

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

In re:

KII Liquidating Inc. (f/k/a Katy Industries,
Inc.), *et al.*,¹

Debtors.

Chapter 11

Case No. 17-11101 (KJC)

(Jointly Administered)

**FIRST AMENDED COMBINED DISCLOSURE STATEMENT AND CHAPTER 11
PLAN OF LIQUIDATION PROPOSED JOINTLY BY THE DEBTORS AND THE
OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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Dated: March 5, 2018

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, where applicable, are: KII Liquidating Inc. (f/k/a Katy Industries, Inc.) (7589), ComPro Liquidating LLC (f/k/a Continental Commercial Products, LLC) (3898), FTWH Liquidating Inc. (f/k/a FTW Holdings, Inc.) (7467), FWPI Liquidating Inc. (f/k/a Fort Wayne Plastics, Inc.) (7470), Wabash Holding Corp. (9908), KTI Liquidating Inc. (f/k/a Katy Teweh, Inc.) (9839), WII, Inc. (0456), TTI Holdings, Inc. (8680), GCW, Inc. (5610), Hermann Lowenstein, Inc. (4331), American Gage & Machine Company (7074), WP Liquidating Corp. (2310), Ashford Holding Corp. (8113), and HPMI, Inc. (4677). The mailing address for each of the Debtors listed above, solely for purposes of notices and communications, is 400 S. Hope Street, Suite 1050, Los Angeles, California 90071 (Attn.: Lawrence Perkins, Chief Restructuring Officer).

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Appendix A: Liquidation Analysis

SECTION 1 INTRODUCTION

KII Liquidating Inc. (f/k/a Katy Industries, Inc.) and certain of its affiliates listed in footnote 1 of this Combined Plan and Disclosure Statement (collectively the “*Debtors*”) and the Creditors’ Committee jointly propose this Combined Plan and Disclosure Statement under sections 1125 and 1129 of the Bankruptcy Code and Local Rule 3017-2. This Combined Plan and Disclosure Statement, as may be amended from time to time, are the culmination of extensive negotiations between the Debtors and Creditors’ Committee, resulting in these consensual liquidating chapter 11 plans for the Debtors and the remaining assets of the estates. The Debtors and the Creditors’ Committee support this Combined Plan and Disclosure Statement and encourage the Holders of Impaired Claims entitled to vote hereunder to vote to accept this Combined Plan and Disclosure Statement.

This Combined Plan and Disclosure Statement contemplates the appointment of a Plan Administrator who, under the terms of this Combined Plan and Disclosure Statement, shall make Distributions for the benefit of Holders of various Allowed Claims.

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019, and those restrictions on modifications set forth in Section 17.5 of this Combined Plan and Disclosure Statement, the Plan Proponents expressly reserve the right, in accordance with Section 17.5.1 below, to alter, amend, or modify this Combined Plan and Disclosure Statement, including the Plan Supplements, one or more times before substantial Consummation thereof.

Each Holder of a Claim against the Debtors entitled to vote to accept or reject the Plan should read this Combined Plan and Disclosure Statement in its entirety before voting. No solicitation of votes to accept or reject this Combined Plan and Disclosure Statement may be made except under the terms hereof and section 1125 of the Bankruptcy Code. If you are entitled to vote to approve the Plan, you are receiving a Ballot with your notice of this Combined Plan and Disclosure Statement. The Debtors and the Creditors’ Committee urge you to vote to accept the Plan.

This Combined Plan and Disclosure Statement has been prepared in accordance with sections 1125 and 1129 of the Bankruptcy Code, Bankruptcy Rules 3016 and 3017, and Local Rule 3017-2, and not in accordance with federal or state securities law or other applicable nonbankruptcy law. Persons or Entities trading in or otherwise purchasing, selling, or transferring Claims against, or Interests in, the Debtors should evaluate this Combined Plan and Disclosure Statement in light of the purpose for which it was prepared. This Combined Plan and Disclosure Statement shall not be construed as advice on the tax, securities, or other legal effects of this Combined Plan and Disclosure Statement as to Holders of Claims against or Interests in the Debtors.

There has been no independent audit of the financial information contained in this Combined Plan and Disclosure Statement. This Combined Plan and Disclosure Statement was compiled from information obtained from numerous sources believed to be accurate to the best of the Debtors’ knowledge, information, and belief. This Combined Plan and Disclosure Statement was not filed with the U.S. Securities and Exchange Commission or

any state authority and neither the U.S. Securities and Exchange Commission nor any state authority has passed upon the accuracy, adequacy, or merits of this Combined Plan and Disclosure Statement. Neither this Combined Plan and Disclosure Statement nor the solicitation of votes to accept or reject the Plan constitutes an offer to sell, or the solicitation of an offer to buy, securities in any state or jurisdiction in which such offer or solicitation is not authorized.

This Combined Plan and 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.

Any projected recoveries to Creditors set forth in this Combined Plan and Disclosure Statement are based upon the analyses performed by the Debtors and their advisors. Although the Debtors and their advisors have made every effort to verify the accuracy of the information presented herein, the Debtors and their advisors cannot make any representations or warranties regarding the accuracy of the information.

Nothing herein shall be deemed or construed as an admission of any fact or liability by any party, or be admissible in any proceeding involving the Debtors or any other party. The statements contained herein are made as of the date hereof, unless another time is specified. The delivery of this Combined Plan and Disclosure Statement shall not be deemed or construed to create any implication that the information contained herein is correct at any time after the date hereof.

It is the opinion of the Debtors and the Creditors’ Committee that the treatment of Creditors under the Plan contemplates a greater recovery than that which likely would be achieved under other alternatives for the Debtors. Accordingly, the Debtors and the Creditors’ Committee believe that confirmation of the Plan is in the best interests of Creditors, and the Debtors and the Creditors’ Committee recommend that Creditors support and vote to accept the Plan.

SECTION 2 IMPORTANT DATES

Please take note of the following important dates relating to the Plan:

- **Deadline for the Plan Proponents to provide any supplemental disclosures regarding the Plan (to be filed on the docket and posted on the Voting Agent’s website): April 6, 2018.**
- **Ballots from voting creditors must be received by April 16, 2018, at 11:59 p.m. (prevailing Eastern Time).**
- **Objections to confirmation of the Plan must be filed and served by April 16, 2018, at 4:00 p.m. (prevailing Eastern Time).**
- **Combined Hearing on adequacy of disclosures and confirmation of the Plan: April 25, 2018, at 3:00 p.m. (prevailing Eastern time).**

SECTION 3 DEFINITIONS AND INTERPRETATION

3.1 Definitions

The following terms used herein shall have the respective meanings set forth below:

3.1.1 *401(k) Plan* has the meaning ascribed to it in Section 4.1.2(7).

3.1.2 *Accrued Professional Compensation Claims* means at any given moment, all Claims for accrued fees and expenses (including transaction or sale fees) for services rendered by a Professional through and including the Plan Confirmation Date, to the extent such fees and expenses have not been paid pursuant to the Interim Compensation Order or any other order of the Bankruptcy Court and regardless of whether a fee application has been Filed for such fees and expenses. To the extent the Bankruptcy Court denies or reduces by a Final Order any amount of a Professional’s fees or expenses, then the amount by which such fees or expenses are reduced or denied shall reduce the applicable Accrued Professional Compensation Claims.

3.1.3 *Acquired Assets* has the meaning ascribed to it in the Asset Purchase Agreement.

3.1.4 *Administrative Expense Claim* means any timely filed Allowed Claim pursuant to Bankruptcy Code sections 503(b) and 507(a)(1) arising from actual, necessary costs or expenses of administration of the Chapter 11 Cases and preservation of the Debtors’ Estates.

3.1.5 *Adversary Proceeding* means the adversary proceeding, currently pending in the Bankruptcy Court, case number 17-50937, brought by the Creditors’ Committee, as plaintiff, against the VP Defendants, as the same may be expanded by the addition of defendants (or third-party defendants), or by the commencement of ancillary proceedings in (or the transfer of venue to) other courts or jurisdictions.

3.1.6 *Allowed* means, with respect to any Claim, (i) that such Claim has been listed on the Debtor's Schedules as liquidated in amount and not disputed or contingent, and for which no contrary Proof of Claim has been filed, (ii) that a Proof of Claim on account of such Claim was properly and timely filed in accordance with any order of the Bankruptcy Court, the Plan, the Bankruptcy Code, and the Bankruptcy Rules, and no objection to allowance of such Claim has been interposed by a party in interest or as to which any objection has been determined by a Final Order to the extent such objection is determined in favor of the respective holder, or (iii) any Claim expressly allowed by a Final Order or pursuant to this Plan. Any Claim that has been or is hereafter listed in the Schedules as contingent, unliquidated or disputed, and for which no Proof of Claim has been timely filed, is not considered Allowed and shall be expunged on the Effective Date without further action by the Debtors or the Plan Administrator and without any further notice to or action, order, or approval of the Bankruptcy Court.

3.1.7 *Asset Purchase Agreement* means the Asset Purchase Agreement dated as of June 21, 2017, by and between Debtors Katy Industries, Inc., Continental Commercial Products, LLC, FTW Holdings, Inc., and Fort Wayne Plastics, Inc., as sellers, and the Purchaser, as buyer, that was approved by the Bankruptcy Court in the Sale Order, as amended, modified or supplemented from time to time [D.I. 463, Ex. B].

3.1.8 *Assets* means all tangible and intangible assets of every kind and nature of the Debtors and the Estates, including any Causes of Action and all proceeds thereof.

3.1.9 *Avoidance Actions* means all Causes of Action arising under sections 544, 545, 547, 548, 549, or 550 of the Bankruptcy Code.

3.1.10 *Bankruptcy Code* means title 11 of the United States Code, 11 U.S.C. §§ 101-1532.

3.1.11 *Bankruptcy Court* means the United States Bankruptcy Court for the District of Delaware.

3.1.12 *Bankruptcy Rules* means the Federal Rules of Bankruptcy Procedure and any local rules, procedures, or orders of the Bankruptcy Court applicable to the Chapter 11 Cases.

3.1.13 *Bar Date* means (i) November 10, 2017, as regards the Claim of any governmental unit, and (ii) October 9, 2017, as regards the Claim of any other person.

3.1.14 *BMO Receivables* has the meaning ascribed to it in Section 4.1.2(3).

3.1.15 *Bond* has the meaning ascribed to it in Section 4.1.10.

3.1.16 *Borrowers* has the meaning ascribed to it in Section 4.1.2(1).

3.1.17 *Business Day* means any day of the calendar week, except Saturday, Sunday, a "legal holiday," as defined in Bankruptcy Rule 9006(a), or any day on which commercial banks are authorized or required by law to close.

3.1.18 Cash means legal tender of the United States of America.

3.1.19 Causes of Action means any and all claims, causes of action and enforceable rights of a person against third parties, or assertable by a person or on behalf of its creditors, its estate, or itself, whether brought in the Bankruptcy Court or any other forum for recovery or avoidance, that have not been settled or resolved as of the Effective Date, including: (a) obligations, transfers of property or interests in property, offsets, debt forgiveness, Cash, and other types or kinds of property or interests in property or the value thereof, recoverable or avoidable pursuant to Chapter 5 of the Bankruptcy Code or other sections of the Bankruptcy Code or any applicable law; (b) damages, whether general or statutory or exemplary, or other relief, including but not limited to actions relating to or based upon (i) indebtedness owing to a person, (ii) fraud, negligence, gross negligence, willful injury or misconduct, acts or malice, or any other tort actions, including but not limited to defamation, malicious prosecution, or tortious interference with contract, (iii) breaches of contract, (iv) violations of federal or state securities laws, (v) violations of applicable corporate, limited liability company or partnership laws, (vi) breaches of fiduciary or agency duties, including, but not limited to, the duties of care or loyalty, (vii) recharacterization, (viii) illegal dividends, (ix) misrepresentations, (x) disregard of the corporate form or piercing the corporate veil or other enterprise liability theories, (xi) corporate waste, (xii) corporate opportunity, (xiii) any theory of recovery against a lending institution not otherwise released by this Plan, including any action or any action causing harm to a person, (xiv) equitable or legal subordination, (xv) indemnity rights against third parties, or (xvi) any other action listed in Bankruptcy Rule 7001; and (c) damages or other relief based upon any other claim of a person to the extent not specifically compromised or released pursuant to this Plan.

3.1.20 CCP Canada has the meaning ascribed to it in Section 4.1.1(1).

3.1.21 Centrex has the meaning ascribed to it in Section 4.1.1(1).

3.1.22 Chapter 11 Cases means the cases commenced in the Bankruptcy Court by the Debtors pursuant to chapter 11 of the Bankruptcy Code.

3.1.23 Claim means a “claim,” as that term is described in Bankruptcy Code section 101(5), against any Debtor, property of a Debtor, or property of an Estate.

3.1.24 Class means any group of Claims or Interests classified in Section 6 of this Plan pursuant to Bankruptcy Code section 1122. Classes are organized by number for type of Claim or Interest (1–9), and by letter for the applicable Debtor (A–N), as illustrated in the following table:

Classes	Applicable Debtor
1A–7A	KII Liquidating Inc. (f/k/a Katy Industries, Inc.)
1B–7B	ComPro Liquidating, Inc. (f/k/a Continental Commercial Products, LLC)
1C–7C	FTWH Liquidating Inc. (f/k/a FTW Holdings, Inc.)
1D–7D	FWPI Liquidating Inc. (f/k/a Fort Wayne Plastics, Inc.)
1E–7E	Wabash Holding Corp.

Classes	Applicable Debtor
1F–7F	KTI Liquidating Inc. (f/k/a Katy Teweh, Inc.)
1G–7G	WII, Inc.
1H–7H	TTI Holdings, Inc.
1I–7I	GCW, Inc.
1J–7J	Hermann Lowenstein, Inc.
1K–7K	American Gage & Machine Company
1L–7L	WP Liquidating Corp.
1M–7M	Ashford Holding Corp.
1N–7N	HPMI, Inc.

3.1.25 *Closing* has the meaning ascribed to it in Section 4.1.8.

3.1.26 *Collateral* means any property or interest in property of the Estate of any Debtor subject to a valid lien, charge, or other encumbrance to secure the payment or performance of a Claim.

3.1.27 *Company* has the meaning ascribed to it in Section 4.1.1(1).

3.1.28 *Complaint* has the meaning ascribed to it in Section 4.1.9.

3.1.29 *Continental* has the meaning ascribed to it in Section 4.1.1(1).

3.1.30 *Contingent Claim* means any contingent or unliquidated Claim asserted or which may be asserted against any Debtor.

3.1.31 *Creditors' Committee* means the statutory committee of unsecured creditors appointed in the Chapter 11 Cases by the Office of the United States Trustee on May 26, 2017.

3.1.32 *D&O Liability Insurance Policies* means all insurance policies of any of the Debtors for directors', managers', and officers' liability or similar policies.

3.1.33 *Debtor Releasees* has the meaning ascribed to it in Section 12.4.

3.1.34 *Debtors* has the meaning ascribed to it in Section 1.

3.1.35 *DIP Facility* means a \$7,500,000 superpriority secured postpetition financing facility provided by Jansan pursuant to the *Debtor-in-Possession Credit and Security Agreement*, as approved by the Final DIP Order.

3.1.36 *Disbursing Agent* means any entity, including any Debtor and the Plan Administrator, which acts as a Disbursing Agent pursuant to Section 10.5.

3.1.37 *Disputed Claim* means a Claim, or any portion thereof, that is either (i) listed on the Schedules as unliquidated, disputed, or contingent and for which no proof of claim in a liquidated and non-contingent amount has been filed, or (ii) the subject of an objection or request for estimation that has not been withdrawn, resolved, or overruled by a Final Order of the Bankruptcy Court.

3.1.38 *Distribution* means Cash, property, interests in property or other value distributed to holders of Allowed Claims, or their designated agents, under this Plan.

3.1.39 *Distribution Record Date* means the date that is five (5) Business Days prior to the Plan Confirmation Date.

3.1.40 *Effective Date* means the first Business Day after the Plan Confirmation Date on which the conditions precedent specified herein have been either satisfied or waived.

3.1.41 *Effective Date Distributions* means all Distributions required to be made on the Effective Date under this Plan to or for the benefit of the holders of Claims that are Allowed as of the Effective Date.

3.1.42 *Estate* means the estate created in each Debtor's chapter 11 bankruptcy case containing all property and other interests of the applicable Debtor pursuant to Bankruptcy Code section 541.

3.1.43 *Exculpated Parties* means (a) the Debtors, (b) the Creditors' Committee and all members thereof, (c) the Retirees' Committee and all members thereof, and (d) with respect to any person named in (a)–(c), such person's post-petition directors, officers, and professionals.

3.1.44 *First-Day Motions* has the meaning ascribed to it in Section 4.1.4.

3.1.45 *Final DIP Order* means the *Final Order Pursuant to Sections 105, 361, 362, 363, 365, and 507 of the Bankruptcy Code (I) Authorizing Debtors to Obtain Superpriority Secured Debtor-in-Possession Financing, (II) Granting Adequate Protection to the Prepetition Second Lien Secured Parties, (III) Scheduling a Final Hearing, and (IV) Granting Related Relief [D.I. 167]* entered by the Bankruptcy Court on June 19, 2017.

3.1.46 *Final Order* means an order or judgment the Bankruptcy Court or other court of competent jurisdiction, entered by the clerk of the court, which has not been reversed, vacated, or stayed, and as to which (i) the time to appeal, petition for certiorari, or move for a new trial, reargument, or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for a new trial, reargument, or rehearing shall then be pending, or (ii) if an appeal, writ of certiorari, new trial, reargument, or rehearing thereof has been sought, such order or judgment shall have been affirmed by the highest court to which it was appealed, or certiorari shall have been denied, or a new trial, reargument, or rehearing shall have been denied or resulted in no modification of such order or judgment, and the time to take any further appeal, petition for certiorari or move for a new trial, reargument, or rehearing shall have expired. For the avoidance of doubt, the possibility that a motion under Rule 60 of the Federal Rules of Civil

Procedure, Bankruptcy Rule 9024, or any similar procedural rule could conceivably be filed with respect to an order or judgment does not prevent such order or judgment from becoming a Final Order under this definition.

3.1.47 *First Lien Agent* has the meaning ascribed to it in Section 4.1.2(1).

3.1.48 *First Lien Credit Facility* has the meaning ascribed to it in Section 4.1.2(1).

3.1.49 *Fort Wayne Plant* has the meaning ascribed to it in Section 4.1.1(2).

3.1.50 *Fostoria Warehouse* has the meaning ascribed to it in Section 4.1.1(2).

3.1.51 *FTW Holding* has the meaning ascribed to it in Section 4.1.1(1).

3.1.52 *FWP* has the meaning ascribed to it in Section 4.1.1(1).

3.1.53 *General Unsecured Claim* means any Claim that is not a Secured Claim, Administrative Expense Claim, Accrued Professional Compensation Claim, Priority Tax Claim, Other Priority Claim, Intercompany Claim, Subordinated Claim, or Retiree Claim.

3.1.54 *Impaired* means, with respect to a Claim or Interest, that such Class of Claims or Interests is impaired within the meaning of Bankruptcy Code section 1124.

3.1.55 *Inactive Debtors* has the meaning ascribed to it in Section 4.1.1(1).

3.1.56 *Intercompany Claim* means a Claims of one Debtor against another Debtor or its Estate, or against any property of another Debtor or its Estate.

3.1.57 *Interest* means the interest of any holder of an equity security of any Debtor, within the meaning of Bankruptcy Code section 101(16), represented by any issued and outstanding shares of common or preferred stock or other instrument evidencing a present ownership or membership interest in any of the Debtors, whether or not transferable, or any option, warrant, or right, contractual or otherwise, to acquire any such interest, including a partnership, limited liability company or similar interest in a Debtor.

3.1.58 *Interim Compensation Order* means the *Administrative Order Establishing Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [D.I. 155] entered by the Bankruptcy Court on June 16, 2017.

3.1.59 *Jansan* has the meaning ascribed to it in Section 4.1.3(1).

3.1.60 *Jan-San & Foodservice* has the meaning ascribed to it in Section 4.1.1(2).

3.1.61 *Jefferson City Plant* has the meaning ascribed to it in Section 4.1.1(2).

3.1.62 *Katy* has the meaning ascribed to it in Section 4.1.1(1).

3.1.63 *Kohlberg* has the meaning ascribed to it in Section 4.1.1(1)

3.1.64 *Lincoln* has the meaning ascribed to it in Section 4.1.3(1).

3.1.65 *Liquidation Analysis* means the Plan Proponents' analysis of a hypothetical liquidation of the Debtors under chapter 7 of the Bankruptcy Code, which is attached as Appendix A hereto.

3.1.66 *Local Rule(s)* means the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware.

3.1.67 *Lowe's* has the meaning ascribed to it in Section 4.1.2(3).

3.1.68 *Majestic* has the meaning ascribed to it in Section 4.1.2(4).

3.1.69 *Majestic Judgment* has the meaning ascribed to it in Section 4.1.2(4).

3.1.70 *Missouri Division of Workers' Compensation* has the meaning ascribed to it in Section 4.1.10.

3.1.71 *Motion to Dismiss* has the meaning ascribed to it in Section 4.1.9.

3.1.72 *Net Distributable Assets* means the net Cash of the Estates that is available for Distribution following payment of (or establishment of appropriate reserves for) (i) all Allowed Administrative Expense Claims, Allowed Priority Claims, Allowed Secured Claims (if applicable), and (ii) all Plan Expenses.

3.1.73 *Non-Lead Debtors* has the meaning ascribed to it in Section 9.1.2

3.1.74 *Ontario* has the meaning ascribed to it in Section 4.1.1.

3.1.75 *Original First Lien Credit Agreement* has the meaning ascribed to it in Section 4.1.2(1).

3.1.76 *Original First Lien Lender* has the meaning ascribed to it in Section 4.1.2(1).

3.1.77 *Other Priority Claim* means any Claim entitled to priority pursuant to Bankruptcy Code section 507(a) other than an Administrative Expense Claim, Accrued Professional Compensation Claim, or Priority Tax Claim.

3.1.78 *Other Secured Claim* means any Secured Claim other than a Secured Tax Claim against any of the Debtors.

3.1.79 *Payables Financing Agreement* has the meaning ascribed to it in Section 4.1.2(3).

3.1.80 *Pension Plan(s)* has the meaning ascribed to it in Section 4.1.2(6).

3.1.81 *Petition Date* means May 14, 2017.

3.1.82 *Plan* means this Combined Disclosure Statement and Chapter 11 Plan of Liquidation and the Plan Supplement, which is incorporated herein by reference, including all exhibits and schedules hereto and thereto.

3.1.83 *Plan Administrator* means Emerald Capital Advisors, the entity to be appointed pursuant to Section 9.5 to carry out the provisions of this Plan.

3.1.84 *Plan Confirmation Date* means the date on which the Clerk of the Bankruptcy Court enters the Plan Confirmation Order.

3.1.85 *Plan Confirmation Hearing* means the combined hearing before the Bankruptcy Court to consider the adequacy of the disclosures in, and confirmation of, the Plan, which is scheduled for April 25, 2018, at 3:00 p.m. (prevailing Eastern Time), as such hearing may be adjourned or continued from time to time.

3.1.86 *Plan Confirmation Order* means any order entered by the Bankruptcy Court confirming this Plan pursuant to Bankruptcy Code section 1129.

3.1.87 *Plan Documents* means all documents, forms of documents, schedules, and exhibits to this Plan to be executed, delivered, assumed, or performed in conjunction with consummation of this Plan on the Effective Date.

3.1.88 *Plan Expenses* means all actual, necessary and reasonable fees, costs, expenses and obligations incurred by or owed to the Plan Administrator and its agents, employees, attorneys, advisors and other professionals in administering this Plan, including (a) reasonable compensation for services rendered, and reimbursement for actual and necessary expenses incurred by the Plan Administrator and its agents, employees and professionals after the Effective Date through and including the date upon which the Bankruptcy Court enters a final decree closing the Chapter 11 Cases, and (b) all fees payable pursuant to Section 17.1.

3.1.89 *Plan Proponents* means the Debtors and the Creditors' Committee, who are the proponents of the Plan within the meaning of section 1129 of the Bankruptcy Code.

3.1.90 *Plan Sponsors* has the meaning ascribed to it in Section 4.1.2(6).

3.1.91 *Plan Supplement* means the compilation of all Plan Documents to be entered into as of the Effective Date (if any), which will be filed with the Bankruptcy Court not later than seven days prior to the Plan Confirmation Hearing.

3.1.92 *Plan Transactions* has the meaning ascribed to it in Section 9.2.

3.1.93 *Post-Confirmation Committee* means the post-confirmation committee formed on the Effective Date, selected by the Creditors' Committee and identified in the Plan Supplement.

3.1.94 *Prepetition First Liens* has the meaning ascribed to it in Section 4.1.2(1).

3.1.95 *Prepetition Second Liens* has the meaning ascribed to it in Section 4.1.2(2).

3.1.96 *Priority Tax Claim* means any Allowed Claim of a governmental unit pursuant to Bankruptcy Code sections 502(i) and 507(a)(8); provided, however, that any Claims for penalties asserted by governmental units shall not be Priority Tax Claims.

3.1.97 *Pro Rata Share* means, with respect to any Distribution on account of any Allowed Claim, the ratio that the amount of such Allowed Claim bears to the aggregate amount of all Allowed Claims in the same Class.

3.1.98 *Professional* means any professional firm or professional person retained by the Debtors, the Creditors' Committee, and the Retirees' Committee in connection with these Chapter 11 Cases pursuant to a Final Order in accordance with sections 327, 1103, and 1114(b) of the Bankruptcy Code and to be compensated for services rendered prior to the Effective Date, pursuant to sections 327, 328, 329, 330, or 331 of the Bankruptcy Code.

3.1.99 *Professional Fee Escrow Account* means the "Professional Fee Account" as defined in the Final DIP Order.

3.1.100 *Professional Fee Reserve Amount* has the meaning ascribed to it in Section 5.2.2.

3.1.101 *Pro Rata Share* means, with respect to any Distribution on account of any Allowed Claim, the ratio that the amount of such Allowed Claim bears to the aggregate amount of all Allowed Claims in the same Class.

3.1.102 *Proof of Claim* or *Proof of Interest* means a written statement conforming substantially to the appropriate official form and Bankruptcy Rule 3001 describing the basis and amount of a Claim or Interest, together with supporting documentation evidencing such Claim or Interest, which complies with applicable provisions of this Plan, the Bankruptcy Code, other Bankruptcy Rules, and any orders of the Bankruptcy Court.

3.1.103 *Purchaser* means Jansan Acquisition, LLC.

3.1.104 *Rabbi Trust* has the meaning ascribed to it in Section 4.1.2(7).

3.1.105 *Reimbursable Expenses* has the meaning ascribed to it in Section 4.1.2(6).

3.1.106 *Rejection Damages Claim* means any Claim arising from, or relating to, the rejection of an executory contract or unexpired lease pursuant to section 365(a) of the Bankruptcy Code by any of the Debtors, as limited, in the case of a rejected unexpired lease, by section 502(b)(6) of the Bankruptcy Code.

3.1.107 Released Parties means (a) the Debtors, (b) the Creditors' Committee and all members thereof in their capacities as such, (c) the Retirees' Committee and all members thereof in their capacities as such, and (d) with respect to each person named in (a)–(c), such person's post-petition directors, officers, employees, agents, attorneys, and professionals.

3.1.108 Releasing Parties means (a) any holder of a Claim that is Unimpaired under the Plan, and (b) any holder of a Claim who (i) votes to accept the Plan, (ii) does not opt out of providing the releases in Section 15.8, and (iii) actually receives a Distribution under the Plan. Notwithstanding the foregoing, the Pension Plans and the PBGC shall not be considered Releasing Parties for any purpose under the Plan.

3.1.109 Reserved Causes of Action means all Causes of Action of the Debtors and their Estates that (i) were not Acquired Assets and (ii) are not released pursuant to Section 15.6. Without limiting the generality of the foregoing, the Reserved Causes of Action include (i) the VP Causes of Action, (ii) all Causes of Action against any insider (or former insider) of any Debtor that is not released pursuant to Section 15.6, and (iii) all Avoidance Actions against non-debtor entities who were not party to an "Assigned Contract" as defined in the Asset Purchase Agreement.

3.1.110 Retiree Claim means any and all actual and potential claims, demands, causes of action, debts, liabilities or obligations, whether based on any legal or equitable theory, including fiduciary or equitable duties, or otherwise, including, but not limited to suits in contract, tort or equity, whether arising under contract, ERISA, COBRA, the Tax Code or any other statute, rule, regulation, common law or otherwise, and whether arising under the laws of the United States, any political subdivision thereof, or the laws of any other jurisdiction. For the avoidance of doubt, the term "Retiree Claims" excludes any eligible run-off claims timely filed in accordance with the Retiree Settlement.

3.1.111 Retirees has the meaning ascribed to it in Section 4.1.2(5).

3.1.112 Retirees' Committee means the statutory committee of retirees appointed in the Chapter 11 Cases by the Office of the United States Trustee on July 31, 2017.

3.1.113 Retiree Life Insurance Plan has the meaning ascribed to it in Section 4.1.2(5).

3.1.114 Retiree Medical Plans has the meaning ascribed to it in Section 4.1.2(5).

3.1.115 Retiree Parties has the meaning ascribed to it in Section 12.4.

3.1.116 Retiree Settlement has the meaning ascribed to it in Section 12.

3.1.117 Retiree Settlement Amount has the meaning ascribed to it in Section 12.3.

3.1.118 Retiree Welfare Plans has the meaning ascribed to it in Section 4.1.2(5).

3.1.119 *Run-Off Period* has the meaning ascribed to it in Section 12.2.

3.1.120 *Sale* means the sale of the Acquired Assets in these Chapter 11 Cases pursuant to the terms and conditions of the Asset Purchase Agreement and approved by the Sale Order.

3.1.121 *Sale Motion* has the meaning ascribed to it in Section 4.1.4.

3.1.122 *Sale Order means the Order (A) Approving and Authorizing Sale of Substantially All of Debtors' Assets Pursuant to Successful Bidder's Asset Purchase Agreement, Free and Clear of All Liens, Claims, Encumbrances and Other Interests, (B) Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases Related Thereto, and (C) Granting Related Relief [D.I. 218]* entered by the Bankruptcy Court on July 5, 2017.

3.1.123 *Schedules* means the schedules of assets and liabilities and the statements of financial affairs filed by the Debtors pursuant to Bankruptcy Code section 521, Bankruptcy Rule 1007, and the Official Bankruptcy Forms of the Bankruptcy Rules.

3.1.124 *Second Lien Agent* has the meaning ascribed to it in Section 4.1.2(2).

3.1.125 *Second Lien Credit Facility* has the meaning ascribed to it in Section 4.1.2(2).

3.1.126 *Second Lien Lender* has the meaning ascribed to it in Section 4.1.2(2).

3.1.127 *Secured Claim* means a Claim that is (i) secured by a valid and perfected lien on Collateral that is enforceable pursuant to applicable law, the amount of which is equal to or less than the value of such collateral (a) as set forth in this Plan, (b) as agreed to by the holder of such Claim and the Debtors, or (c) as determined by a Final Order in accordance with Bankruptcy Code section 506(a); or (ii) subject to a valid right of setoff under Bankruptcy Code section 553.

3.1.128 *Secured Tax Claim* means any Secured Claim that, absent its secured status, would be entitled to priority in right of payment under Bankruptcy Code section 507(a)(8) (determined irrespective of any time limitations therein), and including any related Secured Claim for penalties.

3.1.129 *Self-Funded Plan* has the meaning ascribed to it in Section 4.1.10.

3.1.130 *Stalking Horse Purchaser* has the meaning ascribed to it in Section 4.1.3(1).

3.1.131 *Subordinated Claim* means any Claim (i) that is or becomes subordinated to the Allowed Claims of general unsecured creditors against the applicable

Debtor(s) pursuant to Bankruptcy Code section 510(a)–(c), or (ii) of a type specified in Bankruptcy Code section 726(a)(3)–(4).

3.1.132 *Subplan* means this Plan as it applies to a particular Debtor.

3.1.133 *Termination Date* has the meaning ascribed to it in Section 12.1.

3.1.134 *Termination Motion* has the meaning ascribed to it in Section 4.1.2(5).

3.1.135 *Tiffin Plant* has the meaning ascribed to it in Section 4.1.1(2).

3.1.136 *Trust Assets* has the meaning ascribed to it in Section 4.1.2(7).

3.1.137 *Unimpaired* means, with respect to a Claim or Interest, a Class of Claims or Interests that is not Impaired.

3.1.138 *Unutilized L/C Proceeds* has the meaning ascribed to it in Section 4.1.10.

3.1.139 *Voting Agent* means JND Corporate Restructuring.

3.1.140 *Voting Deadline* means 11:59 p.m. (prevailing Eastern Time) on April 16, 2018, the time by which ballots from voting creditors must be received.

3.1.141 *Voting Record Date* means March 5, 2018, the date established by the Court for determining the current holders of Claims and Interests.

3.1.142 *VPC* has the meaning ascribed to it in Section 4.1.2(2).

3.1.143 *VP Capital* has the meaning ascribed to it in Section 4.1.9.

3.1.144 *VP Causes of Action* means the Causes of Action brought, or that may be brought, by the Creditors' Committee against any current or future defendant (including any third-party defendant) in the Adversary Proceeding.

3.1.145 *VP Defendants* means Victory Park Capital Advisors LLC, Victory Park Management, LLC, VPC SBIC I, L.P., Jansan Acquisition, LLC and Charles Asfour.

3.2 Interpretation: Application of Definitions and Rules of Construction.

Defined terms referenced herein shall, where convenience warrants, have citations to the relevant Definition section styled as “(§ 3.1.____).” Terms that are defined in the Bankruptcy Code, and not otherwise defined herein (e.g., “affiliate,” “entity,” “insider,” “person”), have the meanings ascribed to them in the Bankruptcy Code.

The rules of construction contained in section 102 of the Bankruptcy Code shall apply to this Plan. Accordingly, the terms “includes” and “including” are not limiting (so, “including X”

should be read as “including, but not limited to, X”). And the term “or” is not exclusive (so, “A or B” should be read as “A or B (or both)”). In addition, the following rules of construction apply:

(a) unless the context requires otherwise, references herein to the Plan should be read as references to each and every Subplan;

(b) unless otherwise specified, all section or exhibit references in this Plan are to the respective section in, or exhibit to, this Plan;

(c) the words “herein,” “hereof,” “hereto,” “hereunder,” and other words of similar import refer to this Plan as a whole and not to any particular section, subsection, or clause contained therein;

(d) the headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the provisions hereof;

(e) unless otherwise provided, any reference in this Plan to an existing document, exhibit, or schedule means such document, exhibit, or schedule as may be amended, restated, revised, supplemented, or otherwise modified;

(f) if a time or date is specified for any payments or other Distribution under this Plan, it shall mean on or as soon as reasonably practicable thereafter; and

(g) in computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) shall apply.

SECTION 4 DISCLOSURES

The information in this Section 4 is provided in order to permit voting creditors to make an informed judgment regarding approval of the Plan. If you are a voting creditor and believe additional information is necessary for this purpose, please contact counsel for the Debtors² or the Creditors’ Committee³ as soon as possible to request such information. The Plan Proponents will make reasonable efforts to comply with requests for additional information and to make any such information available to all voting creditors by filing a supplement on the docket of these Chapter 11 Cases and posting it on the Voting Agent’s case website.⁴

****To ensure the timely collection and dissemination of information prior to the Voting Deadline, please make any requests for additional information no later than March 30, 2018.****

² DLA Piper LLP (US), 444 W. Lake Street, Suite 900, Chicago, Illinois 60606-0089, Attn: Oksana Koltko Rosaluk (oksana.koltkorosaluk@dlapiper.com).

³ Drinker Biddle & Reath LLP, 222 Delaware Avenue, Suite 1410, Wilmington, Delaware 19801, Attn: Patrick A. Jackson (patrick.jackson@dbr.com).

⁴ <http://www.jndla.com/cases/katy>.

Where appropriate, this Section 4 includes summaries of, or cross-references to, operative provisions of the Plan in Sections 3-17. To the extent of any inconsistency between this Section 4 and any operative provision(s) of the Plan, the operative provision(s) shall control.

4.1 Background and Procedural History

4.1.1 The Debtors and their Businesses

(1) The Debtors

The Debtors in these Chapter 11 Cases are KII Liquidating Inc. (f/k/a Katy Industries, Inc.), a publicly traded Delaware corporation (“*Katy*”), and certain of its wholly-owned direct and indirect subsidiaries (together with Katy, the “*Company*”). The Company was founded in 1967 by the industrialist Carroll family and is organized as a Delaware corporation with its headquarters in Colorado. Shortly after its formation, the Company went public, having its initial public offering on the New York Stock Exchange in 1968. After that time, the Company evolved into a leading manufacturer, importer, and distributor of commercial cleaning and consumer storage products, as well as a contract manufacturer of structural foam products.

The Company made a series of strategic acquisitions to expand its operations. In February 2014, the Company acquired a manufacturing facility in Fort Wayne, Indiana, which provides manufacturing capabilities of molded plastic components. In April 2015, the Company completed another acquisition of substantially all of the assets and business operations, including a manufacturing plant in Tiffin, Ohio, related to the plastic shelving and cabinet division of Centrex Plastics, LLC (“*Centrex*”) and T.R. Plastics, LLC, the Ohio-based companies.

The Company’s corporate headquarters are located in St. Louis, Missouri. Prior to the sale of substantially all of its assets detailed below, the Company’s business operations included manufacturing at three plant facilities located in the United States and distribution across the United States and Canada. As of the Petition Date, the Company employed approximately 300 nonunion employees and supplemented its workforce with additional temporary personnel, independent contractors, and an external sales force.

The Company’s key operational entities were: (i) Continental Commercial Products, LLC (formerly Contico International, LLC), a Delaware limited liability company, (“*Continental*”) that operated two manufacturing plants, one in Jefferson City, Missouri, and another in Tiffin, Ohio, and (ii) Fort Wayne Plastics, Inc., an Indiana corporation, (“*FWP*”) that operated a plant in Fort Wayne, Indiana. FTW Holdings, Inc., a Delaware corporation, (“*FTW Holding*”) is a holding company of FWP that had no operations of its own.

Continental, in turn, directly and indirectly owned certain foreign non-Debtor affiliates – 2155735 Ontario Inc., an Ontario corporation (“*Ontario*”), and CCP Canada, Inc., also an Ontario corporation (“*CCP Canada*”). Ontario is a holding company of CCP Canada without any operations of its own, whereas CCP Canada is a distributor of Continental’s products on the Canadian market. Continental was also a direct 100% owner of 3254018 Nova Scotia Limited, another Canadian entity, which, since its inception, never had any operations. With one exception, the remaining Debtors were all inactive entities as of the Petition Date, which continue their legal existence but have no operations since substantially all of their assets have been sold over the past

years (collectively, the “*Inactive Debtors*”). The Inactive Debtors did not as of the Petition Date, and do not as of this writing, have any substantial assets and merely hold a variety of legacy liabilities relating to their prior operations.

Katy was a publicly traded company, which common stock was registered for public trading on the OTC Bulletin Board system under the symbol “KATY.” Since June 2001 through August 2016, KKTY Holding Company, LLC, an affiliate of Kohlberg Investors IV, L.P., and certain funds affiliated with Kohlberg & Company, L.L.C. (collectively, “*Kohlberg*”) held 1,131,551 outstanding shares of Katy’s convertible preferred stock. In August 2016, however, Kohlberg sold all of its 1,131,551 shares of convertible preferred stock of the Company to VPC SBIC I, LP pursuant to a stock purchase agreement. The preferred stock is convertible into an aggregate of 18,859,183 shares of common stock, which, if converted in full, would represent approximately 86% of the outstanding common stock.

(2) The Debtors’ Business Operations

As of the Petition Date, the Company generally had a top-three market position in its core manufacturing markets, including plastic storage products, commercial cleaning products, and disposable cleaning accessories. The Company’s business units operated in three primary business segments: (i) plastic products for the janitorial and food services industries and professional cleaning products, (ii) manufacturing and distributing home storage products, and (iii) medium-to-large sized engineered plastic components. The Company’s consumer storage products, including plastic totes, cabinets, and shelves, were primarily sold through hardware, home improvement, mass merchant, and sporting goods outlets. The Company’s professional cleaning products, including mops, brooms, and brushes, were sold primarily to industrial, janitorial, sanitary, and foodservice distributors that supply end users in the education, foodservice, government, healthcare, lodging, office supply, recreation, and transportation segments. The Company’s contract manufactured structural foam services were primarily sold through the auto aftermarket and material handling markets. The Company’s operations included both manufacturing and distribution. The Company’s manufacturing was localized within the United States, and the distribution took place across the United States and Canada (through CCP Canada) from two specifically designated distribution facilities.

Prior to the sale of its assets, the Company operated three plants. One of the Debtors’ key plants was located in Jefferson City, Missouri (the “*Jefferson City Plant*”). The Jefferson City Plant was operated by Continental and was engaged in manufacturing, tooling, assembly, warehousing, and distributions. The Company’s leased plant premises were 530,000 square feet, which housed a significant amount of injection presses. Approximately 105 employees worked at the Jefferson City Plant as of the Petition Date.

The plant in Tiffin, Ohio (the “*Tiffin Plant*”) was also operated by Continental and served as a manufacturing, warehousing, and maintenance facility. The Company leased the Tiffin Plant premises, consisting of 96,000 square feet of leased property. The Company also leased a 40,000-square-foot warehouse facility near Tiffin (the “*Fostoria Warehouse*”). Approximately 90 employees worked at the Tiffin Plant, and no employees worked at the Fostoria Warehouse as of the Petition Date.

The Debtors' plant in Fort Wayne, Indiana (the "*Fort Wayne Plant*") was operated by FWP. It manufactured medium- to large-sized molded plastic components, specializing in low pressure, multi-nozzle structural plastic, and gas-assist solutions. Approximately 55 employees worked at the Fort Wayne Plant as of the Petition Date.

As discussed in detail below, the Company had three business units: (i) Janitorial-Sanitary & Foodservice, (ii) Home Storage, and (iii) Fort Wayne Plastics. In the fiscal year 2016, the Company generated revenues of approximately \$107.9 million across its business units.

The Janitorial-Sanitary & Foodservice ("*Jan-San & Foodservice*") business unit, also frequently referred to as the "Commercial" segment, was known through two of its widely recognized commercial brands – "Continental" or "Continental Commercial Products" and "Wilten." Continental was a plastics manufacturer and an importer and distributor of products for the commercial janitorial and sanitary maintenance in the industrial and foodservice markets. It was the second largest manufacturer in the plastic cleaning products market. The Continental products within the Jan-San & Foodservice business unit included commercial waste receptacles, floor care, and mopping equipment, restroom accessories, material handling, and other products designed for commercial cleaning and foodservice. Continental products were sold under the following brand names: Continental®, Kleen Aire®, Huskee®, SuperKan®, King Kan®, Unibody®, Tilt-N-Wheel®, Wall Hugger™, Collossus®, Derma-Tek®, Ergo Worx®, ErgoFlo®, Color Guard®, and Tuff Can®. Some of Continental's key customers and distributors included Bunzl, Restaurant Depot, Grainger, Plus II, and Clark.

The Wilten brand was a manufacturer, importer, and distributor of more than 650 professional cleaning products that included mops, brooms, sweeps, poles and handles, microfiber, brushes, and plastic cleaning accessories. Wilten products were primarily sold through commercial janitorial and sanitary maintenance in the industrial and food service markets, with some products sold through consumer retail outlets. Wilten products were sold under the following brand names: Wilten®, Wax-o-matic®, Tie-Free®, Clean Sweep®, Earth Mop®, Jean Clean®, Brushworx®, ActionPro®, Muscle Mop®, MusclePro®, Bullet Proof®, King Cotton®, and Derma-Tek®. Some of Wilten's key customers and distributors included Bunzl, Next Day Gourmet, Sysco, and Walmart.

The Company manufactured about 70% of the Jan-San & Foodservice product line and purchased the remaining 30%. The 2016 revenue associated with the sale of the Jan-San & Foodservice products was approximately \$55.2 million, which comprised about 51% of the Company's total revenue. The majority of the Company's sales force was comprised of external regional sales team.

The Home Storage, also known as Contico or Consumer Storage, business unit was a plastics manufacturer and distributor of garage cabinets and tools and other home storage products, which were primarily sold through major home improvement and mass market retail outlets. Home Storage products included cabinets, tool boxes, shelving, crates and totes, and hard plastic gun cases that were sold under the following brand names: Contico®, Tuffbin®, SilverWolf®, Workbin®, Fundamentals®, and other private label brands. Contico® is a registered trademark used under license from Contico Europe. Many of Home Storage products were proprietary

product designs. Some of the key customers and distributors of Contico products included Lowes, Walmart, The Container Store, Grainger, Menards, Costco, and Orgill.

The Company manufactured 100% of its Home Storage product line at the Jefferson City Plant and Tiffin Plant. The 2016 revenue associated with the sales of Home Storage products was \$40.8 million, or 38% of the Company's total revenue. The sales force for the Home Storage business unit was comprised of internal and external sales forces.

The Fort Wayne Plastics business unit was a contract manufacturer for various Original Equipment Manufacturers (OEMs). It had a diverse portfolio of highly engineered products that included service carts, water bottle racks, egg carriers, pallets, and containers, with a strong presence in auto aftermarket, agriculture, water handling, and food and bottled water applications. FWP was differentiated from its competitors in its unique ability to provide its customer base with secondary services including drilling, sonic, welding, and assembly, as well as logistical fulfillment. FWP was also a manufacturer of structural foam products for use and supply to the Continental and Contico business units. The 2016 revenue generated was \$12.0 million, or 11% of the Company's total revenue.

In addition to the plants that also served as warehousing facilities for the manufactured products, there were two specifically designated warehouse and distribution facilities for the Jan-San & Foodservice products: (i) a distribution center in Fontana, California, managed by a third-party logistics provider and (ii) a distribution warehouse in Toronto, Canada, which was operated by non-Debtor CCP Canada. The Company utilized third-party logistics providers to manage distribution and shipping of the Jan-San & Foodservice products within the United States. In Canada, however, the distribution of the Jan-San & Foodservice products was managed by the logistics employees directly employed by CCP Canada. At any one time, CCP Canada employed between two to four employees. For the storage of the Home Storage products, the Company utilized the Fostoria Warehouse. For the distribution and shipping of the Home Storage products manufactured at the Tiffin Plant, the Company directly employed a handful of full time and temporary logistics employees. Similarly, the manufacturing at the Fort Wayne Plant was performed by full time and temporary employees directly employed by the Company.

Katy provided certain support functions to Jan-San & Foodservice, Home Storage, and Fort Wayne Plastics business units. Specifically, the senior management team oversaw the general operations of the Company, and plant-level general managers managed the day-to-day business. Further, the finance, accounting, and risk management functions for each business unit were managed at the corporate level and overseen by the Chief Financial Officer. Several Jan-San & Foodservice and Home Storage sales managers were employed by Katy and reported directly to its senior management team. Additionally, Katy managed at the corporate level all marketing, customer service, order entry, and pricing functions as well as the distribution, purchasing, order entry, human resources, and information technology functions. Approximately 48 employees were employed by Katy as of the Petition Date.

4.1.2 Debtors' Prepetition Capital Structure

The Debtors estimate that, as of the Petition Date, they had approximately \$70 million in total assets on a book-value basis. The vast majority of the Debtors' tangible assets were on the

books of Continental and FWP in the approximate amounts of \$55.1 million and \$13.7 million respectively. Continental had substantial tangible assets on account of its (i) inventory in the approximate amounts of \$7.1 million, (ii) accounts receivable in the approximate amount of \$7.7 million, equipment in the approximate amount of \$10.7 million and intangible assets (comprising of good will, trade name, and customer base) in the approximate amount of \$21.9 million.

As of the Petition Date, the Debtors had approximately \$100 million in total liabilities on a book-value basis. As is described in greater detail below, as of the Petition Date, the amount of the Debtors' funded debt obligations totaled approximately \$56 million. The prepetition secured debt obligations comprised the obligations under the First Lien Credit Facility (as defined below) and the Second Lien Credit Facility (as defined below). The rest of the Debtors' obligations were largely comprised of unsecured trade claims and legacy liabilities.

(1) First Lien Credit Facility

On February 19, 2014, (i) Katy, (ii) Continental, (iii) FWP, (iv) FTW Holdings, (v) non-Debtor Ontario, and (vi) non-Debtor CCP Canada as co-borrowers (the "**Borrowers**") entered into a Credit and Security Agreement (as subsequently amended, the "**Original First Lien Credit Agreement**") with BMO Harris Bank N.A. (the "**Original First Lien Lender**"), pursuant to which the Original First Lien Lender agreed to provide a revolving credit facility in the aggregate principal amount not to exceed \$33,000,000, including a \$3,000,000 sub-limit for letters of credit. The proceeds of the borrowing under the Original First Lien Credit Agreement were used, among other things, to repay the Borrowers' prior credit facility and finance the acquisition of FWP. All extensions of credit under the Original First Lien Credit Agreement were collateralized by a first priority security interest in and lien upon substantially all then-present and future assets and properties of the Borrowers.

On November 16, 2016, all outstanding borrowings under the Original First Lien Credit Agreement were repaid with proceeds of a Credit and Security Agreement (the "**First Lien Credit Facility**") entered into by and between Encina Business Credit SPV, LLC, as agent and swing line lender, ("**First Lien Agent**") and certain other financial lenders and the Borrowers. The Original First Lien Credit Agreement was terminated, resulting in a prepayment penalty, approximately \$233,333 of which remained outstanding as of the Petition Date. The First Lien Credit Facility originally provided for a (i) \$25 million revolving credit facility, including a \$2.5 million sub-limit for letters of credit and \$2.5 million sub-limit for swing line loans, (ii) a term loan in the principal amount of \$3.5 million, and (iii) a term loan in the principal amount of \$3.1 million. All extensions of credit under the First Lien Credit Facility were collateralized by a first priority security interest in and lien upon substantially all present and future assets of the Borrowers (the "**Prepetition First Liens**").

(2) Second Lien Credit Facility

On April 7, 2015, Katy, Continental, FWP, and FTW Holdings (as borrowers) and non-Debtors Ontario and CCP Canada (as guarantors) entered into a Second Lien Credit and Security Agreement (the "**Second Lien Credit Facility**") with Victory Park Management, LLC, as Agent ("**VPC**" or the "**Second Lien Agent**"), and VPC SBIC I, L.P. as lender (the "**Second Lien Lender**"). The proceeds of the Second Lien Credit Facility were used for, among other things, to

acquire the Tiffin Plant from Centrex. The Second Lien Credit Facility originally provided for a \$24 million term loan, of which \$21 million was payable to the Second Lien Lender and \$3 million to Centrex.

By several subsequent amendments to the Second Lien Credit Facility, the principal amount of the loan was increased to \$31.5 million. Specifically, pursuant to Amendment No. 3, Amendment No. 4, and Amendment No. 6 to the Second Lien Credit Facility, dated July 22, 2016, August 11, 2016, and April 3, 2017, respectively, the Second Lien Agent extended the additional \$750,000, \$5.75 million, and \$1 million in term loans, respectively. Pursuant to Amendment No. 4, the Second Lien Lender also acquired an option to convert, in whole or in part, the outstanding principal amount of, and accrued but unpaid interest on, the then-existing term loans made pursuant to the Second Lien Credit Facility, into the common stock. All extensions of credit under the Second Lien Credit Facility were collateralized by a second priority security interest in and lien upon substantially all present and future assets of the Borrowers (the “*Prepetition Second Liens*”).

On November 16, 2016, the First Lien Agent and the Second Lien Agent entered into an Intercreditor and Subordination Agreement, which governed, among other things, the relevant priorities of the Prepetition First Liens and Prepetition Second Liens.

(3) Payable Financing Agreement

The Debtors were party to a payables financing agreement (the “*Payables Financing Agreement*”) with Bank of Montreal, in connection with the Company’s sale of products to Lowe’s Companies Inc. and its affiliates (collectively, “*Lowe’s*”). Lowe’s was one of the Company’s largest customers, and the parties’ vendor sale agreements provided for payment terms of up to 90 days after delivery of products. Under the Payables Financing Agreement, in the ordinary course, the Company sold approximately 95% of its approved Lowe’s receivables (the “*BMO Receivables*”) to Bank of Montreal, in exchange for immediate cash payments of the Company’s corresponding Lowe’s invoices, less the transaction fee. Upon those invoices becoming due, Lowe’s paid the full amount of the BMO Receivables to Bank of Montreal. The Payables Financing Agreement was part of a program Lowe’s offers certain vendors as a form of “reverse factoring” that allows Lowe’s to extend its vendor payment terms and the Company to maintain steady cash flows.

(4) Majestic Judgment

In 2016, Majestic-Norwalk, LLC, Norwalk Industrial I, LLC, and Norwalk Industrial Sub, LLC (collectively, the “*Majestic*”) commenced an arbitration proceeding against Katy and Continental for a breach of contract. On January 17, 2017, an arbitration award, in the amount of \$836,156.03 plus 10% interest and attorney’s fees and costs incurred by Majestic in connection with its petition to confirm the arbitration award, (the “*Majestic Judgment*”) was served on the parties and subsequently confirmed by the order of the Superior Court of the State of California for the County of Los Angeles. As of the Petition Date, the Majestic Judgment had not been satisfied or enforced.

(5) Retiree Benefits Plans

The Company historically offered certain of its former executive employees (the “*Retirees*”) the ability to participate in fully insured and self-funded retiree medical programs (collectively, the “*Retiree Medical Plans*”), pursuant to which the Company provided medical, dental, vision, and prescription drug benefits, paying a portion or all, as applicable, of the cost of the employee’s medical care during the entirety of the employee’s retirement. The Company also historically offered some of its employees the ability to participate in a retiree life insurance program (the “*Retiree Life Insurance Plan*” and, together with the Retiree Medical Plans, the “*Retiree Welfare Plans*”), pursuant to which the Company would pay a portion of the premiums associated with the employee’s life insurance following the employee’s retirement from the Company. The Retiree Welfare Plans were frozen prior to the Petition Date.

As of the Petition Date, there were fifty-eight participants in the Retiree Medical Program, of which forty-eight were Retirees and ten were their dependents. Approximately thirteen Retirees were covered under the Debtors’ self-funded plan. Shortly after the Petition Date, all of the Retirees covered by the self-funded plan transferred to the individual AARP plans with the exception of (i) one Retiree’s spouse, who was not yet age-eligible and, thus, is on COBRA until her eligibility and (ii) two Retirees, who chose to retain the prescription drug coverage through the self-funded plan even though those same two Retirees transferred to the individual AARP plans for the general medical coverage. There were approximately twenty-two Retirees who enjoyed life insurance coverage. As of the Petition Date, the total monthly cost to the Debtors for the Retiree Welfare Plans was approximately \$7,500, of which approximately \$2,140 was the monthly cost in connection with the Retiree Life Insurance Plan.

At Closing, although Jansan did not assume any of the obligations under the Retiree Welfare Plans, the relevant insurance policies became administered by Jansan; however, in order to enable the Debtors to continue providing benefits to the Retirees under the Retiree Welfare Plans pursuant to section 1114 of the Bankruptcy Code, Jansan and the Debtors informally agreed that Jansan, as the insurance plan administrator, would forward to the Debtors the relevant invoices issued by the insurance providers related to the Retiree Welfare Plans to seek reimbursement from the Debtors.

Shortly after the Closing, on August 31, 2017, the Debtors shared with the Retirees’ Committee a good faith settlement proposal, which provided that (a) the Retiree Welfare Plans would be terminated, (b) any claim for payment or reimbursement of benefits could be made within 60 days following the termination, (c) the Debtors would pay an aggregate amount not in excess of \$36,000 to the Retirees’ Committee for distribution to the Retirees, and (d) the Debtors, among other parties, would be released from any and all claims in relation to the Retiree Welfare Plans. In the six months since the Debtors’ initial proposal, the parties have not reached consensus on the terms of any proposed modifications to the Retiree Benefits. In the meantime, without notice to the Debtors, the Retirees’ Committee, or the retirees, certain dental, vision, drug, and life plans lapsed as of December 31, 2017. The Debtors have asserted that the plans expired by their terms (and some of them are no longer offered by the insurance providers) and, because the Debtors are no longer the administrator of these plans, were not renewed. As a result, the Retirees’ Committee filed the *Emergency Motion to Compel the Debtors’ Compliance with 11 U.S.C. § 1114* [Dkt. No. 529]. On February 13, 2018, the Court entered the *Agreed Order with Respect to Motion to Compel*

the Debtors' Compliance With 11 U.S.C. § 1114 [Dkt. No. 543], directing the Debtors to provide the Retiree Committee with information relating to the Retiree Welfare Plans and to pay expenses and/or penalties as a result of the termination of benefits up to an aggregate cap of \$25,000 for all Retirees. The Debtors provided the Retirees' Committee with the information required by the agreed order to the best of their ability.

On February 23, 2018, the Debtors filed the *Debtors' Motion for an Order Pursuant to Section 1114 of the Bankruptcy Code, Terminating Retiree Benefits* (the "Termination Motion"), seeking the Court's authorization to terminate the Retiree Welfare Plans on the terms set forth in this Section 12. The Retirees' Committee has rejected the proposal outlined in the Termination Motion, and, on February 26, 2018, the Retirees' Committee's counsel provided counsel for the Debtors with a counterproposal. Counsel for the Debtors and Retirees' Committee, respectively, are currently negotiating the terms of the settlement. The hearing on the Termination Motion is scheduled for March 12, 2018.

(6) Defined Benefit Plans

Prior to the Petition Date, GCW, Inc., Wabash Holding Corp., and WII, Inc. (collectively, the "**Plan Sponsors**"), certain of the Debtors in these Chapter 11 Cases, each maintained the following respective pension plans: (i) the GC/Waldom Electronics, Inc. Pension Plan, (ii) the Wabash Holding Corporation Pension Plan, and (iii) the Woods Industries, Inc. Hourly Employees' Pension Plan (each a "**Pension Plan**," and collectively, the "**Pension Plans**"), respectively. The Debtors believe that no participants under the Pension Plans were employed by the Company in the years preceding the Petition Date.

After the Petition Date, the PBGC issued *Notices of Determination Under 29 U.S.C. § 1342(a)*, stating that the Pension Plans would be unable to pay benefits when due, and that the Pension Plans should be terminated. On August 14, 2017, Katy entered into three separate agreements with the PBGC that (i) terminated each Pension Plan, (ii) established each Pension Plan's effective termination date as May 31, 2017, and (iii) appointed PBGC as statutory trustee of each Pension Plan. PBGC filed general unsecured claims in the total amount of \$1,352,007.59 against each Debtor for liabilities related to termination of the Pension Plans. PBGC asserts that pursuant to the Employee Retirement Income Security Act of 1974 ("**ERISA**") and the Internal Revenue Code, these claims are joint and several against each of the Debtors and any non-debtor controlled group members, including W.J. Smith Wood Preserving Company ("**W.J. Smith**").

W.J. Smith is an entity that is currently selling a parcel of land it owns to a third party. The "net proceeds" from the sale of the parcel (as referenced in the Asset Purchase Agreement) were to be transferred to Jansan. At the time of the execution of the Asset Purchase Agreement, it was contemplated that Katy would be reimbursed for certain expenses incurred in connection with the maintenance of the land owned by W.J. Smith (the "**Reimbursable Expenses**") out of the proceeds of the land sale before the "net proceeds" are turned over to Jansan. The PBGC, however, asserted a priority claim over, and obtained a preliminary injunction in the United States District Court for the Eastern District of Texas ("**Texas District Court**") (Civil Action No. 17-803) over the disposition of, the sale proceeds, including the Reimbursable Expenses. Pursuant to the preliminary injunction, the payment of the Reimbursable Expenses is subject to approval by the Texas District Court. The sale of such real estate has not yet closed, and there remains a dispute

among Jansan, the PBGC, and the Debtors relating to the sale proceeds, including the Reimbursable Expenses.

(7) Deferred Compensation Plans

In 2000, the Company established a nonqualified profit sharing and deferred compensation arrangement, known as the *Katy Industries, Inc. Supplemental Retirement and Deferral Plan and the Katy Industries, Inc. Directors' Deferral Compensation Plan* (the "**Rabbi Trust**"), for certain management level employees. As of June 23, 2017, the Trust held mutual funds with a market value of approximately \$470,000 (the "**Trust Assets**"). Under the Rabbi Trust Agreement, participating employees had no special interest or property right in the Trust Assets. On June 26, 2017, the Company filed a motion with the Bankruptcy Court, seeking, among other relief, to terminate the Rabbi Trust and liquidate the Trust Assets [D.I. 193]. On July 6, 2017, the Bankruptcy Court entered an order [D.I. 223], directing the liquidation of the Trust Assets and turnover of the net proceeds of the Trust Assets to the Debtors for use by the Debtors.

The Company also maintained the Katy Consolidated 401(k) Plan (the "**401(k) Plan**") for the benefit of eligible employees. The 401(k) Plan provided the Company with the authority to amend or terminate the 401(k) Plan at any time. As a result of the Company's bankruptcy filing and the sale of substantially all of the Company's assets, as more fully discussed below, that resulted in the transfer of all of the Company's employees to the Purchaser, the Company determined that it was in its best interest to terminate the 401(k) Plan. Accordingly, the 401(k) Plan was frozen for all contributions as of July 28, 2017, and terminated effective as of July 29, 2017.

(8) Other Liabilities

Over time, the Company has sold assets of a number of business units and has a variety of legacy liabilities relating to them. The Company has been involved in remedial activities at certain present and former locations and has been identified by the United States Environmental Protection Agency, state environmental agencies, and private parties as potentially responsible parties at a number of hazardous waste disposal sites under the Comprehensive Environmental Response, Compensation and Liability Act or equivalent state laws and, as such, may be liable for the cost of cleanup and other remedial activities at these sites.

There are also a number of product liability, asbestos, and workers' compensation claims pending against the Company. Many of these claims are proceeding through the litigation process, and the final outcome will not be known until a settlement is reached with the claimant or the case is adjudicated. The Company estimates that it can take up to ten years from the date of the injury to reach a final outcome on certain claims. The ultimate cost of any individual claim can vary based upon, among other factors, the nature of the injury, the duration of the disability period, the length of the claim period, the jurisdiction of the claim, and the nature of the final outcome.

4.1.3 Debtors' Account of Events Leading to the Chapter 11 Cases⁵

In the first quarter of 2015, the Company moved its Bridgeton, Missouri, manufacturing facility (now known as the Jefferson City Plant) to Jefferson City, Missouri, as part of its efforts to save costs. The relocation, which was completed in December 2016, involved moving all manufacturing operations, including 22 molding presses, to the Jefferson City facility. The complexity of the relocation was underestimated. Significant production delays, outsourcing costs, increased maintenance, and less than full utilization of presses created operational inefficiencies. Indeed, unexpected machine downtime as a result of the needed machine repairs caused by the move and control software and mechanical component issues slowed the startup of presses and, thus, machine utilization, ultimately negatively impacting revenue. In addition, since the vast majority of the direct operators of the machinery did not join the Company after the move, the learning curve and ramp-up time for new hourly employees was greater than expected. These manufacturing dislocations led to liquidity constraints and other business challenges, which led to millions of dollars in lost revenue.

Following the failed plant relocation, which cost the Company millions of dollars, among other reasons, in October 2016, the Board of Directors of the Company terminated Mr. Feldman for cause after an independent committee of the Company's Board of Directors conducted an internal review of Mr. Feldman's performance. Any and all claims regarding the conduct of Mr. Feldman and any derivative rights against the Debtors' insurance policies are fully reserved for the benefit of the Plan Administrator.

Further, the synergies expected to be realized from the Tiffin Plant acquisition took longer than expected to realize, resulting in a lag of the anticipated profitability created for the Company. Prior to its acquisition, the Tiffin Plant was family owned and run as a closely held operation. After the purchase by Katy, the requisite systems and integration did not take place immediately. As a result, the profitability ramp took longer than anticipated, and the Company had to expend significant resources to change the culture by onboarding and training operational labor force, developing manufacturing and process efficiencies, and implementing a culture focused on safety and continuous improvement. Finally, shortly after the acquisition, the Company rolled out a new product that met certain entry challenges, including, among other things, the Company's inability to manufacture sufficient quantities to meet the demand in a timely manner and meet its obligations with the customers, yielding significant penalties and fines from customers.

Both the losses associated with the Bridgeton facility relocation, and the substantial unrealized investments relating to the Tiffin facility acquisition, when combined with the Company's significant legacy liabilities, led to severely constricted liquidity available to the Company under its existing credit arrangements. Despite numerous efforts to seek alternative financing or investments during this time, the Company was unable to overcome these obstacles, leading to the filing of these Chapter 11 Cases.

⁵ This Section 4.1.3 sets forth the Debtors' account of the events leading to the filing of the Chapter 11 Cases, and is not intended, nor should it be construed, as an admission or acknowledgement by the Creditors' Committee as to the accuracy or completeness of this account, since the time periods described in this section are the subject of the Adversary Proceeding (§ 4.1.9) and discovery in that action is not yet complete.

(1) Marketing and Sale Process

In light of the Debtors' need to consider various strategic alternatives, the Debtors engaged Lincoln International, Inc. ("*Lincoln*") on March 16, 2017, as their investment banker to conduct a comprehensive marketing and sale process. Following their engagement, Lincoln worked expeditiously with the Company to prepare a teaser, confidential information presentation, buyer list, and other related diligence materials. By mid-April 2017, however, the Company's liquidity forecast had been severely impacted by lower than anticipated sales, thereby dramatically shortening the liquidity runway for the sale process.

At approximately the same time, Lincoln was informed that the Stalking Horse Purchaser (defined below) was contemplating an acquisition of substantially all of the Debtors' assets that would be conducted via a chapter 11 process and, to effectuate such a transaction, was also interested in providing debtor-in-possession financing to allow the Debtors to adequately market and sell their assets through chapter 11. In order to ascertain whether there were any other parties who would be interested in providing debtor-in-possession financing in conjunction with a potential acquisition, Lincoln immediately initiated discussions with 17 parties that could potentially move swiftly enough and have the investment flexibility to provide a competing junior debtor-in-possession financing proposal to that submitted by the Stalking Horse Purchaser. Of these parties, 13 executed confidentiality agreements, but none were able to provide the Debtors' with a competing proposal prior to the filing of these Chapter 11 Cases.

While conducting the accelerated process to ascertain whether an alternative debtor-in-possession lender and/or Stalking Horse Purchaser was viable, Lincoln finalized the sale process materials, and on May 4, 2017, formally launched the broader sale process with the distribution of Confidential Information Presentations to parties, primarily strategic in nature, who had previously executed confidentiality agreements and the distribution of a teaser to a broad range of private equity funds and other financial investors. As of May 12, 2017, Lincoln had approached a total of 154 parties, including strategic acquirers and financial acquirers with a demonstrated interest in the sector or investment strategy focused on companies undergoing operational transition and financial distress. Of these, 48 parties, including 14 strategic buyers and 34 financial buyers, executed confidentiality agreements.

During this time, Lincoln and the Company's other advisors had been discussing a potential acquisition of the Company through a chapter 11 sale process by a then contemplated joint venture created by VPC, the Company's Second Lien Lender and Highview Capital, LLC, a third-party investor, that would contemplate consideration comprised of cash, assumed debt and liabilities, and the credit bid of the outstanding amount owing under the Second Lien Credit Facility. Given the time constraints relating to the Company's fragile liquidity position, the Debtors, their Chief Restructuring Officer, management, and counsel as well as Lincoln focused their efforts on negotiating a stalking horse asset purchase agreement and related bidding procedures in connection with the commencement of these Chapter 11 Cases.

After extensive diligence and in consultation with their advisors and key stakeholders, the Debtors determined that maximizing the value of their estates was best accomplished through the sale, free and clear of liabilities, of substantially all of their assets, the best available alternative for the Debtors to meet their immediate and ongoing liquidity needs, while continuing to operate

in the ordinary course of business during this process for the benefit of the Debtors' customers, employees, vendors, and other stakeholders. To this end, the Debtors entered into an asset purchase agreement with Jansan Acquisition, LLC ("**Jansan**") as the stalking horse purchaser (the "**Stalking Horse Purchaser**"), a newly created entity co-owned by Highview and an affiliate of VPC, for the sale of substantially all of the Debtors' assets, in exchange for a purchase price comprised of both cash and credit bid, to be effectuated through a comprehensive marketing and competitive bidding process pursuant to section 363 of the Bankruptcy Code. Each of the Debtors filed a petition under chapter 11 of the Bankruptcy Code on May 14, 2017, with the intent on consummating the sale described above.

4.1.4 "First-Day" Relief

On the Petition Date, the Debtors filed a number of motions and applications seeking customary relief intended to facilitate a smooth transition for the Debtors into these Chapter 11 Cases and to minimize disruptions to the Debtors' business operations (the "**First-Day Motions**"), namely:

- a motions for joint administration of the Chapter 11 Cases [D.I. 3] and authority to file consolidated lists of creditors [D.I. 4];
- a motion for continuation of utility service and to establish procedures for resolution of utility providers' demands for additional assurance of payment [D.I. 5];
- a motion to pay certain prepetition sales and use taxes [D.I. 6];
- a motion to continue certain customer programs [D.I. 7];
- a motion for authority to maintain existing insurance policies and continue insurance premium financing programs [D.I. 8];
- a motion for authority to continue using the Debtors' prepetition bank accounts and cash management system and to continue certain intercompany transfers [D.I. 9];
- a motion to pay prepetition claims of shippers, warehousemen and other lien claimants, and to satisfy certain customs duties imposed on shipments from foreign suppliers [D.I. 10];
- a motion to pay certain prepetition claims of critical vendors [D.I. 11];
- a motion to pay employee wages [D.I. 12];
- a motion for use of cash collateral and approval of post-petition financing provided by Jansan [D.I. 13], and a declaration from Alexander Stevenson in support thereof [D.I. 14];

- a motion to extend the deadline by which the Debtors could file their schedules and statement of financial affairs [D.I. 16];
- an application to retain JND Corporate Restructuring as official claims and noticing agent [D.I. 17];
- a motion to sell substantially all of the Debtors' assets and bidding procedures related to that sale [D.I. 18] (the "*Sale Motion*"); and
- a declaration of Lawrence Perkins in support of the filings described above [D.I. 15].

Following a hearing on May 16, 2017, the Bankruptcy Court granted the relief requested in the First-Day Motions on an interim or final basis, as applicable [D.I. 37-48].

4.1.5 "Second-Day" Relief

On or shortly after the Petition Date, the Debtors also filed a number of "second-day" motions and applications for retention of professionals and for sale-related relief, including:

- a motion to authorize the Debtors to retain and pay professionals in the ordinary course of business without a separate retention application for each such professional [D.I. 78], which was granted by the Court by entry of an Order [D.I. 153];
- applications to retain SierraConstellation Partners as financial advisors [D.I. 79], Lincoln Partners Advisors LLC as investment banker [D.I. 80], and DLA Piper as bankruptcy counsel [D.I. 82], which were approved by the Court by entry of Orders [D.I. 154, 164, & 156, respectively]; and
- a motion to approve procedures for interim compensation and reimbursement of professionals [D.I. 81] which was granted by the Court by entry of an Order [D.I. 155].

4.1.6 Formation of the Creditors' Committee

On May 26, 2017, the Office of the United States Trustee appointed the Creditors' Committee pursuant to section 1102(a)(1) of the Bankruptcy Code [D.I. 75]. The current Creditors' Committee members are:

Deltco of Wisconsin, Inc.
(d/b/a Deltco Plastics)
601 Industrial Park Road
Ashland, WI 54806

Atreus Enterprises
7800 Secretariat Drive
Saline, MI, 48176

Majestic-Norwalk, LLC
13191 Crossroads Hwy North, 6th Floor
City of Industry, CA 91746-3497

Material Difference Technologies, LLC
1501 Sarasota Center Blvd
Sarasota, FL 34240

Titan Manufacturing Group, LLC
P.O Box 5
Glandorf, OH 45848

Job Finders Employment Services, Co.
1729 W. Broadway #4
Columbia, MO 65203

The day it was appointed, the Creditors' Committee selected Drinker Biddle & Reath LLP as its counsel. On May 30, 2017, the Creditors' Committee selected Emerald Capital Advisors Corp. as its financial advisor. These engagements were later approved by the Bankruptcy Court without objection [D.I. 288 & 289, respectively].

4.1.7 Formation of the Retirees' Committee

On July 31, 2017, the Office of the United States Trustee appointed the Retirees' Committee pursuant to section 1114 of the Bankruptcy Code [D.I. 317]. The Retirees' Committee members are: Glenn Turcotte and Stephen Nicholson. On August 4, 2017, the Retirees' Committee selected Womble Bond Dickinson (US) LLP (f/k/a Womble Carlyle Sandridge & Rice, LLP) as its counsel. This engagement was later approved by the Bankruptcy Court without objection [D.I. 394]. Mr. Gordonno since then resigned from the Retirees' Committee.

4.1.8 The Sale to Jansan

The Debtors, in the Sale Motion, proposed to sell substantially all of their assets to Jansan as the Stalking Horse Purchaser, subject to a higher or better offer. The Asset Purchase Agreement provided for the sale of substantially all of the Debtors' assets in exchange for (i) assumption of the outstanding obligations under the First Lien Credit Facility, (ii) a credit bid of the obligations under the DIP Facility (approximately \$7.5 million), (iii) a credit bid of the outstanding debt under Second Lien Credit Facility, (iii) assumption of ordinary course post-petition pre-Closing liabilities to the extent not paid through the post-petition financing, (iv) assumption of certain "Assumed Liabilities," including claims arising under section 503(b)(9) of the Bankruptcy Code up to \$200,000, and (v) funding of a "Wind-Down Reserve" of \$765,000. Alternatively, the Debtors' bid procedures provided that if another qualified bid was received by the July 12, 2017, bid deadline, then an auction for the Debtors' assets would be conducted. On July 12, 2017, the Debtors filed the *Notice of Successful Bidder and Cancellation of Auction* [D.I. 276], which stated that no other qualified bids had been received by the bid deadline, no auction would occur, and the

Debtors deemed Jansan to be the successful bidder. The sale closed on July 21, 2017 (the “*Closing*”), as set forth in the *Notice of Sale Closing filed by the Debtors* on July 28, 2017 [D.I. 314].

4.1.9 The Adversary Proceeding

On July 25, 2017, the Creditors’ Committee filed the Adversary Complaint (the “*Complaint*”), initiating the Adversary Proceeding against the VP Defendants, namely Victory Park Management, LLC (the Debtors’ Second Lien Agent), VPC SBIC I, L.P. (the Debtors’ Second Lien Lender), Victory Park Capital Advisors LLC (“*VP Capital*,” an affiliate of the Second Lien Lender and Second Lien Agent), Jansan (the buyer of substantially all of the Debtors’ assets) and Charles Asfour (Katy’s former Chairman of the Board of Directors and a Partner at VP Capital). The Committee seeks to (i) equitably subordinate Second Lien Agent’s and Second Lien Lender’s claim or recharacterize the claim as equity, (ii) avoid their lien (and, by extension, Jansan’s credit bid of such claim against the purchase price for the Debtors’ assets), (iii) recover such amounts from Jansan, and (iv) hold Mr. Asfour liable for alleged breaches of his fiduciary duty of loyalty.

The VP Defendants filed a motion to dismiss the Adversary Proceeding on September 12, 2017 (the “*Motion to Dismiss*”) and accompanying brief in support thereof [Adv. D.I. 14 & 15]. The Committee filed its brief in opposition to the Motion to Dismiss on September 26, 2017 [Adv. D.I. 21]. The VP Defendants filed its reply brief to the Committee’s opposition on October 6, 2017 [Adv. D.I. 23]. Briefing is complete, and oral argument on the Motion to Dismiss was held on December 13, 2017. The Motion to Dismiss is currently under advisement by the Bankruptcy Court.

4.1.10 Dispute with the Missouri Division of Workers’ Compensation

In Missouri, the Debtors maintained an approved self-insurance workers’ compensation plan (the “*Self-Funded Plan*”) with the State of Missouri, Department of Labor and Industrial Relations, Division of Workers’ Compensation (the “*Missouri Division of Workers’ Compensation*”), and the funded Excess Employers Policy covering excess losses on a per-claim basis. The workers’ compensation claims under the Self-Funded Plan were administered by the Debtors’ third-party administrator, Cannon Cochran Management Systems, Inc. As security for the Debtors’ satisfaction of claims covered by the Self-Funded Plan, the Missouri Division of Workers’ Compensation holds a *Bond of Employer Carrying His Own Risk* (the “*Bond*”), issued by RLI Insurance Company and payable to the State of Missouri. The Bond is in the face amount of \$1,325,000 and is backed by the letter of credit issued by BMO Harris Bank, N.A., which holds cash collateral in the approximate amount of \$1,466,991.25.

Upon the Closing of the Sale, the Missouri Division of Workers’ Compensation terminated the Self-Funded Plan, and, thus, it may draw down the full amount of the Bond to pay workers’ compensation claims as they become due and payable, which, in turn, will result in RLI Insurance Company’s draw on the letter of credit, rendering BMO Harris, N.A.’s reimbursement claim against the Company to become a fixed and liquidated claim, secured by the cash collateral enabling BMO Harris, N.A. to set off its claim against cash collateral. Because the Bond does not allow for a partial draw, the Missouri Division of Workers’ Compensation will draw down on the

entire amount of the Bond. The runoff amount of the workers' compensation claims subject to the Self-Funded Plan is estimated to be approximately \$663,000, potentially resulting in a significant amount of overcollateralization (the "*Unutilized L/C Proceeds*"). However, because the runoff liability for such claims can stretch out, the State of Missouri likely will not consensually release any of the Unutilized L/C Proceeds for an uncertain period of time. Nevertheless, it is anticipated that any Unutilized L/C Proceeds, if any, may be returned to the Estates.

4.1.11 The Plan Process

Subject to the issues raised in the ongoing Adversary Proceeding, the sale of the Debtors' assets is complete. The Court established (i) October 9, 2017, as the deadline (bar date) by which entities other than governmental units had to file prepetition proofs of claim (including claims entitled to priority under section 503(b)(9) of the Bankruptcy Code) and administrative claims incurred on or before July 21, 2017, and (ii) November 10, 2017, as the deadline (bar date) for governmental units to file prepetition claims [D.I. 340].

In light of the completed sale process and occurrence of the bar dates described above, the Debtors and the Creditors' Committee believe that the prompt conclusion of these Chapter 11 Cases by means of a chapter 11 plan of liquidation will provide the best opportunity to maximize the value of the Debtors' estates. The Adversary Proceeding will proceed post-confirmation, with any recoveries obtained on account of the claims asserted in the Adversary Proceeding funding the distributions in accordance with this Plan.

The Debtors and the Creditors' Committee have cooperated in good faith regarding the orderly wind-down of the Chapter 11 Cases and the proposal of a liquidating chapter 11 plan. To streamline the process and save costs, the Debtors and the Creditors' Committee decided the best course of action was to file a combined plan and disclosure statement, and to seek preliminary approval of the disclosures and the scheduling of a combined, final hearing on plan confirmation and the adequacy of the disclosures.

4.1.12 Assets Available for Distribution

As of the date hereof, the remaining Assets of the Debtors' Estates consist primarily of (i) the claims asserted against the VP Defendants in the Adversary Proceeding, (ii) certain Reserved Causes of Action that were not sold to Jansan, including Avoidance Actions (iii) the Unutilized L/C Proceeds, if any, (iv) the Reimbursable Expenses, (iv) approximately \$600,000 total in cash that were previously set aside, but not utilized, by the Debtors for the payment of administrative claims under section 503(b)(9) of the Bankruptcy Code,⁶ and (v) all claims against the Debtors' former officers and directors, including, but not limited to Mr. Feldman (as discussed

⁶ Because section 503(b)(9) claims asserted against the Debtors' estate did not exceed \$200,000 assumed by Jansan under the Asset Purchase Agreement, Debtors believe that the set-aside 503(b)(9) claim reserve remains intact and available for distribution to the Debtors' creditors.

in Section 4.1.3 above),⁷ except for the Debtors' post-petition officers and directors as expressly released in the Plan.

4.2 Summary of Treatment of Claims and Interests Under the Plan.

The table below summarizes the classification and treatment of the pre-petition Claims and Interests under the Plan, and provides a good-faith estimate of the amount of Allowed Claims in each Class and the recovery to creditors in certain Classes. Estimated Claim Amounts are based on the Debtors' Schedules, and may not reflect all Claims filed by the applicable Bar Date. Estimated percentage recoveries are based on a number of assumptions, including with respect to the amount of Allowed Administrative Expense Claims and Plan Expenses in these Chapter 11 Cases. Recoveries also assumed the substantive consolidation of the Estates for distribution purposes, as provided in Section 10.1. *Actual percentage recoveries may differ from what is set forth in the following table, and such difference may be material.*

⁷ Subject to the releases of the Debtors' post-petition officers and directors as provided under the Plan, the Debtors and Creditors' Committee are currently investigating potential claims against the Debtors' former officers and directors and reserve rights to pursue any action against such officers and directors.

Class(es)⁸ / Claims or Interests	Estimated Amount of Allowed Claims	Treatment / Voting Status	Estimated Recovery
1A-N Other Priority Claims	\$0 - \$300,000	Unimpaired Deemed to Accept	100%
2A-N Secured Tax Claims	\$0 - \$50,000	Unimpaired Deemed to Accept	100%
3A-N Other Secured Claims	\$0	Unimpaired Deemed to Accept	100%
4A-N General Unsecured Claims	\$28,221,814	Impaired Entitled to Vote	11.044%
5A-N Intercompany Claims	n/a	Impaired Deemed to Reject	None
6A-N Subordinated Claims	\$0 - \$7,500,000	Impaired Deemed to Reject	None
7A Interests in the Katy Industries, Inc.	n/a	Impaired Deemed to Reject	None
7B-N Intercompany Interests	n/a	Impaired Deemed to Reject	None

4.3 Section-by-Section Summary of the Plan

This Section 4.3 summarizes Sections 5-17 and should be read in conjunction with those sections to aid in their comprehension. However, the provisions of Sections 5-17 are the sole and exclusive source of rights and obligations under the Plan; thus, to the extent of any inconsistency between the descriptions in this Section 4.3 and the actual provisions of Sections 5-17, the latter shall control.

4.3.1 Definitions and Interpretation

Section 3.1 contains definitions of the capitalized terms that are used in the operative provisions of the Plan. The definitions of “Exculpated Parties,” “Released Parties,” and “Releasing Parties” are particularly important to an understanding of the Plan’s exculpation and release provisions.

Section 3.2 provides certain principles that govern interpretation of the Plan, including particularly that (i) non-capitalized terms that are defined in the Bankruptcy Code (e.g., “affiliate,” “entity,” “insider,” “person”) have the same meanings for purposes of this Plan, (ii) the terms “includes” and “including” are not limiting (so, “including X” should be read as “including, but

not limited to, X”), and (iii) the term “or” is not exclusive (so, “A or B” should be read as “A or B (or both)”).

4.3.2 Administrative Expense and Priority Claims

The Bankruptcy Code generally requires that administrative and priority claims be paid in full on the Effective Date, unless such holders of claims agree otherwise.

Section 5.2 provides rules applicable to Accrued Professional Compensation Claims, which are a subset of Administrative Expense Claims, including (i) a deadline for filing final fee applications with the Bankruptcy Court and (ii) payments to the Professionals.

4.3.3 Classification of Claims and Interests

In accordance with Bankruptcy Code section 1122, the Plan divides Claims and Interests into Classes and sets forth the treatment for each Class. Section 6 of the Plan provides the classifications, each Class’s Impaired or Unimpaired status, and each Class’s voting status. (This information is also reflected in the table in Section 4.2 above.) As explained in Section 3.1.23 (definition of “Class”), Classes are organized by number for type of Claim or Interest (1–7), and by letter for the applicable Debtor (A–N).

4.3.4 Treatment of Claims and Interests

Section 7 provides the treatment of Claims and Interests in the respective Classes. Allowed Other Priority Claims (§ 3.1.77), Secured Tax Claims (§ 3.1.128), and Other Secured Claims (§ 3.1.78), if any, will be satisfied in full in the manner provided in Sections 7.1, 7.2, and 7.3. Section 7.4 provides that the Net Distributable Assets, if any, will fund Pro Rata Distributions on Allowed General Unsecured Claims (§ 3.1.52). Other Classes of Claims and Interests will receive no Distributions under the Plan.

4.3.5 Acceptance or Rejection of the Plan

Section 8 provides how Classes’ acceptance or rejection of the Plan will be determined, and which Classes are entitled to vote.

Holders of General Unsecured Claims (§ 3.1.52) as of the Voting Record Date (§ 3.1.141) are the only creditors entitled to vote to accept or reject the Plan. Holders of all other Claims and Interests are either deemed to accept the Plan or deemed to reject the Plan.

A voting Class will be deemed to accept the Plan if *either* (a) the holders of Claims in that Class that hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Claims that vote in such Class vote to accept the Plan *or* (b) no votes are received by the Voting Agent from holders of Claims in that Class. *****Therefore, if you are entitled to vote on the Plan, but fail to do so, your Class may be deemed to accept the Plan.*****

A creditor is not entitled to vote if, as of the Voting Record Date, its Claim (a) has been disallowed, or (b) is a Disputed Claim (§ 3.1.36), provided that if a Claim has been disallowed in

part (or a pending objection seeks disallowance of such Claim only in part) as of the Voting Record Date, the Allowed (or undisputed) portion of the Claim may be voted.

4.3.6 Means for Implementation of the Plan

Section 9 provides for the appointment of a Plan Administrator, which will be vested with all Assets of the Debtors' Estates as of the Effective Date, and will carry out the provisions of the Plan with respect to the reconciliation of Claims and Distributions to creditors. The rights, powers, and duties of the Plan Administrator are solely as set forth in the Plan, including in Section 9.5.1. The Plan Administrator will periodically report to and consult with a Post-Confirmation Committee, whose members will be selected by the Creditors' Committee, on certain matters relating to the administration of the Plan. The duties of the Post-Confirmation Committee are solely as set forth in the Plan, including in Section 9.6.

Section 9 also provides for an efficient means to immediately terminate the existence of the Debtor entities, and to close the Chapter 11 Cases when appropriate.

4.3.7 Distributions

Section 10 provides general procedures concerning Distributions under the Plan, including the deemed consolidation of the Debtors' Estates with respect to Allowed General Unsecured Claims. This means that the separate Debtors and Estates will be treated as if they were a single Debtor with a single Estate, so that Claims enforceable against more than one Estate will be treated as a single Claim against the consolidated Estate (and likewise, a Claim enforceable against only one Estate will be treated as a Claim against the consolidated Estate).

Other procedures in Section 10 include: (i) disallowance of post-petition interest, (ii) treatment of undeliverable distributions, (iii) preservation of the Debtors' setoff rights, and (iv) minimum distribution amounts and disposition of any residual Cash. The Plan Proponents believe that these procedures are reasonable, customary, and in the best interests of the Debtors' creditors.

4.3.8 Procedures for Disputed Claims

Section 11 provides customary procedures relating to the allowance and estimation of, and holdback of Distributions relating to, Disputed Claims. On the Effective Date of the Plan, the Plan Administrator will be vested with all of the Debtors' rights and defenses with respect to any Claims, and will have standing to object to, or seek to estimate, any Claims.

4.3.9 Retiree Settlement

Section 12 describes a comprehensive settlement proposal regarding Retiree Claims and the termination of the remaining Retiree Welfare Plans, which is necessary given that the Debtors have no continuing operations and limited funds available for distribution. Under the proposed Retiree Settlement, (i) the Retiree Welfare Plans will terminate as of March 31, 2018, (ii) the Debtors will make a lump-sum payment of \$30,000 to the Retirees' Committee for distribution to the Retirees (exclusive of Allowed Accrued Professional Compensation Claims for the Retirees' Committee counsel), (iii) claims, if any, for payment or reimbursement under the Retiree Medical

Plans must be submitted within 60 days following the Termination Date, (iv) Allowed Accrued Professional Compensation Claims for the Retirees' Committee will be dealt with separately, the same as fees incurred by other professionals in these Chapter 11 Cases, and (v) Retiree Claims will be released and discharged upon the Retirees' Committee's receipt of the Retiree Settlement Amount. The Retirees' Committee has rejected this proposed settlement of Retiree Claims, and, on February 26, 2018, the Retirees' Committee's counsel provided counsel for the Debtors with a counterproposal.

4.3.10 Executory Contracts and Unexpired Leases

Section 13 provides for automatic rejection on the Effective Date of all executory contracts and unexpired leases, except for those previously assumed, those designated to be assumed in the Plan or a Plan Supplement, and those subject to a separate assumption motion. Section 13 also provides for the deadline for any rejection damage claims resulting from such deemed rejection as of the Effective Date.

4.3.11 Conditions Precedent to Effective Date

The occurrence of the Effective Date of the Plan is subject to the satisfaction or waiver of the specific conditions listed in Section 14, including that the Plan has been accepted by all Classes of General Unsecured Claims. The Plan Proponents believe that these conditions are reasonable, customary, and in the interests of the Debtors' creditors.

4.3.12 Effect of Confirmation

Section 15 is intended to provide the broadest permissible extent of finality and binding effect of confirmation of the Plan, and the occurrence of the Effective Date, on all creditors, Interest holders and other affected parties. The binding effect of the Plan expressly covers all such persons and entities regardless of whether any such holder of a Claim or Interest has voted, failed to vote, failed to opt out of any proposed releases and injunctions provided in the Plan, or has any right to a distribution. **The due process requirements of pursuing confirmation of the Plan require actual mailed notice to affected parties, and as such, the failure to act may be taken as consent, in particular as to the releases and injunctions provided under the Plan.**

The Plan is a liquidating plan and, as provided in section 1141(d)(3) of the Bankruptcy Code, the confirmation of a plan does not formally discharge a debtor if the plan provides for the liquidation of all or substantially all of the property of the estate. However, the releases and injunctions provided under the Plan, when coupled with the permanent dissolution of the Debtor entities, have an effect that is similar in some respects to a full discharge. Subsections of Section 15 not elaborated upon below are self-explanatory or addressed elsewhere.

(1) Section 15.4 – Injunction

The injunction provisions of Section 15.4 are intended to be as broad as legally permissible. The purpose of such injunctions is entirely integrated with the express purpose of the Plan to provide a global and final resolution of all claims and potential claims as among all creditors, parties and parties in interest on all things relating to the Debtors. Claims against parties subject to the protections of the Plan's injunctions could give rise to additional Claims for advancement,

indemnification, contribution, or reimbursement by the Debtors or their Estates, among other things. For this reason, Claims of any and all natures were required to be asserted prior to the applicable Bar Date, or generally in or in connection with the Debtors' Chapter 11 Cases. Claims or potential Claims not timely made in this manner must be enjoined to avoid frustrating the express purpose of the Plan in identifying all Claims and potential Claims, and providing a final, full, and global resolution of such Claims.

(2) Section 15.6 – Debtor and Estate Releases

Section 15.6 provides for broad releases by each Debtor, on behalf of its Estate, of any Causes of Action against the Released Parties (§ 3.1.107), which include (i) the Debtors and their post-petition management, (ii) the Creditors' Committee and its members, (iii) the Retirees' committee and its members, and (iv) the professionals of the foregoing parties. These releases exclude Causes of Action arising out of or relating to any crime, willful misconduct, or gross negligence, as well as any Claim arising post-Effective Date under the Plan or any Plan Transaction. The Plan Proponents believe these releases are fully warranted in order to achieve a consensual Plan process, streamline administration of the Plan, and provide finality in these Chapter 11 Cases. In addition, the Plan Proponents do not believe that there are any such Causes of Action against any Released Party that are viable in any event.

(3) Section 15.8 – Releases by Certain Holders of Claims

Section 15.8 provides for broad releases of the Released Parties (§ 3.1.107), but not including the Debtors, from any Causes of Action held by the Releasing Parties (§ 3.1.107), which include (i) unimpaired creditors who are deemed to accept the Plan, and (ii) creditors who vote to accept the Plan, do not "opt out" of providing the releases, and receive a distribution under the Plan. These releases exclude Causes of Action arising out of or relating to any crime, willful misconduct, or gross negligence, as well as any Claim arising post-Effective Date under the Plan or any Plan Transaction. The Plan Proponents believe that these releases are consensual under applicable law, in that a creditor's failure to "opt out" or to object to the Plan will be deemed that creditor's consent to provide the release.

(4) Section 15.9 – Exculpation

Section 15.9 provides that the Exculpated Parties (§ 3.1.42), which includes the Debtors, the Creditors' Committee, the Retirees' Committee, and their respective professionals, shall have no liability for any prepetition or postpetition act taken or omitted to be taken in connection with a broad scope of actions in prosecuting the Chapter 11 Cases. This exculpation provision shall have no effect on the liability of any entity that (i) results from a crime, willful misconduct, or gross negligence or (ii) related to the VP Causes of Action.

4.3.13 Retention of Jurisdiction

Section 16 is largely self-explanatory. The Plan expressly provides for broad retention of the Bankruptcy Court's jurisdiction in order to allow efficient recourse to the Bankruptcy Court for disputes arising after the Effective Date that bear an appropriate nexus to the Debtors and these Chapter 11 Cases.

4.3.14 Miscellaneous Provisions

For the most part, the provisions of Section 17 are self-explanatory. One that warrants highlighting is Section 17.8, which provides that, if the Plan cannot be confirmed as to a given Debtor, the Plan Proponents have the option to pursue confirmation of the Plan as to the remaining Debtors.

4.4 Tax Consequences of the Plan.

Confirmation of a chapter 11 plan can have a number of tax implications for the debtor and for holders of claims against and interests in the debtor, including discharge/cancellation of indebtedness and capital gains/losses. The tax consequences to holders of claims or interests may vary based upon the individual circumstances of each holder. Moreover, the tax consequences of certain aspects of a plan may be uncertain due to, in some cases, the lack of applicable legal precedent and the possibility of changes in the law.

Given the relative size of the Debtors' Estates and the diverse nature of the Claims against and Interests in the Debtors, the Plan Proponents have not undertaken an analysis of the tax consequences of the Plan upon the Debtors or upon holders of Claims and Interests. In addition, no ruling has been applied for or obtained from the Internal Revenue Service or any State or local taxing authority, and no opinion of counsel has been requested or obtained, by the Plan Proponents with respect to the tax aspects of the Plan. Accordingly, there can be no assurance that the Internal Revenue Service or any State or local taxing authority will not challenge any position taken by a holder of a Claim or Interest as to the tax consequences of the Plan, or that such a challenge, if asserted, would not be upheld.

****Please note that the foregoing discussion does not constitute tax advice or a tax opinion concerning the Plan. Holders of Claims and Interests are strongly urged to consult with their own tax advisors regarding the tax consequences of the Plan.****

4.5 Requirements for Confirmation of the Plan

Before the Plan can be confirmed, the Bankruptcy Court must determine at the Plan Confirmation Hearing that the following requirements for confirmation set forth in Bankruptcy Code section 1129, among others, have been satisfied:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Plan Proponents have complied with the applicable provisions of the Bankruptcy Code.
- The Plan has been proposed in good faith and not by any means forbidden by law.
- At least one Impaired Class of Claims has accepted the Plan, determined without including any acceptance of the plan by insiders holding Claims in such Class.

- The Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or the Plan Trust other than what is provided for in the Plan (also known as the “Feasibility Test”).
- Each holder of a Claim or Interest that is Impaired by the Plan either (a) has accepted the Plan or (b) will receive or retain on account of such Claim(s) or Interest(s) property of a value, as of the Effective Date, that is not less than the amount that such holder would receive or retain if the applicable Debtor were liquidated on such date under chapter 7 of the Bankruptcy Code (also known as the “Best Interests Test”).
- The Plan does not discriminate unfairly against, and is fair and equitable with respect to, non-accepting Classes (also known as the “Cramdown Test”).

The Plan Proponents have complied with all of the requirements of chapter 11 of the Bankruptcy Code, and the Plan has been proposed and submitted to the Bankruptcy Court in good faith. The Plan Proponents believe that the Feasibility Test, the Best Interests Test, and the Cramdown Test are satisfied for the reasons discussed further below. Thus, upon receipt of the votes required to confirm the Plan, the Plan will satisfy all the statutory requirements of chapter 11 of the Bankruptcy Code.

4.5.1 Feasibility Test

The Plan Proponents believe the Plan satisfies the Feasibility Test because it provides for the satisfaction of all administrative and priority claims on the Effective Date (unless such holders of claims agree otherwise), and for the retention by the Plan Administrator of sufficient Cash to wind down the Chapter 11 Cases. As a result, no additional liquidation or financial reorganization of the Debtors will be necessary.

4.5.2 Best Interests Test

As noted above, the Best Interests Test requires that any creditor or Interest holder who does not accept the Plan recover at least as much under the Plan as they would have recovered in a hypothetical chapter 7 liquidation of the applicable Debtor(s).

To calculate the probable distribution to creditors and Interest holders in chapter 7, the Bankruptcy Court must first determine the aggregate liquidation value of the Debtors’ assets. This value would then be reduced by, first, the claims of any secured creditors to the extent of the value of their collateral and, second, by the administrative expenses and costs of *both* the chapter 7 case and the Chapter 11 Cases. Costs of liquidation under chapter 7 would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid administrative expenses incurred by the debtors in their Chapter 11 Cases (such as compensation of professionals, and claims arising from the Debtors’ operations) that are allowed in the chapter 7 case, and, potentially, litigation costs.

After determining the net asset value (if any) available for distribution to creditors and Interest holders, the Bankruptcy Court would then determine the probably distribution (if any) to general unsecured creditors and Interest holders, taking into account their respective priorities

under applicable law and any inter-creditor subordination agreement(s). If the probable distribution to a creditor or Interest holder in the hypothetical chapter 7 liquidation scenario is greater than they would receive under the Plan, then the Plan is deemed not in the best interests of that creditor or Interest holder. And if the probable chapter 7 distribution is equal to or less than what the Plan provides, the Best Interests Test is satisfied.

As illustrated in the Liquidation Analysis attached as Appendix A, Interest holders would receive no distribution in chapter 7, and holders of Claims in voting Classes will receive the same or better recover under the Plan as they would in chapter 7. Accordingly, the Plan Proponents believe that the Best Interests Test will be satisfied as to any creditors and Interest holders who do not accept the Plan.

4.5.3 Cramdown Test

The Plan may be confirmed even if it has not accepted by all Impaired Classes, so long as at least one Impaired Class has accepted it (without taking into account acceptances by insiders), and (ii) the Cramdown Test is satisfied as to the non-accepting Classes. As noted above, the Cramdown Test is satisfied if the Plan does not “discriminate unfairly” against, and is “fair and equitable” with respect to, each Impaired, non-accepting Class.

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. And a Plan is “fair and equitable” as to a Class of unsecured Claims or Interests, so long as the holder of any Claim or Interest in a junior class will not receive or retain any property under the Plan on account of such junior Claim or Interest.

In view of the deemed rejection of the Plan by holders of Claims in Classes 5A-N, 6A-N and Interests in Class 7A, the Plan Proponents will seek confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code. The Plan does not discriminate unfairly against any of these Claims and Interests because there are no other Classes of Claims or Interests of equal rank receiving alternative treatment. And the Plan is fair and equitable as to these Claims and Interests because there are no Classes of Claims or Interests junior to Classes 5A-N, 6A-N and 7A, respectively.

The Plan Proponents further reserve the right to seek a “cramdown” confirmation of the Plan with respect to voting Classes in the event they vote to reject the Plan. In the event it becomes necessary to “cram down” the Plan over the rejection of any voting Classes, the Plan Proponents will demonstrate at the Plan Confirmation Hearing that the Plan does not discriminate unfairly and is fair and equitable with respect to such Classes.

4.6 Alternatives to Confirmation of the Plan

If the requisite acceptances are not received or the Plan is not confirmed and consummated, the theoretical alternatives to the Plan would be (a) formulation of one or more alternative chapter 11 plans, (b) conversion of the Chapter 11 Cases to cases under Chapter 7 of the Bankruptcy Code, or (c) dismissal of the Chapter 11 Cases. As discussed below, the Plan Proponents do not believe that any of these alternatives, even if viable, would afford holders of General Unsecured Claims a greater recovery on their Claims than what is provided by the Plan.

4.6.1 Alternative Chapter 11 Plan(s)

If the requisite acceptances are not received or if the Plan is not confirmed, any other party in interest could attempt to formulate and propose one or more different chapter 11 plans. However, even assuming an alternative plan structure would be viable, pursuit of confirmation of an alternative plan would necessarily add delay and cost to these Chapter 11 Cases, which would erode the limited assets available for distribution to creditors. For these reasons, among others, the Plan Proponents believe that the Plan enables creditors to realize the greatest possible value under the circumstances, and has the greatest chance to be confirmed and consummated.

4.6.2 Conversion to Chapter 7

If the Plan is not confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Debtors' assets for distribution in accordance with the priorities established by the Bankruptcy Code. As discussed above and indicated in the Liquidation Analysis, the Plan Proponents believe the Plan provides a better outcome for General Unsecured Claims and Contractual Subordinated Claims than a chapter 7 liquidation would provide.

4.6.3 Dismissal of the Chapter 11 Cases

If the Plan is not confirmed, the Chapter 11 Cases could also be dismissed. Among other effects, dismissal would result in the termination of the automatic stay, thus permitting creditors to assert state-law rights and remedies against the Debtors and their assets, potentially to the detriment of other creditors. While it is impossible to predict precisely what would happen in the event their Chapter 11 Cases were dismissed, it is unlikely that dismissal would result in a ratable distribution of the Debtors' assets among creditors as provided in the Plan. Thus, the vast majority of creditors could expect to receive less in the dismissal scenario than they would receive under the Plan.

4.7 Risk Factors

The holders of General Unsecured Claims should read and carefully consider the following factors, as well as the other information set forth in this Section 4, before deciding whether to vote to accept or reject the Plan. These risk factors should not, however, be regarded as constituting the only risks associated with the Plan and its implementation.

4.7.1 Non-Confirmation of the Plan

Even if all voting Impaired Classes vote in favor of the Plan, and even if, with respect to any Impaired Class deemed to have rejected the Plan, the requirements for "cramdown" are met, the Bankruptcy Court, which is a court of equity, may exercise substantial discretion and may choose not to confirm the Plan. In addition, while the Plan Proponents believe the Feasibility Test and the Best Interests Test for confirmation are satisfied, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

The PBGC has raised certain preliminary objections to (i) the proposed consolidation of the Debtors' Estates for distribution purposes, and (ii) the scope of the Plan's release, injunction,

and exculpation provisions. If these objections are sustained by the Bankruptcy Court, it could result in a denial of confirmation of the Plan.

4.7.2 Classification Risk

The Plan Proponents believe that the Plan has classified all Claims and Interests in compliance with the provisions of Bankruptcy Code section 1122 and applicable case law, but it is possible that a holder of a Claim may challenge the classification of Claims, and that the Bankruptcy Court may determine that a different classification is required for the Plan to be confirmed. In that event, the Plan Proponents intend, to the extent permitted by the Bankruptcy Code, the Plan, and the Bankruptcy Court, to make such reasonable modifications of the classifications under the Plan to permit confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

4.7.3 Claims Estimations

There can be no assurance that any estimated Claim amounts set forth in this Combined Plan and Disclosure Statement are correct. The actual Allowed amount of Claims likely will differ in some respect from the estimates. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, the actual Allowed amount of Claims may vary from those estimated herein.

4.7.4 Administrative and Priority Claims

As the number and amount of Administrative Expense Claims, Priority Tax Claims, and Other Priority Claims are presently unknown to the Plan Proponents, it is possible that, if the actual number and amount of such Claims exceeds estimates, (i) Distributions to holders of General Unsecured Claims may be less than what was estimated in Section 4.2, or (ii) the Debtors may not have enough Cash to satisfy all such Claims in full. If the latter, and if the holders of such Claims refuse to consent to less than full payment, then the Bankruptcy Court may deny confirmation of the Plan. In addition, certain recoveries on behalf of the Debtors' Estates are contingent and may not result in sufficient available Cash to pay holders of Administrative Expense Claims, Priority Tax Claims and Other Priority Claims.

4.7.5 Conditions Precedent to Consummation; Timing

The Plan provides for certain conditions that must be satisfied (or waived) prior to the Effective Date. There can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated.

4.7.6 Certain Tax Considerations

As discussed in Section 4.4, there may be U.S. federal, state, or local income tax consequences of the transactions proposed by the Plan to the Debtors and to holders of Claims and Interests dealt with by the Plan.

SECTION 5 ADMINISTRATIVE EXPENSE AND PRIORITY CLAIMS

5.1 Administrative Expense Claims

Except to the extent that a holder of an Allowed Administrative Expense Claim agrees with the Debtors or the Plan Administrator to a different treatment, and only to the extent that any such Allowed Administrative Expense Claim has not been paid in full prior to the Effective Date or assumed by the Purchaser under the Asset Purchase Agreement and the Sale Order, each holder of an Allowed Administrative Expense Claim will be paid the full unpaid amount of such Allowed Administrative Expense Claim, in Cash, (a) on the Effective Date or, if not then due, then when such Allowed Administrative Expense Claim is due, (b) if an Administrative Expense Claim is Allowed after the Effective Date, on the date such Administrative Expense Claim is Allowed or, if not then due, when such Allowed Administrative Expense Claim is due, (c) at such time and upon such terms as may be agreed upon by such holder and the Debtors or the Plan Administrator, as the case may be, or (d) at such time and upon such terms as set forth in an order of the Bankruptcy Court.

5.1.1 Administrative Expense Claim Bar Date.

By order of the Bankruptcy Court, the bar date for filing requests for payment of Administrative Expense Claims (other than Accrued Professional Compensation Claims) arising on or before July 21, 2017, was October 9, 2017.

The holder of an Administrative Expense Claim arising on or after July 21, 2017, other than (i) an Accrued Professional Compensation Claim, (ii) an Administrative Expense Claim that has been Allowed or paid on or before the Effective Date, (iii) fees of the United States Trustee arising under 28 U.S.C. § 1930 and any applicable interest thereon, must file with the Bankruptcy Court and serve on the Debtors, the Plan Administrator, and the Office of the United States Trustee, a request for payment of such Administrative Expense Claim so as to be received **within 30 days after the Effective Date**.

Failure to file and serve a request for payment of an Administrative Expense Claim timely and properly shall result in the Administrative Expense Claim being forever barred and unenforceable against the Debtors, the Estates, or their Assets.

5.2 Accrued Professional Compensation Claims

5.2.1 Final Fee Applications.

All final requests for payment of Accrued Professional Compensation Claims shall be filed **no later than 45 days after the Effective Date**. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior Bankruptcy Court orders, the

Allowed amounts of such Accrued Professional Compensation Claims shall be determined by the Bankruptcy Court.

5.2.2 Professional Fee Reserve Amount

To receive payment for unbilled fees and expenses incurred through the Effective Date, the Professionals shall estimate their Accrued Professional Compensation Claims prior to and as of the Plan Confirmation Date, along with an estimate of fees and expenses to be incurred through the Effective Date, and shall deliver such estimate to the Debtors and counsel to the Creditors' Committee **no later than 5 days prior to the anticipated Plan Confirmation Date**; provided that such estimate shall not be considered an admission with respect to the fees and expenses of such Professional. If a Professional does not provide an estimate, the Debtors may estimate the unbilled fees and expenses of such Professional. The total amount so estimated as of the Plan Confirmation Date shall comprise the Professional Fee Reserve Amount, to the extent such Cash is available.

5.2.3 Professional Fee Escrow Account

On the Effective Date, the Professional Fee Escrow Account shall be funded in the amount of the aggregate Professional Fee Reserve Amount for all Professionals, solely to the extent such Cash is available. The Professional Fee Escrow Account shall be maintained in trust for the Professionals, and the funds in that account shall not be considered property of the Estates (except with respect to the Estates' residual interest set forth below). The amount of Accrued Professional Compensation Claims owing to the Professionals shall be paid in Cash to such Professionals from funds held in the Professional Fee Escrow Account when such Claims are Allowed by a Final Order, solely to the extent such Cash is available. When all Allowed Accrued Professional Compensation Claims have been paid in full in Cash, residual amounts remaining in the Professional Fee Escrow Account, if any, shall be paid over to the Plan Administrator for distribution in accordance with the Plan.

5.3 Priority Tax Claims

Except to the extent that a holder of an Allowed Priority Tax Claim agrees with the Debtors or the Plan Administrator to a different treatment, and only to the extent that any such Allowed Priority Tax Claim has not been paid in full prior to the Effective Date or assumed by the Purchaser under the Asset Purchase Agreement and the Sale Order, each holder of an Allowed Priority Tax Claim shall receive regular installment payments in Cash over a period ending not later than five (5) years after the Petition Date of a total value, as of the Effective Date, equal to the Allowed amount of such Priority Tax Claim, together with interest accrued thereon at the applicable non-bankruptcy rate. The Debtors and the Plan Administrator reserve the right to prepay at any time under this option. Any Claims asserted by a governmental unit on account of any penalties and assessments shall not be Priority Tax Claims, except as provided in section 507(a)(8)(G) of the Bankruptcy Code.

SECTION 6 CLASSIFICATION OF CLAIMS AND INTERESTS

The following table designates the Classes of Claims against and Interests in the Debtors, and specifies which of those Classes are (i) Impaired or Unimpaired by this Plan, (ii) entitled to

vote to accept this Plan in accordance with section 1126 of the Bankruptcy Code, (iii) deemed to reject this Plan, or (iv) deemed to accept this Plan. These Classes take into account the differing nature and priority of the various Claims and Interests under the Bankruptcy Code and otherwise applicable law. The Plan is a joint plan for all Debtors, but Claims and Interests are classified separately as to each Debtor. A Claim or Interest is classified in a particular Class only to the extent that any such Claim or Interest is an Allowed Claim or Interest in that Class and has not been paid, released, settled or otherwise satisfied prior to the Effective Date.

Class(es)	Claims	Treatment	Voting Rights
1A–N	Other Priority Claims	Unimpaired	Deemed to Accept
2A–N	Secured Tax Claims	Unimpaired	Deemed to Accept
3A–N	Other Secured Claims	Unimpaired	Deemed to Accept
4A–N	General Unsecured Claims	Impaired	Entitled to Vote
5A–N	Intercompany Claims	Impaired/No Distribution	Deemed to Reject
6A–N	Subordinated Claims	Impaired/No Distribution	Deemed to Reject
7A	Interests in Katy Industries, Inc.	Impaired/No Distribution	Deemed to Reject
7B–N	Intercompany Interests	Impaired/No Distribution	Deemed to Reject

SECTION 7 TREATMENT OF CLAIMS AND INTERESTS

The treatment of Claims and Interests in each Class is specified below:

7.1 Classes 1A–N—Other Priority Claims

- (a) *Classification:* Classes 1A–N comprise all Other Priority Claims against the Debtors.
- (b) *Treatment:* Except to the extent that the holder of an Allowed Other Priority Claim has agreed with the Debtors or the Plan Administrator to a different treatment of such Claim, and only to the extent that any such Allowed Other Priority Claim has not been paid in full prior to the Effective Date or assumed by the Purchaser under the Asset Purchase Agreement and/or the Sale Order, each such holder shall receive, in full satisfaction of such Allowed Other Priority Claim, Cash in an amount equal to such Allowed Other Priority Claim, on the later of (i) the Effective Date; (ii) the date the Other Priority Claim becomes an Allowed Claim; and (iii) the date for

payment provided by any agreement or arrangement between the Debtors or Plan Administrator, as the case may be, and the holder of the Allowed Other Priority Claim.

- (c) *Voting:* Classes 1A–N are Unimpaired, and holders of Other Priority Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Other Priority Claims are not entitled to vote to accept or reject the Plan.

7.2 Classes 2A–N—Secured Tax Claims

- (a) *Classification:* Classes 2A–N comprise all Secured Tax Claims against the Debtors.
- (b) *Treatment:* Except to the extent that the holder of an Allowed Secured Tax Claim has agreed with the Debtors or the Plan Administrator to a different treatment of such Claim, and only to the extent that any such Allowed Secured Tax Claim has not been paid in full prior to the Effective Date or assumed by the Purchaser under the Asset Purchase Agreement and/or the Sale Order, each holder of an Allowed Secured Tax Claim shall receive Cash in an amount equal to such Allowed Secured Tax Claim, together with interest accrued thereon at the applicable nonbankruptcy rate, on the later of (i) the Effective Date; (ii) the date the Secured Tax Claim becomes an Allowed Claim; and (iii) the date for payment provided by any agreement or arrangement between the Debtors and the holder of the Allowed Secured Tax Claim, provided that the Debtors and, following the Effective Date, the Plan Administrator, shall retain and shall be entitled to enforce any setoff and recoupment rights relating to any tax refund claim. Any Claims asserted by a governmental unit on account of any penalties and assessments shall not be Secured Tax Claims, except as provided in section 507(a)(8)(G) of the Bankruptcy Code.
- (c) *Voting:* Classes 2A–N are Unimpaired, and holders of Secured Tax Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Secured Tax Claims are not entitled to vote to accept or reject the Plan.

7.3 Classes 3A–N—Other Secured Claims

- (a) *Classification:* Classes 3A–N comprise all Other Secured Claims against the Debtors.
- (b) *Treatment:* Except to the extent that a holder of an Allowed Other Secured Claim has agreed with the Debtors or the Plan

Administrator to a different treatment of such Claim, and only to the extent that any such Allowed Other Secured Claim has not been paid in full prior to the Effective Date or assumed by the Purchaser under the Asset Purchase Agreement and/or the Sale Order, each holder of an Allowed Other Secured Claim shall, at the option of the Plan Administrator, (i) be paid in full in Cash, (ii) receive the Collateral securing its Allowed Other Secured Claim, plus post-petition interest to the extent required under section 506(b) of the Bankruptcy Code, or (iii) receive such other treatment as to render its Allowed Other Secured Claim Unimpaired, in each case on the later of the Effective Date and the date such Other Secured Claim becomes an Allowed Other Secured Claim.

- (c) *Voting:* Classes 3A–N are Unimpaired, and holders of Other Secured Claims conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Other Secured Claims are not entitled to vote to accept or reject the Plan.

7.4 Classes 4A–N—General Unsecured Claims

- (a) *Classification:* Classes 4A–N comprise all General Unsecured Claims against the Debtors.
- (b) *Treatment:* Except to the extent that a holder of an Allowed General Unsecured Claim has agreed to a different treatment of such Claim, and only to the extent that any such Allowed General Unsecured Claim has not been paid by any applicable Debtor prior to the Effective Date or assumed by the Purchaser under the Asset Purchase Agreement and/or the Sale Order, each holder of an Allowed General Unsecured Claim will receive its Pro Rata Share of the Net Distributable Assets.
- (c) *Voting:* Classes 4A–N are Impaired. Therefore, holders of Allowed General Unsecured Claims as of the Voting Record Date are entitled to vote to accept or reject the Plan.

7.5 Classes 5A–N—Intercompany Claims

- (a) *Classification:* Classes 5A–N comprise all Intercompany Claims.
- (b) *Treatment:* On the Effective Date, all Intercompany Claims will be deemed compromised, and holders of Intercompany Claims shall receive no Distribution on account of such Intercompany Claims.
- (c) *Voting:* Classes 5A–N are Impaired, and holders of Intercompany Claims are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of

Intercompany Claims are not entitled to vote to accept or reject the Plan.

7.6 Classes 6A-N—Subordinated Claims

- (a) *Classification:* Classes 6A-N Comprise all Subordinated Claims against the Debtors.
- (b) *Treatment:* Holders of Subordinated Claims will receive no Distribution on account of such Claims.
- (c) *Voting:* Classes 6A-N are Impaired, and holders of Subordinated Claims are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of Subordinated Claims are not entitled to vote to accept or reject the Plan.

7.7 Class 7A—Interests in Katy Industries, Inc.

- (a) *Classification:* Class 7A comprises all Interests in Katy Industries, Inc.
- (b) *Treatment:* On the Effective Date all Interests in Katy Industries, Inc. will be cancelled, and holders of such Interests shall receive no Distribution on account of such Interests.
- (c) *Voting:* Class 7A is Impaired, and holders of Class 7A Interests are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of Class 7A Interests are not entitled to vote to accept or reject the Plan.

7.8 Classes 7B-N—Intercompany Interests

- (a) *Classification:* Classes 7B-N comprise all Intercompany Interests.
- (b) *Treatment:* On the Effective Date all Intercompany Interests will be cancelled and compromised, and holders of Intercompany Interests shall receive no Distribution on account of such Interests.
- (c) *Voting:* Classes 7B-N are Impaired, and holders of Intercompany Interests are conclusively presumed to have rejected the Plan pursuant to section 1126(g) of the Bankruptcy Code. Therefore, holders of Intercompany Interests are not entitled to vote to accept or reject the Plan.

SECTION 8 ACCEPTANCE OR REJECTION OF THE PLAN

8.1 Impaired Classes

Pursuant to section 1126 of the Bankruptcy Code, each Impaired Class of Claims or Interests that may receive a Distribution pursuant to this Plan may vote separately to accept or reject this Plan. Each holder of an Allowed Claim in such an Impaired Class as of the Voting Record Date shall receive a ballot and may cast a vote to accept or reject this Plan.

Classes 4A–N are Impaired and are the only Classes of Claims or Interests entitled to vote on this Plan.

Classes 1A–N, 2A–N, and 3A–N are Unimpaired and conclusively are presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, holders of Other Priority Claims are not entitled to vote to accept or reject the Plan.

Classes 5A–N, 6A–N, and 7A are not entitled to receive or retain any property under this Plan and are, therefore, conclusively presumed to have rejected this Plan pursuant to section 1126(g) of the Bankruptcy Code.

8.2 Acceptance by a Class

A Class of Claims entitled to vote to accept or reject this Plan shall be deemed to accept this Plan if either (a) the holders of Claims in such voting Class that hold at least two-thirds (2/3) in amount and more than one-half (1/2) in number of the Claims that vote in such Class vote to accept this Plan or (b) no votes are received by the Voting Agent from holders of Claims in such voting Class; provided that a Class in which there are no Allowed Claims as of the Voting Record Date shall be disregarded for purposes of determining acceptance of the Plan by voting Classes.

Classes 1A–N, 2A–N, and 3A–N are Unimpaired under this Plan and are, therefore, conclusively presumed to have accepted this Plan pursuant to section 1126(f) of the Bankruptcy Code.

8.3 Claims and Interests Not Entitled to Vote

Holders of Claims are not entitled to vote if, as of the Voting Record Date, the Claim (a) has been disallowed or (b) is a Disputed Claim. However, if a Claim has been disallowed in part (or a pending objection seeks disallowance of such Claim only in part) as of the Voting Record Date, the holder of such Claim shall be entitled to vote the Allowed (or undisputed) portion of the Claim.

SECTION 9 MEANS FOR IMPLEMENTATION

9.1 Corporate Action

9.1.1 Transfer of Assets and Assumption of Liabilities

On the Effective Date and upon (i) the Debtors, or such entity designated by the Debtors, making the Effective Date Distributions, and (ii) the Debtors causing all Cash and tangible Assets

of the Debtors and their Estates to be delivered to the Plan Administrator, the Debtors shall have no further duties or responsibilities in connection with implementation of this Plan, and the directors and officers of each of the Debtors shall be deemed to have resigned without further action by the Debtors or approval by the Bankruptcy Court. From and after the Effective Date, the Plan Administrator shall be authorized to act on behalf of the Debtors in the same manner as the Debtors' directors and officers were authorized prior to the Effective date, provided that the Plan Administrator shall have no duties other than as expressly set forth in this Plan.

9.1.2 Closing of Non-Lead Cases; Dissolution of the Debtors

The Plan Confirmation Order shall provide for the entry of final decrees and orders closing the Chapter 11 Cases of each of the Debtors other than Katy Industries, Inc. (the “*Non-Lead Debtors*”) immediately following the occurrence of the Effective Date. Following closure of the Non-Lead Debtors' Chapter 11 Cases, any and all recourse for any Claims, Interests, or equitable relief with respect to the Non-Lead Debtors shall proceed exclusively in the Chapter 11 Case of Katy Industries, Inc. in accordance with the Plan and any Final Orders entered in the Chapter 11 Cases.

Upon entry of a final decree closing a Debtor's Chapter 11 Case, such Debtor shall be deemed dissolved immediately and for all purposes in accordance with applicable state law without further action by the Debtors or approval by the Bankruptcy Court.

9.1.3 Cancellation of Existing Securities and Agreements

On the Effective Date, all agreements and other documents evidencing (i) any Claim or rights of any holder of a Claim against the Debtors, including any notes evidencing such Claims or (ii) any Interest in the Debtors, including any options or warrants to purchase Interests, shall be canceled. The holders of, or parties to, such canceled agreements and documents shall have no rights arising from or relating to such agreements and documents or the cancellation thereof, except any rights provided pursuant to this Plan.

9.2 Plan Transactions

On the Effective Date or as soon thereafter as is reasonably practicable, the Debtors and the Plan Administrator may take any and all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by or necessary to effectuate this Plan (the “*Plan Transactions*”), including, but not limited to, (i) the execution and delivery of appropriate agreements or other documents of financing, merger, consolidation, restructuring, conversion, disposition, transfer, or dissolution containing terms that are not materially inconsistent with the terms of this Plan and that satisfy the requirements of applicable law, (ii) the execution and delivery of any appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt, duty or obligation on terms consistent with this Plan, (iii) the filing of appropriate certificates of incorporation or other similar documents with the appropriate governmental authorities pursuant to applicable law, and (iv) any and all other actions that the Debtors or Plan Administrator determine are necessary or appropriate in their sole discretion.

9.3 Effectuating Documents and Further Transactions

Upon entry of the Plan Confirmation Order, the Debtors and the Plan Administrator shall be authorized to execute, deliver, file, or record such contracts, instruments, releases, consents, certificates, resolutions, programs, and other agreements or documents, and take such acts and actions as may be reasonable, necessary, or appropriate to effectuate, implement, consummate, or further evidence the terms and conditions of this Plan and any transactions described in or contemplated by this Plan. The Debtors or Plan Administrator, as applicable, all holders of Claims receiving Distributions pursuant to this Plan, 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 this Plan.

9.4 Authority to Act

Prior to, on, or after the Effective Date (as appropriate), all matters expressly provided for under this Plan that would otherwise require approval of the stockholders, security holders, officers, directors, partners, managers, members, or other owners of one or more of the Debtors shall be deemed to have occurred and shall be in effect prior to, on, or after the Effective Date (as applicable) pursuant to the applicable law of the states or jurisdictions in which the Debtors are formed, without any further vote, consent, approval, authorization, or other action by such stockholders, security holders, officers, directors, partners, managers, members, or other owners of one or more of the Debtors or notice to, order of, or hearing before, the Bankruptcy Court.

9.5 The Plan Administrator

On the Effective Date, the Plan Administrator will be appointed for the limited purposes of (i) liquidating the Estates' assets in accordance with this Plan, (ii) reconciling and objecting to Claims, and (iii) making distributions on Allowed Claims in accordance with this Plan, with no objective to continue or engage in the conduct of a trade or business. The Plan Administrator shall be the representative of the respective Estates pursuant to section 1123(b)(3)(B) of the Bankruptcy Code; shall stand in the shoes of the Debtors for purposes of contesting, settling or compromising objections to Claims; and shall be vested with all of the Debtors' rights and defenses to all Claims.

9.5.1 Powers and Duties

In furtherance of and consistent with the purposes of this Plan, the Plan Administrator shall have the following rights, powers, and duties, which the Plan Administrator shall exercise and perform, as applicable, in accordance with the Plan Administrator's reasonable business judgment for the benefit of creditors entitled to Distributions under the Plan:

- (i) to hold, manage, dispose of, sell, convert to Cash, and Distribute the Assets of the Debtors and the Estates;
- (ii) to investigate and, in consultation with the Post-Confirmation Committee, to prosecute, settle, liquidate, dispose of, and/or abandon any Reserved Causes of Action;
- (iii) to implement and enforce the terms of the Plan;

(iv) if a purpose would be served, to reconcile and object to Claims and manage, control, prosecute and/or settle on behalf of the Estates any objections to Claims;

(v) to act as a signatory of the Debtors and for all purposes, including those associated with the novation of contracts or other obligations arising out of the sales or other disposition of any remaining Assets;

(vi) to dispose of the books and records transferred to the Plan Administrator in a manner deemed appropriate by the Plan Administrator, in consultation with the Post-Confirmation Committee; provided, however, that the Plan Administrator shall not dispose of any books and records that are reasonably likely to pertain to pending litigation in which the Debtors or their current or former officers or directors are a party or that may pertain to General Unsecured Claims without further order of the Bankruptcy Court;

(vii) to take all necessary action and file all appropriate motions to obtain an order and a Final Decree closing the Chapter 11 Cases;

(viii) to enter into and exercise rights under contracts that are necessary or desirable to the implementation of this Plan and administration of the Estates, and to execute any documents or pleadings related to the liquidation of the Assets of the Debtors and the Estates;

(ix) to establish and maintain bank accounts and terminate such accounts as the Plan Administrator deems appropriate;

(x) without prior Bankruptcy Court order or approval, to engage and provide reasonable compensation and reimbursement of expenses to employees and professionals, to assist the Plan Administrator with respect to its responsibilities under the Plan;

(xi) to provide periodic reports to the Post-Confirmation Committee regarding the status of any pending litigation and administration of the Plan; and

(xii) to take such other and further actions as are permitted by the Plan and are not materially inconsistent with the Plan.

9.5.2 Plan Expenses

All Plan Expenses shall be paid from the Estates' assets, and the Plan Administrator may, in the ordinary course of business and without the necessity for any application to, or approval of, the Bankruptcy Court, pay any accrued but unpaid Plan Expenses.

9.6 The Post-Confirmation Committee

The Post-Confirmation Committee shall be appointed on the Effective Date to consult with the Plan Administrator to the extent provided in Section 9.5. Apart from such consultation the Post-Confirmation Committee shall have no further duties under this Plan, and members of the Post-Confirmation Committee shall serve without compensation.

9.7 Liability; Indemnification

The Plan Administrator and the members of the Post-Confirmation Committee shall neither have nor incur any liability to any entity for any act taken or omitted to be taken in connection with, or related to, the administration of the Plan unless such act or omission is determined by a Final Order to have constituted a crime, willful misconduct, or gross negligence.

To the fullest extent permitted by applicable law, the Plan Administrator and the members of the Post-Confirmation Committee shall be indemnified, defended, and held harmless by the Debtors' Estates from and against any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever arising out of or resulting from the Plan Administrator's or Post-Confirmation Committee's acts or omissions, or consequences of such acts or omissions, with respect to the implementation or administration of the Plan or the discharge of their respective duties hereunder, including relating to any action, suit, proceeding or investigation brought by or threatened against the Plan Administrator or any member of the Post-Confirmation Committee; provided, however, that no such indemnification will be made to the Plan Administrator or any member of the Post-Confirmation Committee on account of claims or liabilities arising out of or relating to any act or omission of the Plan Administrator or Post-Confirmation Committee member, as applicable, that is determined by a Final Order to have constituted a crime, willful misconduct, or gross negligence. Any indemnity to which the Plan Administrator or any member of the Post-Confirmation Committee becomes entitled pursuant to this Section 9.7 shall constitute and be payable as a Plan Expense.

SECTION 10 DISTRIBUTIONS

10.1 Limited Consolidation of the Estates

To promote efficient administration and effectuation the Plan, including for purposes of Distributions to be made under the Plan, the Plan Proponents seek authority under Bankruptcy Code section 105 and Bankruptcy Rule 9019 to consolidate the Debtors' Estates solely with respect to holders of General Unsecured Claims. The basis for the proposed consolidation is that it would be cost-prohibitive, given the limited cash remaining in the Debtors' bankruptcy estates, to perform the legal and financial analysis that would be necessary to determine the appropriate allocations among the Debtors' bankruptcy estates for (i) the consideration received for the liquidation of the Debtors' assets, (ii) the costs of administration of the chapter 11 cases, and (iii) the anticipated costs of administration of the Plan. Thus, proceeding on a non-consolidated basis would likely harm all creditors by consuming a substantial portion of the assets available for distribution, for the sake of determining how those assets should be distributed.

As a result of the proposed consolidation, by contrast, (i) the Debtors and their Estates shall be deemed to be a single entity and Estate for purposes of Distributions to holders of Allowed General Unsecured Claims, (ii) each Allowed General Unsecured Claim against any Debtor shall be deemed to be an Allowed Claim against the consolidated Debtors, and (iii) each General Unsecured Claim that is Allowed against more than one Debtor shall be deemed to be a single Allowed Claim against the consolidated Debtors. This limited consolidation will preserve and maximize the assets available for distribution to creditors by streamlining the administration of the Plan and limiting related expenses. For the avoidance of doubt, this limited consolidation shall

not affect: (i) the legal and corporate structures of the Debtors; (ii) pre- and post-Effective Date guarantees, liens and security interests that are required to be maintained (a) in connection with executory contracts and unexpired leases that have been or will be assumed, if any, or (b) pursuant to the Plan; or (iii) distributions from any insurance policies or proceeds of such policies.

This Plan shall serve as a motion seeking entry of an order consolidating the Debtors, as described and to the limited extent set forth above. Unless an objection to such consolidation is made in writing by any creditor affected by the Plan, filed with the Bankruptcy Court and served on the parties listed in Section 17.10 in accordance with the objection procedures established by the Bankruptcy Court, the consolidation order (which may be the Plan Confirmation Order) may be entered by the Bankruptcy Court. In the event any such objections are timely filed, a hearing with respect thereto shall occur in connection with the Plan Confirmation Hearing.

10.2 Distribution Record Date

As of the close of business on the Distribution Record Date, the various transfer registers for each of the Classes of Claims or Interests as maintained by the Debtors, or their respective agents, shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Interests. The Debtors and the Plan Administrator shall have no obligation to recognize any ownership transfer of the Claims or Interests occurring on or after the Distribution Record Date. The Debtors, the Plan Administrator, and any party responsible for making Distributions shall be entitled to recognize and deal for all purposes hereunder only with those record holders stated on the transfer ledgers as of the close of business on the Distribution Record Date, to the extent applicable.

10.3 Date of Distributions

Distributions made after the Effective Date to holders of Allowed Claims shall be deemed to have been made on the Effective Date and, except as otherwise provided in this Plan, no interest shall accrue or be payable with respect to such Claims or any Distribution related thereto. In the event that any payment or act under this Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on or as soon as reasonably practicable after the next succeeding Business Day, but shall be deemed to have been completed as of the required date.

10.4 No Postpetition Interest on Claims

Except as otherwise expressly provided in the Plan, postpetition interest shall not accrue or be paid on any Claims against the Debtors, and no holder of any such Claim against the Debtors shall be entitled to payment or Distributions on account of interest accruing on or after the Petition Date.

10.5 Disbursing Agent

All Distributions hereunder shall be made by the Debtors, the Plan Administrator, or their named successor or assign, as Disbursing Agent, on or after the Effective Date or as otherwise provided herein. For the avoidance of doubt, the Debtors, or such other entity designated by the

Debtors, shall act as Disbursing Agent with respect to all Effective Date Distributions. A Disbursing Agent shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court, and, in the event that a Disbursing Agent is so ordered, all costs and expenses of procuring any such bond or surety shall be borne by the Disbursing Agent.

10.6 Powers of Disbursing Agent

The Disbursing Agent may (i) effect all actions and execute all agreements, instruments, and other documents necessary to carry out the provisions of this Plan, (ii) make all Distributions contemplated hereby, and (iii) perform such other duties as may be required of the Disbursing Agent pursuant to this Plan.

10.7 Surrender of Instruments

Pursuant to Bankruptcy Code section 1143, as a condition precedent to receiving any Distribution under this Plan, each holder of a certificated instrument or note must surrender such instrument or note held by it to the Disbursing Agent or its designee. Any holder of such instrument or note that fails to (i) surrender the instrument or note or (ii) execute and deliver an affidavit of loss or indemnity reasonably satisfactory to the Disbursing Agent and furnish a bond in form, substance, and amount reasonably satisfactory to the Disbursing Agent before the third anniversary of the Plan Confirmation Date shall be deemed to have forfeited all rights and claims and may not participate any Distribution hereunder.

10.8 IRS Form W-9

Pursuant to Bankruptcy Code section 1143, as a condition precedent to receiving any Distribution under this Plan, each holder of an Allowed Claim that is entitled to a Distribution under the Plan must, if requested by the Plan Administrator, provide the Plan Administrator an executed IRS Form W-9 (or an acceptable substitute). Any holder of an Allowed Claim that fails to provide, upon request, an executed IRS Form W-9 (or an acceptable substitute) before the third anniversary of the Plan Confirmation Date shall be deemed to have forfeited all rights and claims and may not participate any Distribution hereunder.

10.9 Delivery of Distributions

Subject to applicable Bankruptcy Rules, all Distributions to holders of Allowed Claims shall be made to the Disbursing Agent, who shall transmit such Distributions to the applicable holders of Allowed Claims or their designees. If any Distribution to a holder of an Allowed Claim is returned as undeliverable, the Disbursing Agent shall have no obligation to determine the correct current address of such holder, and no Distribution to such holder shall be made unless and until the Disbursing Agent is notified by the holder of the current address of such holder within ninety (90) days of such Distribution, at which time a Distribution shall be made to such holder, without interest; provided that such Distributions shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code at the expiration of ninety (90) days from the Distribution. After such date, all unclaimed property or interest in property shall revert to the Estates to be distributed in accordance with the terms of this Plan, and the Claim of any other holder to such property or interest in property shall be forever barred, without further order of the Court.

10.10 Manner of Payment

Any Distributions to be made by or on behalf of the Debtors pursuant to this Plan shall be made by checks drawn on accounts maintained by the Debtors or the Plan Administrator, as applicable, or by wire transfer if circumstances justify, at the option of the Debtors or the Plan Administrator, as applicable.

10.11 Setoffs

The Debtors and the Plan Administrator, pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable bankruptcy or nonbankruptcy law, with the approval of the Bankruptcy Court and upon no less than three (3) days' notice to the applicable holder of a Claim, or as may be agreed to by the holder of a Claim, may, but shall not be required to, set off against any Allowed Claim and the Distributions to be made pursuant to this Plan on account of such Allowed Claim (before any Distribution is to be made on account of such Allowed Claim), any claims of any nature whatsoever that the Debtors may have against the holder of such Allowed Claim, provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release by the Debtors or the Plan Administrator of any such claim the Debtors may have against the holder of such Claim.

10.12 Minimum Distributions

No payment of Cash in an amount of less than \$25 shall be required to be made on account of any Allowed Claim. Such undistributed amount may instead be used in accordance with the Plan. If the Cash available for the final Distribution is less than \$10,000, and the Plan Administrator, in its sole discretion, determines that it would cost more than \$5,000 to distribute such funds, the Plan Administrator may donate such funds to the Consumer Bankruptcy Assistance Project.

10.13 Allocation of Distributions Between Principal and Interest

To the extent that any Allowed Claim entitled to a Distribution under this Plan includes both principal and accrued but unpaid interest, such Distribution shall be allocated to the principal amount (as determined for federal income tax purposes) of the Claim first, and then to accrued but unpaid interest.

10.14 Distributions Free and Clear

Except as otherwise provided in this Plan, any Distribution or transfer made under this Plan, including Distributions to any holder of an Allowed Claim, shall be free and clear of any liens, Claims, encumbrances, charges and other interests, and no other entity shall have any interest, whether legal, beneficial or otherwise, in property distributed or transferred pursuant to this Plan.

SECTION 11 PROCEDURES FOR DISPUTED CLAIMS

11.1 Preservation of Rights/Defenses; Standing to Object

On the Effective Date, the Plan Administrator shall be vested with any and all rights and defenses each Debtor had with respect to any Claim immediately prior to the Effective Date. After the Effective Date, the Plan Administrator shall have standing to file objections to Claims. Any such objections shall be filed and served on or before the later of (i) 180 days after the Effective Date or (ii) such other later date as may be fixed by the Bankruptcy Court after notice and a hearing.

11.2 Estimation of Claims

After the Effective Date, the Plan Administrator may (but is not required to) at any time request that the Bankruptcy Court estimate any Contingent Claim or Disputed Claim pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether an objection was previously filed with the Bankruptcy Court with respect to such Claim, or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to any Claim, including during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any Contingent Claim or Disputed Claim, the amount so estimated shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on the amount of such Claim, the Plan Administrator may pursue supplementary proceedings to object to the allowance of such Claim.

11.3 Distributions Relating to Disputed Claims

At such time as a Disputed Claim becomes an Allowed Claim, the Disbursing Agent shall distribute to the holder of such Claim, such holder's Pro Rata Share of the property distributable with respect to the Class in which such Claim belongs. To the extent that all or a portion of a Disputed Claim is disallowed, the holder of such Claim shall not receive any Distribution on account of the portion of such Claim that is disallowed and any property withheld pending the resolution of such Claim shall be reallocated *pro rata* to the holders of Allowed Claims in the same Class.

11.4 Disallowed Claims

All Claims held by persons or entities against whom or which any Debtor or the Plan Administrator has commenced a proceeding asserting a Cause of Action under sections 542, 543, 544, 545, 547, 548, 549, or 550 of the Bankruptcy Code or that is a transferee of a transfer avoidable under section 522(f), 522(h), 544, 545, 548, 549 or 724(a) of the Bankruptcy Code shall be deemed disallowed Claims pursuant to section 502(d) of the Bankruptcy Code and holders of such Claims shall not be entitled to vote to accept or reject this Plan. A Claim deemed disallowed pursuant to this Section shall continue to be disallowed for all purposes until the relevant proceeding against the holder of such Claim has been settled or resolved by a Final Order and any sums due to the Debtors or the Plan Administrator from such holder have been paid.

SECTION 12 PROPOSED RETIREE SETTLEMENT

As mentioned above, on February 23, 2018, the Debtors filed the Termination Motion, seeking the Court's authorization to terminate the Retiree Welfare Plans on the terms proposed in the Termination Motion and set forth below (the "***Retiree Settlement***"). The Retiree Settlement shall become effective only if approved by Order of the Bankruptcy Court, which Order may be (but is not required to be) the Confirmation Order. The Retirees' Committee has rejected the Retiree Settlement, and, on February 26, 2018, the Retirees' Committee's counsel provided counsel for the Debtors with a counterproposal. Counsel for the Debtors and Retirees' Committee, respectively, are currently negotiating the terms of the settlement. It is possible that terms different from those stated in Sections 12.2-12.5 herein may either be negotiated and agreed upon by the parties, subject to approval by the Bankruptcy Court, or otherwise approved by the Bankruptcy Court.

12.1 Termination of Retiree Welfare Plans

The Debtors will terminate any remaining Retiree Welfare Plans including, for the avoidance of doubt, all coverage and benefits provided thereunder, effective as of March 31, 2018 (the "***Termination Date***"). On and after the Termination Date, the Debtors shall have no further obligations (and the Plan Administrator shall have no obligations) under any Retiree Welfare Plan.

12.2 Run-Off Period

The time period for making a claim for payment or reimbursement of benefits, if any, covered by the relevant Retiree Medical Plan(s) will be, if applicable, 60 days following the Termination Date (the "***Run-Off Period***"). Claims for reimbursement of benefits covered by the relevant Retiree Welfare Plan(s) for claims incurred prior to the Termination Date that are not properly made in accordance with the relevant Retiree Medical Plan(s) prior to the expiration of the Run-Off Period will be disallowed for all purposes.

12.3 Settlement Administration and Amount

The Retiree's Committee and its advisors will administer the claims and the settlement proceeds. On the Termination Date, the Debtors shall pay an aggregate amount of \$30,000 (the "***Retiree Settlement Amount***") to the Retirees' Committee for distribution to the Retirees, which amount will cover, among other things, all actual and documented out-of-pocket incremental expenses and/or penalties incurred by the Retirees as a result of the termination, cancellation, and/or expiration of the Retiree Welfare Plans. The Retirees' Committee shall have sole responsibility, in its discretion, for apportioning the Retiree Settlement Amount and remitting such amounts to each Retiree and the fees of Retirees' Committee counsel or other advisors incurred in administering the Retiree Claims. The payment to the Retirees' Committee of the Retiree Settlement Amount shall fully satisfy any and all Retiree Claims.

12.4 Release by Retirees

Effective upon the Retirees' Committee's receipt of the Retiree Settlement Amount, for the good and valuable consideration provided by the Debtors in connection with the Retiree Settlement, the Retirees' Committee, on behalf of each holder of a Retiree Claim and each of his

or her respective spouses, dependents, heirs, distributees, executors, administrators, officers, directors, agents, representatives, successors and assigns of his or her Retiree Claim, and each of the members of the Retirees' Committee in his or her capacity as such (collectively, the "**Retiree Parties**") shall knowingly and voluntarily release and forever discharge the Debtors, their estates, the Retiree Welfare Plans, the Retiree Welfare Plan administrators, and each of their respective past and present parents, subsidiaries, affiliates, general partners, limited partners, shareholders, administrators, liquidators, directors, officers, employees, managers, agents, attorneys, solicitors, trustees, fiduciaries, accountants, and advisors, and each of their predecessors, successors and assigns (collectively, the "**Debtor Releasees**"), from any and all Retiree Claims, whether known or unknown, suspected or unsuspected, accrued or unaccrued, matured or unmatured, past or present, fixed or contingent, liquidated or unliquidated, that the Retiree Parties now have, had, may have had, or hereafter may have against any of the Debtor Releasees. This Retiree Release provides for and effectuates a discharge of the Debtor Releasees to the fullest extent permitted by applicable law with respect to any and all Retiree Claims.

12.5 Retirees' Committee Counsel Fees

Any Allowed accrued Professional Compensation Claims to the Retirees' Committee incurred through the entry of an order approving the Termination Motion will be paid pro rata along with other allowed professional fees of the Debtors and the Creditors' Committee in these Chapter 11 Cases.

SECTION 13 EXECUTORY CONTRACTS AND UNEXPIRED LEASES

13.1 General Treatment

All executory contracts and unexpired leases to which any of the Debtors are parties are hereby rejected as of the Effective Date except for an executory contract or unexpired lease that (i) previously has been assumed pursuant to Final Order of the Bankruptcy Court, (ii) is specifically designated as an executory contract or unexpired lease to be assumed in this Plan or in any Plan Supplement, or (iii) is the subject of a separate assumption motion filed by the Debtors under section 365 of the Bankruptcy Code prior to the Effective Date.

Assumption of any executory contract or unexpired lease pursuant to this Plan or otherwise shall result in the full, final, and complete release and satisfaction of any Claims or defaults, whether monetary or nonmonetary, including defaults or provisions restricting the change in control of ownership interest composition or other bankruptcy-related defaults, arising under any assumed executory contract or unexpired lease at any time prior to the effective date of assumption. Any Claim listed in the Schedules and any Proofs of Claim filed with respect to any executory contract or unexpired lease that has been assumed prior to the Effective Date shall be deemed disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or any other entity.

13.2 Rejection Damages Claims

In the event that the rejection of an executory contract or unexpired lease by any of the Debtors pursuant to this Plan results in a Rejection Damages Claim in favor of a counterparty to such executory contract or unexpired lease, such Rejection Damages Claim, if not heretofore

evidenced by a timely and properly filed Proof of Claim, shall be forever barred and shall not be enforceable against the Debtors, the Estates, or their property, unless a Proof of Claim is filed with the Bankruptcy Court and served upon counsel for the Plan Administrator on or before the date that is thirty (30) days after the Effective Date or such later rejection date that occurs as a result of a dispute concerning amounts necessary to cure any defaults. All Allowed Rejection Damages Claims shall be treated as General Unsecured Claims pursuant to the terms of this Plan.

13.3 Reservation of Rights

The inclusion of any contract or lease in the Schedules or in any Plan Supplement shall not constitute an admission by the Debtors that such contract or lease is in fact an executory contract or unexpired lease or that any Debtor has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or Plan Administrator, as applicable, may elect within 30 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease under the Plan by filing a notice of such election on the docket of the Chapter 11 Cases.

SECTION 14 CONDITIONS PRECEDENT TO EFFECTIVE DATE

14.1 Conditions Precedent

The occurrence of the Effective Date of this Plan is subject to the following conditions precedent:

- (a) the Plan Confirmation Order in form and substance satisfactory to the Plan Proponents shall have been entered by the Bankruptcy Court and shall be a Final Order;
- (b) all actions, documents, and agreements necessary to implement this Plan and any Plan Transactions, shall have been effected or executed;
- (c) the Debtors shall have received all authorizations, consents, regulatory approvals, rulings, letters, no-action letters, opinions, or documents necessary to implement this Plan and any Plan Transactions and that are required by law, regulation, or order;
- (d) the absence of any pending or threatened government action or any law that has the effect of or actually does prevent consummation of any Plan Transactions; and
- (e) there shall have been no modification or stay of the Plan Confirmation Order or entry of other court order prohibiting transactions contemplated by this Plan from being consummated.

14.2 Waiver of Conditions

Unless otherwise specifically provided in this Plan, the conditions set forth in Section 14.1 may be waived in whole or in part upon mutual consent by the Debtors and the Creditors' Committee, without notice to any other parties in interest or the Bankruptcy Court and without a hearing.

14.3 Effect of Failure of Conditions

If the conditions precedent specified in Section 14.1 have not been satisfied or waived by the Creditors' Committee within one hundred twenty (120) days after the Plan Confirmation Date, which period may be extended upon mutual consent by the Debtors and the Creditors' Committee, then (i) the Plan Confirmation Order shall be vacated, (ii) no Distributions under this Plan shall be made, (iii) the Debtors and all holders of Claims and Interests shall be restored to the *status quo ante* as of the day immediately preceding the Plan Confirmation Date, as though the Plan Confirmation Date never occurred, and (iv) all of the Debtors' obligations with respect to Claims and Interests shall remain unchanged, and nothing contained herein shall be deemed to constitute a waiver or release of any Claims or Interests by or against the Debtors or any other entity or to prejudice in any manner the rights of the Debtors or any other entity in any further proceedings involving the Debtors or otherwise.

SECTION 15 EFFECT OF CONFIRMATION

15.1 Vesting of Assets

On the Effective Date, pursuant to Bankruptcy Code sections 1141(b) and 1141(c), all Assets of the Debtors and the Estates, including Cash, the Reserved Causes of Action, and the D&O Liability Insurance Policies, shall vest in the Plan Administrator free and clear of all Claims, liens, encumbrances, charges, and other interests except as otherwise expressly provided in this Plan.

15.2 Binding Effect

Notwithstanding Bankruptcy Rules 3020(e), 6004(g), or 7062 or otherwise, upon the occurrence of the Effective Date, the terms of the Plan shall be immediately effective and enforceable and deemed binding upon the Debtors, the Creditors' Committee, the Retirees' Committee, and all present and former holders of Claims against and Interests in any Debtor, regardless of whether any such holder of a Claim or Interest has voted or failed to vote to accept or reject this Plan and regardless of whether any such holder of a Claim or Interest is entitled to receive any Distribution under this Plan.

15.3 Compromise and Settlement of Claims, Interests, and Controversies

Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration for the distributions and other benefits provided pursuant to this Plan, the provisions of this Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the relative legal, equitable, and contractual rights of the holders of Other Secured Claims, General Unsecured Claims, Intercompany Claims, and Intercompany Interests with respect to Distributions from the Debtors' Estates; provided, however, the provisions of this Plan shall have no effect on the VP Causes of Action or the Adversary Proceeding.

The entry of the Plan Confirmation Order shall constitute the Bankruptcy Court's approval of all compromises and settlements embodied in the Plan, as well as a finding by the Bankruptcy Court that such compromises and settlements are in the best interests of the Debtors, their Estates, and holders of Claims and are fair, equitable, and reasonable.

After the Effective Date, the Plan Administrator, on behalf of the Estates, may, and shall have the exclusive right to, compromise and settle any claims and any Causes of Action against any other person or entity without notice to or approval from the Bankruptcy Court, including any and all derivative actions pending or otherwise existing against the Debtors as of the Effective Date.

15.4 Injunction

Except as otherwise expressly provided in this Plan, the Plan Confirmation Order, or a separate order of the Bankruptcy Court, all persons and entities who have held, hold or may hold Claims against or Interests in any or all of the Debtors, are permanently enjoined, on and after the Effective Date, from (a) commencing or continuing in any manner any action or other proceeding of any kind against the Debtors, the Estates, the Plan Administrator, or their respective properties, with respect to any such Claim or Interest; (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Debtors, the Estates, the Plan Administrator, or their respective properties, on account of any such Claim or Interest; (c) creating, perfecting or enforcing any encumbrance of any kind against the Debtors, the Estates, the Plan Administrator, or their respective properties, on account of any such Claim or Interest; (d) asserting any right of setoff of any kind against any obligation due from the Debtors or against the property or interests in property of the Debtors or the Estates on account of any such Claim or Interest; and (e) commencing or continuing in any manner any action or other proceeding of any kind with respect to any claims and Causes of Action which are retained pursuant to this Plan.

Upon the Bankruptcy Court's entry of the Plan Confirmation Order, all holders of Claims and Interests and other parties in interest, along with their respective present or former employees, agents, officers, directors, or principals, shall be enjoined from taking any actions to interfere with the implementation or consummation of this Plan by the Debtors, the Plan Administrator, and their respective affiliates, employees, advisors, officers and directors, or agents.

For the avoidance of doubt, nothing in this Section 15.4 is intended, nor shall it be construed, to enjoin or preclude the PBGC or the Pension Plans from enforcing any liability or responsibility with respect to any Pension Plan under any law, governmental policy, or regulatory provision, against a party other than the Debtors or the Plan Administrator.

15.5 Term of Injunctions or Stays

Except as otherwise provided in this Plan, to the maximum extent permitted by applicable law and subject to the Bankruptcy Court's post-confirmation jurisdiction to modify the injunctions and stays under this Plan, (a) all injunctions with respect to or stays against an action against property of the Debtors' Estates arising under or entered during the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code, and in existence on the Plan Confirmation Date, shall remain in full force and effect until such property is no longer property of the Debtors' Estates, and (b) all other injunctions and stays arising under or entered during the Chapter 11 Cases under sections 105 or 362 of the Bankruptcy Code shall remain in full force and effect until the earliest of (i) the date that the Chapter 11 Cases are closed pursuant to a Final Order of the Bankruptcy Court or (ii) the date that the Chapter 11 Cases are dismissed pursuant to a Final Order of the Bankruptcy Court.

For the avoidance of doubt, there are currently no injunctions or stays arising under or entered during the Chapter 11 Cases that would enjoin or preclude the PBGC or the Pension Plans from enforcing any liability or responsibility with respect to any Pension Plan under any law, governmental policy, or regulatory provision, against a party other than the Debtors.

15.6 Debtor and Estate Releases

On the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Released Parties (§ 3.1.107) are deemed fully, completely, unconditionally, and irrevocably released and discharged by the Debtors, their Estates, the Debtors' current and former affiliates, and representatives, to the fullest extent permitted by applicable law, as such law may be extended or interpreted subsequent to the Effective Date, from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Debtors or their Estates, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Debtors and their Estates would have been legally entitled to assert in their own right (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the negotiation, documentation, and consummation of the Sale and the DIP Facility, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtors and any of the Released Parties, the negotiation, formulation or preparation of the Plan, the Plan Documents, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Plan Confirmation Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by a Final Order to have constituted a crime, willful misconduct, or gross negligence; provided, however, that the foregoing release shall not affect any obligation or liability arising post-Effective Date under the Plan or in connection with any Plan Transaction. For the avoidance of doubt, the foregoing release shall have no effect on the VP Causes of Action or the Adversary Proceeding.

15.7 Waiver of Statutory Limitations on Releases

Each of the parties providing the releases contained above expressly acknowledges that although ordinarily a general release may not extend to Claims or Causes of Action that the releasing party does not know or suspect to exist in its favor, which if known by it may have materially affected its settlement with the party released, they have carefully considered and taken into account in determining to enter into the above releases the possible existence of such unknown losses or claims. Without limiting the generality of the foregoing, each releasing party expressly waives any and all rights conferred upon it by any statute or rule of law which provides that a release does not extend to claims which the claimant does not know or suspect to exist in its favor at the time of providing the release, which if known by it may have materially affected its settlement with the Released Party. The releases contained in this Combined Plan and Disclosure Statement are effective regardless of whether those released matters are presently known, unknown, suspected or unsuspected, foreseen or unforeseen.

15.8 Releases by Certain Holders of Claims

On the Effective Date, for good and valuable consideration, the adequacy of which is hereby confirmed, the Released Parties (§ 3.1.107), but excluding the Debtors, are deemed released and discharged by the Releasing Parties (§ 3.1.108) to the fullest extent permitted by applicable law, as such law may be extended or interpreted subsequent to the Effective Date, from any and all claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative claims asserted or assertable on behalf of the Releasing Parties, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that the Releasing Parties would have been legally entitled to assert in their own right (whether individually or collectively), based on or relating to, or in any manner arising from, in whole or in part, the Debtors, the Chapter 11 Cases, the negotiation, documentation, and consummation of the Sale, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the business or contractual arrangements between the Debtors and any of the Released Parties, the negotiation, formulation or preparation of the Plan, the Plan Documents, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Plan Confirmation Date, other than claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by a Final Order to have constituted a crime, willful misconduct, or gross negligence; provided, however, that the foregoing release shall not affect any obligation or liability arising post-Effective Date under the Plan or in connection with any Plan Transaction. For the avoidance of doubt, the foregoing release shall have no effect on the VP Causes of Action or the Adversary Proceeding.

For the avoidance of doubt, the PBGC or the Pension Plans are not Releasing Parties for any purpose under this Plan.

15.9 Exculpation

Upon and effective as of the Effective Date, the Plan Proponents will be deemed to have solicited acceptances of this Plan in good faith and in compliance with the applicable provisions of the Bankruptcy Code, including section 1125(e).

The Exculpated Parties shall neither have nor incur any liability to any entity for any postpetition act taken or omitted to be taken in connection with, or related to, the Chapter 11 Cases, including with respect to (i) the negotiation, documentation, and consummation of the Sale and any contract, instrument, release or other agreement or document created or entered into in connection with the Sale, (ii) the formulation, negotiation, preparation, dissemination, implementation, administration, confirmation, and effectuation of the Plan and any contract, instrument, release or other agreement or document created or entered into in connection with the Plan, or (iii) any other postpetition action taken or omitted to be taken or in connection with these Chapter 11 Cases; provided, however, that the foregoing “exculpation” shall have no effect on (i) the liability of any entity that results from any such act or omission that is determined by a Final Order to have constituted a crime, willful misconduct, or gross negligence, or (ii) the VP Causes of Action or the Adversary Proceeding.

15.10 Dissolution of Official Committees

On the Effective Date, (i) the Creditors' Committee's rights with respect to the VP Causes of Action and the Adversary Proceeding shall vest in the Plan Administrator, as representative of the Estates, and (ii) the Creditors' Committee shall have no further powers or duties and shall be dissolved for all purposes.

Following distribution of the Retiree Settlement Amount pursuant to the Retiree Settlement, the Retirees' Committee shall have no further powers or duties and shall be dissolved for all purposes. Notwithstanding foregoing, the Creditors' Committee, Retirees' Committee, and their respective Professionals shall be entitled, after notice and a hearing, to reasonable compensation and reimbursement of actual and necessary expenses incurred post-dissolution in preparing and filing applications for Accrued Professional Compensation Claims and reimbursement of expenses incurred by members of the Creditors' Committee and Retirees' Committee.

15.11 Retention of Causes of Action/Reservation of Rights

Except as otherwise expressly provided herein, including in Section 15.6, nothing contained in this Plan, the Plan Documents, or in the Plan Confirmation Order shall be deemed to be a waiver or relinquishment of any claim, Cause of Action, right of setoff, or other legal or equitable right or defense that the Plan Administrator may choose to assert on behalf of the Debtors' Estates under any provision of the Bankruptcy Code or any applicable nonbankruptcy law or rule, common law, equitable principle, or other source of right or obligation. No entity may rely on the absence of a specific reference in this Plan or the Plan Supplement to any Cause of Action against it as any indication that the Debtors or the Plan Administrator, as applicable, will not pursue any and all available Causes of Action against them. The Debtors and the Plan Administrator expressly reserve all rights to prosecute any and all Causes of Action against any entity, except as otherwise expressly provided in this Plan.

SECTION 16 RETENTION OF JURISDICTION

On and after the Effective Date, the Bankruptcy Court shall retain jurisdiction, to the maximum extent permitted by law, over all matters arising in, arising under, and related to the Chapter 11 Cases for, among other things, the following purposes:

(a) to hear and determine motions or applications for the assumption or rejection of executory contracts or unexpired leases and the allowance, classification, priority, compromise, estimation, or payment of Claims resulting therefrom;

(b) to determine any motion, adversary proceeding, application, contested matter, and other litigated matter pending on or commenced after the Plan Confirmation Date;

(c) to ensure that Distributions to holders of Allowed Claims are accomplished as provided herein;

(d) to consider Claims or the allowance, classification, priority, compromise, estimation, or payment of any Claim;

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

(f) to issue injunctions, enter and implement other orders, and take such other actions as may be necessary or appropriate to restrain interference by any person with the consummation, implementation, or enforcement of this Plan, the Plan Confirmation Order, or any other order of the Bankruptcy Court;

(g) to hear and determine any application to modify this Plan in accordance with applicable provisions of the Bankruptcy Code, to remedy any defect or omission or reconcile any inconsistency in this Plan or any order of the Bankruptcy Court, including the Plan Confirmation Order, in such a manner as may be necessary to carry out the purposes and effects thereof;

(h) to hear and determine all applications under sections 330, 331, and 503(b) of the Bankruptcy Code for awards of compensation for services rendered and reimbursement of expenses incurred prior to the Effective Date;

(i) to hear and determine all requests for payment of Administrative Expense Claims;

(j) to hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan, the Plan Confirmation Order, any transactions or payments contemplated hereby or under any agreement, instrument, or other document governing or relating to any of the foregoing;

(k) to take any action and issue such orders as may be necessary to construe, enforce, implement, execute, and consummate this Plan or to maintain the integrity of this Plan following consummation;

(l) to hear any disputes arising out of, and to enforce any order approving alternative dispute resolution procedures to resolve, personal injury, employment litigation, and similar claims pursuant to section 105(a) of the Bankruptcy Code;

(m) to determine such other matters and for such other purposes as may be provided in the Plan Confirmation Order;

(n) to hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code (including any requests for expedited determinations under section 505(b) of the Bankruptcy Code);

(o) to hear and determine any other matters related hereto and not inconsistent with the Bankruptcy Code and title 28 of the United States Code;

(p) to enter a final decree closing the Chapter 11 Cases;

(q) to recover all assets of the Debtors and property of the Debtors' Estates, wherever located; and

(r) to hear and determine any Reserved Causes of Action that may be brought by the Plan Administrator, including with respect to any transfers to insiders within the year prior to the Petition Date;

(s) to hear and determine any other rights, claims, or Causes of Action held by or accruing to the Debtors or the Plan Administrator pursuant to the Bankruptcy Code or any applicable state or federal statute or legal theory; and

(t) to hear and adjudicate the Adversary Proceeding and any and all related proceedings.

SECTION 17 MISCELLANEOUS PROVISIONS

17.1 Payment of Statutory Fees

All fees payable pursuant to 28 U.S.C. § 1930 any applicable interest thereon that are due and payable as of the Effective Date shall be paid by the Debtors or the Plan Administrator on the Effective Date. All such fees and any applicable interest thereon that become due and payable after the Effective Date shall be paid by the Plan Administrator from the Estates' Assets when such fees become due and payable. All such fees and any applicable interest thereon shall continue to become due and payable until the entry of a final decree closing the Chapter 11 Cases or conversion or dismissal of the Chapter 11 Cases, whichever is earlier.

17.2 Substantial Consummation

On the Effective Date and the commencement of Distributions under this Plan, this Plan shall be deemed to be substantially consummated within the meaning set forth in section 1101 and pursuant to section 1127(b) of the Bankruptcy Code.

17.3 Operations Between the Plan Confirmation Date and Effective Date

During the period from the Plan Confirmation Date through and until the Effective Date, the Debtors shall remain debtors in possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect. After the Effective Date, the Plan Administrator shall file with the Bankruptcy Court and submit to the United States Trustee regular post-confirmation status reports every three months, on or before each of the 15th day of January, April, July, and October as appropriate, until the Chapter 11 Cases are closed, converted, or dismissed.

17.4 Determination of Tax Liabilities

The Debtors or the Plan Administrator (as applicable) shall, pursuant to section 505(b) of the Bankruptcy Code, have the right to request an expedited determination of any unpaid liability of the Debtors' Estates for any tax incurred during the administration of the Chapter 11 Cases.

17.5 Amendments

17.5.1 Modifications to Plan and Plan Supplement

This Plan or the Plan Supplement may be amended, modified, or supplemented by the Plan Proponents in the manner provided for by section 1127 of the Bankruptcy Code or as otherwise permitted by law without additional disclosure pursuant to section 1125 of the Bankruptcy Code, provided that notice and an opportunity to object shall be provided with respect to any material post-confirmation modifications to this Plan or the Plan Supplement. In addition, after the Plan Confirmation Date, the Plan Proponents may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in this Plan, the Plan Supplement, or the Plan Confirmation Order with respect to such matters as may be necessary to carry out the purposes and effects of this Plan.

17.5.2 Other Amendments

The Plan Proponents may make appropriate technical adjustments and modifications to this Plan or the Plan Supplement prior to the Effective Date without further order or approval of the Bankruptcy Court.

17.6 Revocation or Withdrawal of the Plan

The Plan Proponents reserve the right to revoke or withdraw this Plan at any time prior to the Effective Date, provided that such action may only be taken if it is in the exercise of the Plan Proponents' fiduciary duty to creditors. If the Plan Proponents take such action, this Plan shall be deemed null and void. In such event, nothing contained herein shall constitute or be deemed to be a waiver or release of any Claims by or against the Plan Proponents or any other person or to prejudice in any manner the rights of the Plan Proponents or any person in further proceedings involving the Debtors.

17.7 Savings Clause

If, prior to the entry of the Plan Confirmation Order, any term or provision of this Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable as proposed, the Bankruptcy Court, at the request of the Plan Proponents, shall have the power to alter or interpret such term or provision so as to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of this Plan will remain in full force and effect and will in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Plan Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of this Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

17.8 Severability of Subplans

If any Debtor's Subplan is not confirmed, then the Plan Proponents reserve the right to (i) request that the other Subplans be confirmed, (ii) revoke or withdraw any of the Subplans, or (iii) seek conversion, dismissal, or abstention with respect to, the Chapter 11 Case of the Debtor whose Subplan is not confirmed. The Plan Proponents' inability to confirm, or election to revoke or withdraw, any Subplan shall not impair the confirmation of the other Subplans.

17.9 Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and the Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware, without giving effect to the principles of conflicts of laws, shall govern the rights, obligations, construction, and implementation of this Plan and the transactions consummated or to be consummated in connection therewith.

17.10 Effective Notice

All notices, requests, and demands to or upon the Plan Proponents in connection with this Plan shall be in writing and, unless otherwise provided herein, shall be deemed to have been duly given or made when actually delivered to the below recipients:

(a) If to the Debtors, to:

DLA Piper LLP (US)
1201 North Market Street, Suite 2100
Wilmington, DE 19801
Attn: Stuart M. Brown, Esq.

-and-

DLA Piper LLP (US)
444 West Lake Street, Suite 900
Chicago, IL 60606
Attn: John K. Lyons, Esq.
Daniel M. Simon, Esq.
Oksana Koltko Rosaluk, Esq.

(b) If to the Creditors' Committee, to:

Drinker Biddle & Reath LLP
222 Delaware Avenue, Suite 1410
Wilmington, DE 19801
Attn: Steven K. Kortanek, Esq.
Patrick A. Jackson, Esq.
Joseph N. Argentina, Jr., Esq.

-and-

Drinker Biddle & Reath LLP
600 Campus Dr.
Florham Park, NJ 07932-1047
Attn: Robert K. Malone, Esq.

SECTION 18 CRAMDOWN REQUEST

The Plan Proponents hereby request confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Class that is deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code. The Plan Proponents reserve the right to request confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any voting Class that votes to reject the Plan.

[Signature page follows]

Dated: March 5, 2018

KII LIQUIDATING INC. (F/K/A KATY INDUSTRIES, INC.)

COMPRO LIQUIDATING LLC (F/K/A CONTINENTAL COMMERCIAL PRODUCTS, LLC)

FTWH LIQUIDATING INC. (F/K/A FTW HOLDINGS, INC.)

FWPI LIQUIDATING INC. (F/K/A FORT WAYNE PLASTICS, INC.)

WABASH HOLDING CORP.

KTI LIQUIDATING INC. (F/K/A KATY TEWEH, INC.)

WII, INC.

TTI HOLDINGS, INC.

GCW, INC.


HERMANN LOWENSTEIN, INC.

AMERICAN GAGE & MACHINE COMPANY

WP LIQUIDATING CORP.

ASHFORD HOLDING CORP.

AND HPMI, INC.



By: Lawrence Perkins

Their: Chief Restructuring Officer

Dated: March 5, 2018

**OFFICIAL COMMITTEE OF UNSECURED
CREDITORS OF KII LIQUIDATING INC.
(F/K/A KATY INDUSTRIES, INC.) *et al.***

/s/ Creditors' Committee

By: Its Members

Deltco of Wisconsin, Inc. (d/b/a Deltco Plastics)

Majestic-Norwalk, LLC

Titan Manufacturing Group, LLC

Atreus Enterprises

Material Difference Technologies, LLC

Job Finders Employment Services, Co.

APPENDIX A

Chapter 7 Liquidation Analysis

Katy Industries, Inc.
Liquidation Analysis
2/27/2018

Sources of proceeds

Cash and cash equivalents

Current cash balance

Other assets

- 1 Recovery on litigation assets
- 2 Miscellaneous litigation recoveries - preferences
- 3 Overcollateralized Workers' Comp LOC

Total other assets

Total available proceeds for distribution

Administrative and priority claims

Estimated unpaid admin & priority claims

- 4 Chapter 7 Trustee fees and expenses

- 5 Chapter 7 contingency counsel fees

Plan Administrator fees and expenses

Plan Administrator contingency counsel fees

Total disbursements

- 6 **Total available proceeds**

Chapter 11 claims pool

- 7 **General Unsecured Claims**

PBGC Unsecured Claims

Total General Unsecured Claims

Proceeds available for distribution

% recovery

Chapter 7 claims pool

- 7 **General Unsecured Claims**

PBGC Unsecured Claims

Total General Unsecured Claims

Proceeds available for distribution

% recovery

Estimated Recovery on Litigation Assets

\$3.5 million

Chapter 11 - Plan

Chapter 7 - Liquidation

\$688,000

\$688,000

\$688,000

\$688,000

\$3,500,000

\$3,500,000

\$228,769

\$228,769

\$800,000

–

\$4,528,769

\$3,728,769

\$5,216,769

\$4,416,769

\$1,400,000

\$1,400,000

–

\$132,503

–

\$1,491,508

\$200,000

–

\$500,000

–

\$2,100,000

\$3,024,011

\$3,116,769

\$1,392,758

\$26,869,806

\$1,352,008

\$28,221,814

\$3,116,769

11.044%

\$26,869,806

\$1,352,008

\$28,221,814

\$1,392,758

4.935%

Notes

- 1 Estimated recovery on litigation assets is taken as the midpoint of estimated recoveries from pending litigation between \$0.0 million to \$7.0 million. This amount does not include additional causes of action that, if successfully prosecuted, could increase the recovery from litigation assets. At this time, no complete estimates have been made regarding these potential recovery amounts.
- 2 Estimated recovery on miscellaneous preference litigation is calculated at a discount of estimates.
- 3 The approximate \$800,000 overcollateralized Workers' Comp Letter of Credit, which will not be available for a number of years, would only be realizable under a Chapter 11 plan structure.
- 4 Chapter 7 Trustee fees are estimated to be 3.0% of the total available proceeds for distribution.
- 5 Chapter 7 contingency counsel fees are estimated to be 40.0% of the total recovery value on all of the Debtors' litigation assets.
- 6 Total available proceeds assume the satisfaction of all unpaid admin and priority claims, including any scenario where deferred admin or priority claims are recouped from litigation recoveries.
- 7 General Unsecured Claims are as reported on the Debtors' consolidated and amended Schedules of Assets and Liabilities, excluding any amounts for intercompany transactions.