any manner against the Releasees, their successors and assigns, and their assets and properties, as the case may be, any suit, action or other proceeding, on account of or respecting any Claim, demand, liability, obligation, debt, right, Cause of Action, interest or remedy released or to be released pursuant to the Plan or the Confirmation Order.**

**2. Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, from and after the Effective Date, all Entities shall be precluded from asserting against the Releasees or their successors and assigns and their assets and properties, any other Claims or Equity Interests based upon any documents, instruments, or any act or omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date.**

**3. The rights afforded in the Plan and the treatment of all Claims and Equity Interests in the Plan shall be in exchange for and in complete satisfaction of Claims and Equity Interests of any nature whatsoever, including any interest accrued on Claims from and after the Petition Date, against the Debtors or any of their assets or properties. On the Effective Date, all such Claims against, and Equity Interests in, the Debtors shall be satisfied and released in full.**

**4. Except as otherwise expressly provided for in the Plan or in obligations issued pursuant to the Plan, all Parties and Entities are permanently enjoined, on and after the Effective Date, on account of any Claim or Equity Interest satisfied and released hereby, from:**

**(a) commencing or continuing in any manner any action or other proceeding of any kind against any of the Debtors, their successors and assigns (including the PLI Liquidating Trust) and their assets and properties;**

(b) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against any Debtor, their successors and assigns (including the PLI Liquidating Trust) and their assets and properties;

(c) creating, perfecting or enforcing any encumbrance of any kind against any Debtor or the property or estate of any Debtor;

(d) asserting any right of setoff, subrogation or recoupment of any kind against any obligation due from any Debtor or against the property or estate of any the Debtor, except to the extent a right to setoff, recoupment or subrogation is asserted with respect to a timely filed proof of claim; or

(e) commencing or continuing in any manner any action or other proceeding of any kind in respect of any Claim or Equity Interest or Cause of Action released or settled hereunder.

#### **F. Release of Liens**

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, liens, pledges or other security interests against property of the Estates shall be fully released and discharged and all of the right, title and interest of any holder of such mortgages, deeds of trust, liens, pledges or other security interest shall revert to the Debtors and the Liquidating Trustee.

#### **XI. RETENTION OF JURISDICTION**

Notwithstanding the entry of the Confirmation Order and the occurrence of the Effective Date, the Bankruptcy Court shall, after the Effective Date, retain such jurisdiction over the Chapter 11 Cases and all Entities with respect to all matters related to the Chapter 11 Cases, the Debtors and the Plan as is legally permissible, including, without limitation, jurisdiction to:

1. allow, disallow, determine, liquidate, classify, estimate or establish the priority or secured or unsecured status of any Claim or Equity Interest, including the resolution of any request for payment of any Administrative Claim and the resolution of any and all objections to the allowance or priority of Claims or Equity Interests;
2. grant or deny any applications for allowance of compensation or reimbursement of expenses authorized pursuant to the Bankruptcy Code or the Plan, for periods ending on or before the Effective Date;
3. resolve any matters related to the assumption, assignment or rejection of any executory contract or unexpired lease to which a Debtor is party or with respect to which a Debtor may be liable and to hear, determine and, if necessary, liquidate, any Claims arising therefrom, including those matters related to any amendment to the Plan after the Effective Date pursuant to Article XI.C of the Plan adding executory contracts or unexpired leases to the list of executory contracts and unexpired leases to be assumed;
4. ensure that Distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan;
5. decide or resolve any motions, adversary proceedings, contested or litigated matters and any other matters and grant or deny any applications involving a Debtor that may be pending on the Effective Date or instituted by the Liquidating Trustee after the Effective Date, provided, however, that the Liquidating Trustee shall reserve the right to commence actions in all appropriate jurisdictions;

6. enter such orders as may be necessary or appropriate to implement or consummate the provisions of the Plan and all other contracts, instruments, releases, indentures and other agreements or documents adopted in connection with the Plan, Plan Supplement or the Disclosure Statement;
7. resolve any cases, controversies, suits or disputes that may arise in connection with the Effective Date, interpretation or enforcement of the Plan or any Entity's obligations incurred in connection with the Plan;
8. issue injunctions, enforce them, enter and implement other orders or take such other actions as may be necessary or appropriate to restrain interference by any Entity with the Effective Date or enforcement of the Plan, except as otherwise provided in the Plan;
9. enforce Article IX.A of the Plan, Article IX.B of the Plan and Article IX.C of the Plan;
10. enforce the Injunction set forth in Article IX.E of the Plan;
11. resolve any cases, controversies, suits or disputes with respect to the releases, injunction and other provisions contained in Article IX, and enter such orders as may be necessary or appropriate to implement or enforce all such releases, injunctions and other provisions;
12. enter and implement such orders as necessary or appropriate if the Confirmation Order is modified, stayed, reversed, revoked or vacated;
13. resolve any other matters that may arise in connection with or relate to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release, indenture or other agreement or document adopted in connection with the Plan or the Disclosure Statement; and
14. enter an order and/or the decree contemplated in Fed.R.Bankr.P. 3022 concluding the Chapter 11 Cases.

## **XII. MISCELLANEOUS PROVISIONS**

### **A. Final Fee Applications**

The deadline for submission by Professionals of applications for Bankruptcy Court approval of Accrued Professional Compensation shall be forty-five (45) days after the Effective Date.

### **B. Payment of Statutory Fees**

All fees payable pursuant to Article 1930 of title 28 of the United States Code after the Effective Date, as determined by the Bankruptcy Court at a hearing pursuant to section 1128 of the Bankruptcy Code, shall be paid prior to the closing of the Chapter 11 Cases on the earlier of when due or the Effective Date, or as soon thereafter as practicable.

### **C. Modification of Plan**

Subject to the limitations contained in the Plan: (1) the Debtors reserve the right, in accordance with the Bankruptcy Code and the Bankruptcy Rules, with the consent of the Creditors' Committee, to amend or modify the Plan prior to the entry of the Confirmation Order, including amendments or modifications to satisfy section 1129(b) of the Bankruptcy Code; and (2) after the entry of the Confirmation Order, the Debtors or the Liquidating Trustee, as the case may be, may, upon order of the Bankruptcy Court, amend or modify the Plan, in accordance with section 1127(b) of the Bankruptcy Code, or remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

**D. Revocation of Plan**

The Debtors reserve the right to revoke or withdraw the Plan prior to the entry of the Confirmation Order, after consultation with the Creditors' Committee, and to file subsequent chapter 11 plans. If the Debtors revoke or withdraw the Plan or if entry of the Confirmation Order or the Effective Date does not occur, then: (1) the Plan shall be null and void in all respects; (2) any settlement or compromise embodied in the Plan, assumption or rejection of executory contracts or leases effected by the Plan, and any document or agreement executed pursuant hereto shall be deemed null and void; and (3) nothing contained in the Plan shall: (a) constitute a waiver or release of any claims by or against, or any Equity Interests in, such Debtor or any other Entity; (b) prejudice in any manner the rights of the Debtors or any other Entity; or (c) constitute an admission of any sort by the Debtors or any other Entity.

**E. Successors and Assigns**

The rights, benefits and obligations of any Entity named or referred to herein shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, successor or assign of such Entity.

**F. Governing Law**

Except to the extent that the Bankruptcy Code or Bankruptcy Rules apply, and subject to the provisions of any contract, instrument, release, indenture or other agreement or document entered into in connection herewith, the rights and obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the state of Delaware, without giving effect to the principles of conflict of laws thereof.

**G. Reservation of Rights**

Except as expressly set forth herein, the Plan shall have no force or effect unless and until the Bankruptcy Court enters the Confirmation Order. Neither the filing of the Plan, any statement or provision contained herein, nor the taking of any action by a Debtor or any Entity with respect to the Plan shall be or shall be deemed to be an admission or waiver of any rights of: (1) any Debtor with respect to the holders of Claims or Equity Interests or other parties in interest; or (2) any holder of a Claim or other party in interest prior to the Effective Date.

**H. Article 1146 Exemption**

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant hereto shall not be subject to any stamp tax or other similar tax or governmental assessment in the United States, and the Confirmation Order shall direct the appropriate state or local governmental officials or agents to forego the collection of any such tax or governmental assessment and to accept for filing and recordation instruments or other documents pursuant to such transfers of property without the payment of any such tax or governmental assessment.

**I. Section 1125(e) Good Faith Compliance**

The Debtors, the Creditors' Committee and its individual members, and each of their respective Representatives, shall be deemed to have acted in "good faith" under section 1125(e) of the Bankruptcy Code.

**J. Further Assurances**

The Debtors, Liquidating Trustee, all holders of Claims receiving Distributions hereunder and all other parties in interest shall, from time to time, prepare, execute and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provisions and intent of the Plan or the Confirmation Order.

**K. Headings**

The headings of the articles, paragraphs and sections of the Plan are inserted for convenience only and shall not affect the interpretation hereof.

**L. Construction**

The rules of construction as set forth in Bankruptcy Code § 102 shall apply to the construction of the Plan.

**M. Plan Controls Disclosure Statement**

In the event and to the extent any provision of the Plan is inconsistent with any provision of this Disclosure Statement, the provisions of the Plan shall control and take precedence.

**N. Notices**

Any notices required under the Plan or any notices or requests of the Debtors or the Liquidating Trustee by parties in interest under or in connection with the Plan shall be in writing and served either by (i) certified mail, return receipt requested, postage prepaid, (ii) hand delivery, or (iii) reputable overnight delivery service, all charges prepaid, and shall be deemed to have been given when received by the parties listed in Article XI.K of the Plan.

**O. Filing of Additional Documents**

On or before the Effective Date, the Debtors may file with the Bankruptcy Court all agreements and other documents that may be necessary or appropriate to effectuate and further evidence the terms and conditions hereof.

**P. No Stay of Confirmation Order**

The Confirmation Order shall contain a waiver of any stay of enforcement otherwise applicable, including pursuant to Fed.R.Bankr.P. 3020(e) and 7062.

**Q. Aid and Recognition**

The Debtors or Liquidating Trustee, as the case may be, shall, as needed to effect the terms hereof, request the aid and recognition of any court or judicial, regulatory or administrative body in any nation or state.

**XIII. FINANCIAL INFORMATION**

**A. Status of Current Cash Position as of March 31, 2010**

The Debtors had total cash on hand of approximately \$2.08 million as of March 31, 2010, which is comprised of (i) an amount of approximately \$1.67 million, which is deposited in either the Wind-Down Account or the Professional Fee Account and, under the Final Cash Collateral Order, the North American Sale Order and the NRF Sale Order, must be returned to the Prepetition Agent following payment in full of all Permitted Items (as defined in the NRF Sale Order) and the other items included in the Wind-Down Budget, and (ii) the Unsecured Creditors Carveout.

**B. Projected Distributable Cash**

The Debtors anticipate that there will be approximately \$250,000 of Distributable Cash from as of the Effective Date from the Unsecured Creditor Carveout.

**C. Descriptions of Assets and Litigation**

**1. Remaining Assets**

The Debtors have no significant remaining hard assets.

## **2. Unsecured Creditor Carveout**

In connection with the sale of the NRF Stock, the Committee entered into an agreement with the Prepetition Agent, which provided unsecured creditors with a portion of the Estates' recovery from the sale of the NRF Stock. This agreement, which was approved as part of the NRF Sale Order, provided for, among other things, the payment to the Debtors of \$410,000 from the Gross Proceeds (as defined in the NRF Sale Order) received from the sale of the NRF Stock for the benefit of the Debtors' administrative and unsecured creditors to be distributed in accordance with the Bankruptcy Code's priority scheme. The Debtors presently hold the such amount in a segregated account at a financial institution on the approved depository list of the Office of the United States Trustee (the "Creditors Account").

Due the lack of necessary cash remaining in either the Wind-Down Account or the Professional Fee Account to fund the drafting and prosecution of approval of this Disclosure Statement and confirmation of the Plan, the Committee agreed to the use of the funds in the Creditors Account (a) first, for payment of any Accrued Professional Compensation incurred in drafting and seeking approval of this Disclosure Statement and confirmation of the Plan and (b) second, to make Distributions to Holders of Allowed Claims pursuant to the Plan. Accordingly, the amount of Cash remaining in the Creditors Account to make Distributions to Holders of Allowed Claims pursuant to the Plan depends largely on the size of the Allowed Accrued Professional Compensation incurred in drafting and seeking approval of this Disclosure Statement and confirmation of the Plan.

## **3. Estate Litigation**

Except as otherwise provided in the Plan, any and all rights or Causes of Action and Avoidance Actions under any theory of law or fact, if any, including, without limitation, under the Bankruptcy Code, accruing to or assertable by the Debtors shall remain Assets of the Debtors and on the Effective Date shall be transferred to and vested in the PLI Liquidating Trust with the Liquidating Trustee as the duly appointed representative of the Estates. Pursuant to Bankruptcy Code § 1123(b)(3)(B), only the PLI Liquidating Trust and the Liquidating Trustee, subject to any necessary oversight and approval of the Liquidating Trust Committee as may be required under the Plan and the Liquidation Trust Agreement, shall have the right to pursue or not to pursue, or, subject to the terms of the Plan, compromise or settle any Causes of Action and Avoidance Actions owned or held by the Debtors or their Estates as of the Effective Date.

From and after the Effective Date, the PLI Liquidating Trust and the Liquidating Trustee, subject to oversight and approval by the Liquidating Trust Committee as may be required under the Plan and the Liquidation Trust Agreement, may litigate or settle any avoidance, recovery or subordination actions under Bankruptcy Code §§ 510, 543, 544, 545, 547, 548, 549, 550, 551, 553 or 724(a) or any other Causes of Action or rights to payments or claims that belong to the Debtors that may be pending on the Effective Date or instituted by the PLI Liquidating Trust and the Liquidating Trustee after the Effective Date, except as otherwise expressly provided in the Plan. The Liquidating Trustee may settle without need of Bankruptcy Court approval all such avoidance, recovery or subordination actions, other Causes of Action, rights to payment or claims, and may seek an order of the Bankruptcy Court approving the compromise, release or settlement of the same, subject to oversight and approval of the Liquidating Trust Committee as may be required under the Plan. The Bankruptcy Court shall retain jurisdiction to adjudicate any and all Causes of Action and Avoidance Actions and approve of any such settlement, whether commenced prior to or after confirmation of the Plan. The Liquidating Trustee shall have no obligation to obtain the approval or authorization of the Bankruptcy Court or file a report to the Bankruptcy Court concerning the sale, transfer, assignment or disposition of assets; provided that the Liquidating Trustee, subject to oversight and approval of the Liquidating Trust Committee as may be required under the Plan, may seek an order of the Bankruptcy Court approving any sale or disposition of assets by the Liquidating Trustee to facilitate such transactions. The Bankruptcy Court shall retain jurisdiction to adjudicate any and all Avoidance Actions and Causes of Action and approve of any such settlement (if required), whether commenced prior to or after confirmation of the Plan.

The Debtors are in the process of analyzing the Avoidance Actions and/or Causes of Action. All Creditors who received payments from the Debtors within 90 days of the Petition Date (or one year if the Creditor was an "Insider," as such term is defined in Bankruptcy Code § 101(31)), are subject to being sued for recovery of preferences under Bankruptcy Code § 547.

#### **D. Risks Associated with Realizing on Litigation**

A portion of the property to be distributed to the Creditors pursuant to the Plan includes litigation claims. In addition to the risks described above, in general, the outcome of such litigation is impossible to predict. It is possible that the Estates may recover nothing at all on account of such litigation. The risks in such litigation include, but are not limited to, those associated with defenses and counter-claims of opposing parties to the litigation; the delay and expense associated with discovery and trial of factually intensive and complex disputes; the additional delay and expense inherent in appellate review; difficulties in pursuing claims pertaining to the Debtors because it is no longer an operating entity; the diminishing availability of former employees to serve as witnesses because they have moved from the geographic area or have otherwise become unavailable; the impossibility of predicting judicial outcomes; and the difficulty collecting favorable judgments.

**THE DEBTORS MAKE NO REPRESENTATION CONCERNING THE ACCURACY OF THE PROJECTED FINANCIAL INFORMATION OR THE ABILITY TO ACHIEVE THE PROJECTED RESULTS. MANY OF THE ASSUMPTIONS ON WHICH THESE PROJECTIONS ARE BASED ARE SUBJECT TO SIGNIFICANT ECONOMIC UNCERTAINTIES. IT IS LIKELY THAT SOME ASSUMPTIONS WILL NOT MATERIALIZE BECAUSE OF UNANTICIPATED EVENTS AND CIRCUMSTANCES. ACCORDINGLY, THE ACTUAL RESULTS ACHIEVED THROUGHOUT THE PROJECTION PERIOD ARE LIKELY TO VARY FROM THE PROJECTED RESULTS. THE VARIATIONS MAY BE MATERIAL AND ADVERSE OR POSITIVE.**

THE DEBTORS DO NOT ANTICIPATE AT THIS TIME THAT IT WILL UPDATE THESE PROJECTIONS AT THE HEARING ON CONFIRMATION OF THE PLAN OR OTHERWISE MAKE SUCH PROJECTIONS PUBLIC.

#### **XIV. CERTAIN FACTORS TO BE CONSIDERED REGARDING THE PLAN**

Holders of Claims and Equity Interests against the Debtors should read and consider carefully the factors set forth below, as well as the other information set forth in this Disclosure Statement (and the documents delivered together herewith and/or incorporated by reference), prior to voting to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks involved in connection with the Plan and its implementation.

##### **A. Bankruptcy Considerations**

An objection to confirmation of the Plan could prevent confirmation or delay confirmation for a significant period of time. In such case, the Effective Date may not occur and payments to Creditors may be delayed. In addition, if the Plan is not confirmed, the Chapter 11 Cases may be converted to a cases under chapter 7, in which event the Debtors believe that creditor recoveries will be substantially diminished.

**The Debtors believe that the Effective Date will occur approximately two weeks after the entry of the Confirmation Order, although there can be no assurance that each of the conditions to the Effective Date will be satisfied by such date.**

##### **B. Overall Risks to Recovery by Holders of Claims**

In addition to the risks described in Article XIV hereof, the ultimate recovery under the Plan to Holders of Allowed Claims depends upon (i) the size of the Allowed Plan-Related Professional Fee Claims and (ii) the ability of the Liquidating Trustee to realize the maximum value of the assets of the Debtors and to realize a favorable litigation outcome or settlement of the Causes of Action and Avoidance Actions. It is extremely difficult to value litigation and, as discussed above, litigation outcomes cannot be predicted.

### **C. Risks Regarding the Amount of Priority, Priority Tax and Administrative Claims**

The Debtors' projections assume that unpaid Administrative Claims, Priority Claims and Priority Tax Claims against the Debtors will be between approximately \$200,000 to \$250,000 excluding Professional Fee Claims and administrative expenses incurred in the ordinary course. This amount is only an estimate. The initial Bar Date for filing Administrative Claims through August 14, 2009 was November 2, 2009, and the Second Administrative Expense Request Deadline will not occur until 30 days after entry of the Confirmation Order. It is anticipated that additional Administrative Claims will be filed against the Debtors.

### **D. Risks Regarding Amount of Unsecured Claims**

As of March 31, 2010, there were approximately \$75 million of Unsecured Claims scheduled and filed against the Debtors. Due to lack of available cash, the Debtors will not be conducting a claims administration process in order to reduce or disallow these Claims. The Claim estimates do not include contract rejection claims for which the time to file a Claim has not expired or Claims listed without dollar amounts. It is also possible that the dollar amount of Unsecured Claims could increase if the Bankruptcy Court determines that any claimant did not receive adequate notice of the Bar Date and therefore allows such claimant's late-filed Claim. Accordingly, the Pro Rata recoveries for the Holders of Claims against the Debtors are uncertain.

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

Circular 230 Disclaimer: To ensure compliance with requirements imposed by the Internal Revenue Service (the "IRS"), we inform you that any U.S. federal tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code of 1986, as amended (the "IRC"), or (ii) promoting, marketing or recommending to another party any transaction or tax matter(s) addressed herein.

The following discussion summarizes certain federal income tax consequences of the Plan to the Debtors and to Holders of General Unsecured Claims and Equity Interests. This summary does not address the federal income tax consequences to Holders whose Claims are paid in full, in Cash, or which are otherwise not Impaired under the Plan (i.e., Allowed Administrative Claims, Priority Claims, Priority Tax Claims and Secured Claims).

This summary is based on the IRC, the Treasury Regulations promulgated and proposed thereunder, judicial decisions and published administrative rulings and pronouncements of the IRS currently in effect. These authorities are all subject to change, possibly with retroactive effect, and any such change could alter or modify the federal income tax consequences described below.

This summary does not address foreign, state or local income tax consequences, or any estate or gift tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign companies, nonresident alien individuals, S corporations, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, investors in pass-through entities, broker-dealers and tax-exempt organizations). Accordingly, this summary should not be relied upon for purposes of determining the specific tax consequences of the Plan with respect to a particular Holder of a Claim or Interest.

Due to the possibility of changes in law, differences in the nature of various Claims, differences in individual Claim or Interest Holders' methods of accounting, and the potential for disputes as to legal and factual matters, the federal income tax consequences described herein are subject to significant uncertainties. No ruling has been applied for or obtained from the IRS, and no opinion of counsel has been requested or obtained by the Debtors with respect to any of the tax aspects of the Plan.

**THE TAX CONSEQUENCES TO HOLDERS OF CLAIMS OR INTERESTS MAY VARY BASED UPON THE INDIVIDUAL CIRCUMSTANCES OF EACH SUCH HOLDER. THIS DISCUSSION DOES NOT CONSTITUTE TAX ADVICE OR A TAX OPINION CONCERNING THE MATTERS DESCRIBED. THERE CAN BE NO ASSURANCE THAT THE IRS WILL NOT CHALLENGE ANY OR ALL OF THE**

**TAX CONSEQUENCES DESCRIBED HEREIN, OR THAT SUCH A CHALLENGE, IF ASSERTED, WOULD NOT BE SUSTAINED. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN OR OTHER TAX CONSEQUENCES OF THE PLAN.**

**A. Federal Income Tax Consequences**

**1. Federal Income Tax Consequences to Holders of General Unsecured Claims**

In accordance with the Plan, each Holder of an Allowed General Unsecured Claim against the Debtors (such Holders are referred to in this section as "Unsecured Creditors") shall be entitled to receive his, her or its Pro Rata share of the proceeds of the Unsecured Claims Fund. Each Holder of an Allowed General Unsecured Claim will recognize gain or loss upon receipt of such Pro Rata share equal to the difference between the "amount realized" by such Creditor and such Creditor's adjusted tax basis in his, her or its Claim. The amount realized is equal to the value of such Creditor's Pro Rata share of the Unsecured Claims Fund. Any gain or loss realized by an Unsecured Creditor should constitute ordinary income or loss to such creditor unless such Claim is a capital asset in the hands of such Unsecured Creditor. If a Claim is a capital asset and it has been held for more than one year, such Creditor will realize long-term capital gain or loss.

The federal income tax consequences to Unsecured Creditors will differ and will depend on factors specific to each such Creditor, including, but not limited to: (i) whether the Unsecured Creditor's Claim (or a portion thereof) constitutes a Claim for principal or interest, (ii) the origin of the Unsecured Creditor's Claim, (iii) the type of consideration received by the Unsecured Creditor in exchange for the Claim, (iv) whether the Unsecured Creditor is a United States person or a foreign person for United States federal income tax purposes, (v) whether the Unsecured Creditor reports income on the accrual or cash basis method, and (vi) whether the Unsecured Creditor has taken a bad debt deduction or otherwise recognized a loss with respect to the Claim.

**THERE ARE MANY FACTORS THAT WILL DETERMINE THE TAX CONSEQUENCES TO EACH UNSECURED CREDITOR. FURTHERMORE, THE TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND IN SOME CASES UNCERTAIN. THEREFORE, IT IS IMPORTANT THAT EACH CREDITOR OBTAIN HIS, HER OR ITS OWN PROFESSIONAL TAX ADVICE REGARDING THE TAX CONSEQUENCES TO SUCH CREDITOR AS A RESULT OF THE PLAN.**

**2. Withholding and Reporting**

Payments of interest, dividends and certain other payments are generally subject to backup withholding at the rate of 28% unless the payee of such payment furnishes such payee's correct taxpayer identification number (social security number or employer identification number) to the payor. The Liquidating Trustee may be required to withhold the applicable percentage of any payments made to a Holder who does not provide his, her or its taxpayer identification number. Backup withholding is not an additional tax, but an advance payment that may be refunded to the taxpayer by the IRS to the extent that the backup withholding results in an overpayment of tax by such taxpayer in such taxable year.

**THE FOREGOING IS INTENDED TO BE ONLY A SUMMARY OF CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN ARE COMPLEX AND IN SOME CASES UNCERTAIN. SUCH CONSEQUENCES MAY ALSO VARY BASED ON THE INDIVIDUAL CIRCUMSTANCES OF EACH HOLDER OF A CLAIM OR INTEREST. ACCORDINGLY, EACH HOLDER OF A CLAIM OR INTEREST IS STRONGLY URGED TO CONSULT WITH HIS, HER OR ITS OWN TAX ADVISOR REGARDING THE FEDERAL, STATE AND LOCAL INCOME AND OTHER TAX CONSEQUENCES UNDER THE PLAN.**

## **XVI. ALTERNATIVES TO CONFIRMATION OF THE PLAN**

The Debtors believe that the Plan provides a recovery to Creditors that is greater than or equal to the probable recoveries by Creditors if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

### **A. Acceptance and Confirmation of the Plan**

The Debtors believe that the Plan satisfies all the requirements for confirmation.

### **B. General Confirmation Requirements**

Bankruptcy Code § 1129(a) contains several requirements for confirmation of a plan. Among those requirements are that a plan be proposed in good faith, that certain information be disclosed regarding payments made or promised to be made to insiders, and that the plan comply with the applicable provisions of chapter 11. The Debtors believe that the Plan complies with these requirements, including those requirements discussed below.

### **C. Best Interest Test**

Each Holder of a Claim or Interest in an Impaired Class must either (i) accept the Plan or (ii) receive or retain under the Plan Cash or property of a value, as of the Effective Date of the Plan, that is not less than the value such Holder would receive or retain if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. The Bankruptcy Court will determine whether the Cash and property issued under the Plan to each Holder of a Claim or Interest equals or exceeds the value that would be allocated to such Holders in a liquidation under chapter 7 of the Bankruptcy Code (the "Best Interest Test"). The Debtors believe the Holders of Claims against and Equity Interests in the Debtors will have an equal or greater recovery as a result of the sale of the Debtors' assets as discussed herein and under the Plan than could be realized in a chapter 7 liquidation for the following reasons:

The PLI Liquidating Trust is liquidating and therefore is not seeking to require Creditors to accept non-cash consideration so that the Estates could pursue going-concern value. Accordingly, the only question is whether the Creditors will have recovered more (or at least as much) under the Plan than they would recover through an asset liquidation by a chapter 7 trustee.

To determine the value that a Holder of a Claim or Interest in an Impaired Class would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the aggregate dollar amount that would be generated from the liquidation of the Debtors' assets if the Debtors' Chapter 11 Cases had been converted to chapter 7 liquidation cases and the Debtors' assets were liquidated by a chapter 7 trustee (the "Liquidation Value"). The Liquidation Value would consist of the net proceeds from the disposition of the Debtors' assets, augmented by Cash held by the Debtors and reduced by certain increased costs and Claims that arise in a chapter 7 liquidation case that do not arise in a chapter 11 reorganization case.

As explained below, the Liquidation Value available for satisfaction of Claims and Equity Interests in the Debtors would be reduced by: (a) the costs, fees and expenses of the liquidation under chapter 7, which would include disposition expenses and the compensation of a trustee and his or her counsel and other professionals retained, (b) the fees of the chapter 7 trustee, and (c) certain other costs arising from conversion of the Chapter 11 Cases to chapter 7.

The Debtors believe that Creditors have benefited and will continue to clearly benefit from the liquidation by the Debtors under the terms of the Plan. If the Debtors' assets were liquidated by a chapter 7 trustee, the Debtors project that the maximum recovery would be substantially less. The Debtors have already reduced virtually all of their assets to Cash through sales of substantially all of their Assets, each of which sale was approved by the Bankruptcy Court. Therefore, the Debtors have already established systems and protocols for the efficient disposition of their assets and are in the process of liquidating their limited remaining assets.

Moreover, under the Plan the Debtors will avoid the increased costs and expenses of a chapter 7 liquidation, including the fees payable to a chapter 7 trustee and his or her professionals. Although the Debtors have

already incurred many of the expenses associated with generating the proceeds, the Cash to be distributed to Creditors would be reduced by the chapter 7 trustee's statutory fee, which is calculated on a sliding scale from which the maximum compensation is determined based on the total amount of moneys disbursed or turned over by the chapter 7 trustee. Bankruptcy Code § 326(a) permits reasonable compensation not to exceed 3% of the proceeds in excess of \$1 million distributable to creditors.<sup>3</sup> The chapter 7 trustee's professionals, including legal counsel and accountants, would add substantial administrative expenses that would be entitled to be paid ahead of Allowed Claims and Equity Interests against the Debtors. Moreover, these chapter 7 trustee fees would reduce the assets available for distribution to the Estates' Creditors from additional recoveries such as preferential payments, expunged administrative claims and the proceeds of successful Estate litigation or settlement.

In contrast, the Liquidating Trustee will be highly familiar with the Debtors' operations and the issues pertaining thereto; therefore, the Estates will avoid the significant administrative burden associated with the familiarization process of a chapter 7 trustee and his or her legal and accounting professionals. Further, under the Plan, any existing Causes of Action will be pursued by the Liquidating Trustee, subject to oversight and approval of the Liquidating Trust Committee as may be required under the Plan. The Liquidating Trustee is extensively familiar with the facts and legal theories pertaining to the Debtors' Causes of Action. Conversely, a chapter 7 trustee would have no initial familiarity with the Estates' litigation or claims and have less capability to maximize the value of such Causes of Action.

It is also anticipated that a chapter 7 liquidation would result in a significant delay in payments being made to Creditors. Bankruptcy Rule 3002(c) provides that conversion of a chapter 11 case to chapter 7 will trigger a new bar date for filing claims against the Estates, and that the new bar date will be 90 days after the first date set for the meeting of creditors called under section 341 of the Bankruptcy Code. Not only would a chapter 7 liquidation delay distribution to Creditors, but it is possible that additional claims that were not asserted in the Chapter 11 Cases, or were late-filed, could be filed against the Estates. Reopening the bar date in connection with conversion to chapter 7 would provide these and other claimants an additional opportunity to timely file claims against the Estates. Moreover, the Debtors would lose the benefit of having an established Second Administrative Expense Request Deadline.

For the reasons set forth above, the Debtors believe that the Plan provides a superior recovery for Holders of Claims and Equity Interests, and the Plan meets the requirements of the Best Interest Test.

#### **D. Financial Feasibility Test**

Even if the Plan is accepted by each Class of Claims and Equity Interests voting on the Plan, and even if the Bankruptcy Court determines that the Plan satisfies the Best Interest Test, the Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated 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 Debtors forecast that the Cash payments to be made pursuant to the Plan will be funded through the amounts obtained from the sales of substantially all their assets. Since a form of liquidation is proposed in the Plan and no further financial reorganization of the Debtors is contemplated, the Debtors believe that the Plan meets the feasibility requirement.

#### **E. Acceptance by Impaired Classes**

Bankruptcy Code § 1129(b) provides that a plan can be confirmed even if it has not been accepted by all impaired classes as long as at least one impaired class of claims has accepted it. The process by which nonaccepting classes are forced to be bound by the terms of a plan is commonly referred to as "cramdown." The Bankruptcy Court may confirm the Plan at the request of the Debtors notwithstanding the Plan's rejection (or deemed rejection) by impaired Classes as long as the Plan "does not discriminate unfairly" and is "fair and equitable" as to each

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<sup>3</sup> Bankruptcy Code § 326(a) permits a chapter 7 trustee to receive 25% of the first \$5,000 distributed to creditors, 10% of additional amounts up to \$50,000, 5% of additional distributions up to \$1 million and reasonable compensation up to 3% of distributions in excess of \$1 million.

impaired Class that has not accepted it. A plan does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank.

A class of claims under a plan accepts the plan if the plan is accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the allowed claims in the class that actually vote on the plan. A class of interests accepts the plan if the plan is accepted by holders of interests that hold at least two-thirds in amount of the allowed interests in the class that actually vote on a plan.

A class that is not "impaired" under a plan is conclusively presumed to have accepted the plan. Solicitation of acceptances from such a class is not required. A class is "impaired" unless (i) the legal, equitable and contractual rights to which a claim or interest in the class entitles the holder are not modified, or (ii) the effect of any default is cured and the original terms of the obligation are reinstated.

A plan is fair and equitable as to a class of secured claims that rejects the plan if the plan provides (i)(a) that the holders of claims included in the rejecting class retain the liens securing those claims, whether the property subject to those liens is retained by the debtor or transferred to another entity, to the extent of the allowed amount of such claims, and (b) that each holder of a claim of such class receives on account of that claim deferred cash payments totaling at least the allowed amount of that claim, of a value, as of the effective date of the plan, at least equal to the value of the holder's interest in the estate's interest in such property; (ii) for the sale, subject to Bankruptcy Code § 363(k), of any property that is subject to the liens securing the claims included in the rejecting class, free and clear of the liens, with the liens to attach to the proceeds of the sale, and the treatment of the liens on proceeds under clause (i) or (ii) of this paragraph; or (iii) for the realization of the indubitable equivalent of such claims.

A plan is fair and equitable as to a class of unsecured claims that rejects the plan if the plan provides (i) for each holder of a claim included in the rejecting class to receive or retain on account of that claim property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim, or (ii) that the holder of any claim or interest that is junior to the claims of such rejecting class will not receive or retain on account of such junior claim or interest any property at all.

A plan is fair and equitable as to a class of equity interests that rejects a plan if the plan provides (i) that each holder of an interest included in the rejecting class receive or retain on account of that interest property that has a value, as of the effective date of the plan, equal to the greater of the allowed amount of any fixed liquidation preference to which such holder is entitled, any fixed redemption price to which such holder is entitled, or the value of such interest, or (ii) that the holder of any interest that is junior to the interest of such rejecting class will not receive or retain under the plan on account of such junior interest any property at all.

Class 1 (Secured Lender Claims) and Class 3 (PBGC Claims) are Impaired and shall be entitled to vote to accept or reject the Plan. If and to the extent that any Class identified as being not Impaired is Impaired (whether as a result of the terms of the Plan or any modification or amendment thereto), such Class shall be entitled to vote to accept or reject the Plan.

Class 2 (Other Secured Claim) is not Impaired by the Plan. Pursuant to Bankruptcy Code § 1126(f), Class 2 is conclusively presumed to have accepted the Plan, and the votes of Holders of Claims in Class 2 will therefore not be solicited.

The votes of Class 6 (Equity Interests) are not being solicited because such Holders are not entitled to receive or retain under the Plan any interest in property on account of such Equity Interests. The votes of Class 5 claimants are not being solicited because by virtue of such Holders' status as Debtors or Non-Debtor Affiliates, they are deemed to accept the Plan. To preserve estate resources, the Debtors and the Committee have determined (i) not to solicit votes from Class 4 (General Unsecured Claims), (ii) to deem the Class to reject the Plan and (iii) to seek confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code. The Plan provides fair and equitable treatment to these Holders because there are no Classes junior to this Class are receiving any distribution on account of their Claims or Equity Interests, and no Class senior to this Class is being paid more than in full on its Allowed Claims.

As described above, the Debtors intend to request that the Bankruptcy Court confirm the Plan pursuant to Bankruptcy Code § 1129(b) with respect to Classes 4 and 6.

Wilmington, Delaware  
Dated: April 14, 2010

PROLIANCE INTERNATIONAL, INC., *ET AL.*

By: /s/ Richard A. Wisot

Its: Vice President, Treasurer and Secretary