

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

In re:)	Chapter 11
)	
PITT PENN HOLDING CO., INC., <i>et al.</i> ¹ ,)	Case No. 09-11475 (BLS)
)	(Jointly Administered)
Debtors.)	
_____)	

**CHAPTER 11 TRUSTEE'S SECOND AMENDED DISCLOSURE STATEMENT FOR
CHAPTER 11 TRUSTEE'S SECOND AMENDED PLAN OF LIQUIDATION FOR
INDUSTRIAL ENTERPRISES OF AMERICA, INC.**

DATED: March 27, 2014

Patrick J. Reilley (No. 4451)
COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD, P.A.
500 Delaware Avenue, Suite 1410
Wilmington, DE 19801
Telephone: (302) 652-3131
Facsimile: (302) 574-2104
E-mail: preilley@coleschotz.com

Warren A. Usatine
COLE, SCHOTZ, MEISEL,
FORMAN & LEONARD, P.A.
25 Main Street
Hackensack, NJ 07601
Telephone: (201) 525-6233
Facsimile: (201) 678-6233
Email: wusatine@coleschotz.com

Counsel for the Chapter 11 Trustee

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are: Pitt Penn Holding Company, Inc. (3681), Pitt Penn Oil Company, LLC (8893), Industrial Enterprises of America, Inc. (3499), EMC Packaging, Inc. (3619), Today's Way Manufacturing LLC (0259), and Unifide Industries LLC (8701).

PLEASE REVIEW THIS DOCUMENT FOR IMPORTANT INFORMATION REGARDING:

- * Description of the Debtor**
- * Classification and Treatment of Claims and Interests**
- * Distribution to Holders of Allowed General Unsecured Claims**
- * Implementation and Execution of the Plan**
- * Treatment of Contracts and Leases and Procedures to Assert and Resolve Rejection Claims**

AND IMPORTANT DATES:

- * Date to Determine Record Holders of Claims and Interests – March 19, 2014**
- * Deadline to Submit Ballots – April 23, 2014 at 5:00 p.m. (MDT)**
- * Deadline to Object to Plan Confirmation April 23, 2014 at 4:00 p.m. (ET)**
- * Hearing on Plan Confirmation– April 30, 2014 at 11:30 a.m. (ET)**

A COPY OF THIS DISCLOSURE STATEMENT AND THE CHAPTER 11 TRUSTEE'S PLAN OF LIQUIDATION CAN BE FOUND AT <http://www.upshotservices/pittpenn>

1. **INTRODUCTION.**

Norman L. Pernick, the Chapter 11 Trustee (the “Trustee” or “Proponent”) appointed for Industrial Enterprises of America, Inc. (the “Debtor” or “IEAM”) and its debtor affiliates (collectively, the “Debtors”) in the above-captioned cases, by and through his undersigned counsel, submits this Second Amended Disclosure Statement (the “Disclosure Statement”) in connection with the Chapter 11 Trustee’s Second Amended Plan of Liquidation for Industrial Enterprises of America, Inc. (the “Plan”), attached hereto as Exhibit “A”, pursuant to Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”). Capitalized terms used and not otherwise defined herein shall have the same meanings as are ascribed to them in the Plan.

The Trustee provides this Disclosure Statement, pursuant to the requirements of section 1125 of the Bankruptcy Code, in order to provide to the holders of all Claims against and Interests in the Debtor adequate information about the Debtor and the Plan, so that they may make an informed judgment with respect to the merits of the Plan for voting purposes. By Order dated March 22, 2013, a Modified Third Amended and Further Restated Disclosure Statement, submitted on behalf of all the Debtors (the “Debtors Prior Disclosure Statement”) was approved by the Bankruptcy Court as containing “adequate information,” which is defined in section 1125(a)(1) of the Bankruptcy Code as “information of a kind, and in sufficient detail, as far as is reasonably practical in light of the nature and history of the debtor and the condition of the debtor’s books and records, including a discussion of the potential material Federal tax consequences of the plan to the debtor, any successor to the debtor, and a hypothetical investor typical of the holders of claims or interests in the case, that would enable a hypothetical reasonable investor, typical of holders of the relevant class to make an informed judgment about the Plan” **This Disclosure Statement contains information included in the Debtors Prior Disclosure Statement with respect to the Description of the Debtors and Debtors’ Business and Summary of the Bankruptcy Case. That information is set forth in Section 2 below in *ITALICS*. The information has not been independently verified by the Trustee or his professionals and the Trustee does not represent that the information is accurate.**

This Disclosure Statement does not purport to be a complete description of the Plan, the financial status of the Debtor, the applicable provisions of the Bankruptcy Code, or other matters that may be deemed significant by certain creditors and parties-in-interest. This Disclosure Statement is an attempt to set forth, in reasonable detail, information that will enable creditors and interest holders to make an informed judgment with respect to the Plan for voting purposes. The Disclosure Statement necessarily involves a series of compromises between “raw data,” the legal language in documents or statutes, and the considerations of readability and usefulness. For further information, you should examine the Plan directly (a copy of which accompanies this Disclosure Statement), and/or consult with your legal and financial advisors. The description of the Plan herein is provided only as a summary and it is recommended that all creditors and parties-in-interest review the Plan, the balance of this Disclosure Statement, and the other documents and information referenced herein, in order to obtain more complete information. Approval by the Bankruptcy Court of the Disclosure Statement does not constitute an approval of the Plan.

Other than as set forth in this Disclosure Statement, no representations concerning the Debtor, its assets, its financial condition, management or future operations are authorized by the

Trustee. Any representations or inducements made to secure acceptance of the Plan other than as contained in the Plan and described in this Disclosure Statement are not authorized by the Trustee and accordingly should not be relied upon by the holder of any Claim or Interest in reaching a decision whether or not to vote to accept or reject the Plan.

THE TRUSTEE URGES ALL HOLDERS OF CLAIMS AND INTERESTS HOLDERS ENTITLED TO VOTE ON THE PLAN TO VOTE TO ACCEPT THE PLAN.

TREATMENT AND CLASSIFICATION OF CLAIMS AND INTERESTS; IMPAIRMENT

The categories of Claims and Interests listed below classify Claims and Interests for all purposes, including voting, Confirmation and Distribution pursuant hereto and pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code. Attached hereto as Exhibit "B" is a chart reflecting potential recoveries to Holders of Claims and Interests based on potential post Effective Date litigation recoveries.

CLASS	TREATMENT	ESTIMATED ALLOWED AMOUNT	ESTIMATED PERCENTAGE RECOVERY
Unclassified Administrative Claims (Non-Voting)	Except to the extent that an Allowed Administrative Claim has been paid prior to the Effective Date, each holder of an Allowed Administrative Claim shall receive payment of the amount of such Allowed Administrative Claim in Cash on the Effective Date, or as soon as reasonably practicable thereafter, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Administrative Claim.	\$0 - \$850,000, plus (i) the Omtammot substantial contribution claim (\$800,000) as set forth in the Term Sheet (defined below) and (ii) plus unpaid professional fees.	100%
Unclassified Priority Tax Claims (Non-Voting)	Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date, each holder of an Allowed Priority Tax Claim shall receive payment of the amount of such Allowed Priority Tax Claim in Cash on the Effective Date, or as soon as reasonably practicable thereafter, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Priority Tax Claim.	\$0	100%

Class A Non-Tax Priority Claims (Unimpaired, Non-Voting)	Except to the extent that an Allowed Non-Tax Priority Claim has been paid prior to the Effective Date, each holder of an Allowed Non-Tax Priority Claim shall receive payment of the amount of such Allowed Non-Tax Priority Claim in Cash on the Effective Date, or as soon as reasonably practicable thereafter, in full satisfaction, settlement, release and discharge of, and in exchange for, such Non-Tax Priority Claim.	\$0 - \$50,000	100%
Class B Omtammot Secured Claim (Impaired, Voting)	The Holder of the Allowed Omtammot Secured Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Omtammot Secured Claim, the following: (i) the Net Sale Proceeds; (ii) Cash held by the Chapter 11 Trustee relating to litigation, rent and accounts receivable collection involving the Creighton Plant as set forth on the Term Sheet, including proceeds from the Crum & Forster Litigation; (iii) Cash in the amount of 8% of the gross proceeds received from Baker and Yale Settlements; and (iv) twenty eight (28%) percent of all recoveries net of attorneys' fees and expenses and commission from any pending and future Causes of Action in this Bankruptcy Case and any other recoveries. The face amount asserted as Omtammot's total claim against IEAM is \$8,083,675. Omtammot will be entitled to (i) receive cash from the proceeds of its collateral and (ii) to share with general unsecured creditors in the recovery from Causes of Action as set forth above as part of its unsecured deficiency claim.	\$4,001,000 plus twenty eight (28%) percent of all recoveries net of attorneys' fees and expenses and commission from any pending and future Causes of Action in this Bankruptcy Case	100%
Class C General Unsecured Claims (Impaired, Voting)	Holders of Allowed General Unsecured Claims shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, and (iv) the Allowed Omtammot Secured Claim, its Pro Rata share of the Liquidation Proceeds. A distribution to Holders of General Unsecured Claims will also only take place after the Trust Loan is repaid as set forth in the Term	\$2,915,400 (including Omtammot's deficiency claim)	The amount of distribution to Holders of Allowed General Unsecured Claims will depend on the post Effective Date Litigation recoveries.

	<p>Sheet. The amount of the distribution to Holders of Allowed General Unsecured Claims will increase if proceeds are recovered in the Litigation Cases. Holders of Allowed General Unsecured Claims may receive payment in full if: (a) certain filed claims are subordinated under section 510(b) of the Bankruptcy Code; (b) administrative claims are reduced as a result of claim objections; and (c) the Liquidating Trust recovers approximately \$2,900,000 in net proceeds after the Effective Date from the Litigation Cases, as described below and as defined in the Plan. Holders of Allowed Unsecured Claims will be entitled to recoveries, however, only after repayment of the Trust Loan and distributions required to paid on the Omtammot Secured Claim.</p>		Attached hereto as Exhibit "B" is a chart reflecting potential recovery scenarios.
Class D IEAM Subordinated Claims (Impaired, Voting)	<p>Holders of IEAM Subordinated Claims shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, (iv) the Allowed Omtammot Secured Claim, (v) Allowed General Unsecured Claims and (vi) repayment of the Trust Loan, their Pro Rata share of the Liquidation Proceeds. After the satisfaction of Allowed General Unsecured Claims, Holders of IEAM Subordinated Claims shall share pro rata in the Liquidation Proceeds with Holders of Existing IEAM Interests. All Subordinated Claims shall be treated as hypothetical shares of IEAM based upon the stock price of IEAM as of the Petition Date in determining any Pro Rata distributions on account of Equity Interests. The stock price of IEAM as of the Petition Date was \$0.01.</p>	\$20,991,000	TBD*
Class E Existing IEAM Interests	<p>Holders of Existing IEAM Interests shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed</p>	N/A	TBD*

* Subordinated Claims and IEAM Interests will only receive a distribution after higher priority claims are satisfied in full.

(Impaired, Voting)	Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, (iv) the Allowed Omtammot Secured Claim, (v) Allowed General Unsecured Claims, and (vi) repayment of the Trust Loan, their Pro Rata share of the Liquidation Proceeds. All Interests in IEAM shall be cancelled on the Effective Date and Holders of Existing IEAM Interests shall receive a beneficial interest in the Liquidating Trust. After the satisfaction of Allowed General Unsecured Claims, Holders of IEAM Interests shall share pro rata in the Liquidation Proceeds with Holders of IEAM Subordinated Claims.		
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Assumptions Under the Plan

Recoveries for creditors are dependent in part on the successful outcome of post Effective Date litigation recoveries. The gross amount asserted in the Litigation Cases is approximately \$60,000,000. To be clear, the Trustee does not represent that this is the actual amount that will be recovered. A chart reflecting potential recovery scenarios is attached hereto as Exhibit "B." It is anticipated that general unsecured creditors (inclusive of the calculated deficiency claim of Omtammot), will be paid if litigation recoveries, net of post Effective Date administrative costs and professional fees, approximately \$4 million. This estimate has been calculated based on the best and most current financial information available, and is predicated on a number of assumptions. Actual results may differ materially from estimated amounts, and, if so, general unsecured creditors may not receive any recovery, or it may take significantly more than \$4 million of net litigation recoveries to pay general unsecured creditors in full. Significant assumptions that must be realized in order to yield a recovery for general unsecured creditors include, but are not limited to: (a) anticipated net cash balances (after deducting and accounting for post-petition obligations accrued for, but unpaid) at June 30, 2014, (b) valuation of Omtammot's collateral and calculation of Omtammot's unsecured deficiency claim, (c) administrative claims that are not otherwise provided for in the aforementioned projection of net cash balances at June 30, 2014, and (d) the assumed amount of final allowed general unsecured claims. The following discussion sets forth the primary assumptions utilized in supporting the estimated recoveries for general unsecured creditors and equity:

Net Cash Balances Estimated at June 30, 2014:

The Debtor's actual net cash position at October 31, 2013 was \$4,845,000. That amount was calculated based on existing cash balances of \$7,654,000 at that date, less accrued and unpaid post-petition obligations of \$2,809,000.

For the period from November 1, 2013 through June 30, 2014, it was projected that the Debtor's net cash position at October 31, 2013 would erode by \$1,926,000, to yield projected net cash position of \$2,919,000 at June 30, 2014. That projected decrease in cash of \$1,926,000 was based on the assumed level of ordinary course expenses, professional fees, and projected commission to the Trustee. For the eight months ending June 30, 2014, no expenses associated

with the Debtor's retained litigation counsel have been forecasted. It has been assumed that those litigation expenses will not be significant during this period, and any such expenses incurred would be offset by litigation proceeds, to the extent recovered. The aforementioned projected net cash position at June 30, 2014 of \$2,919,000 was reduced by \$421,000 to account for the transfer to Omtammot of its cash collateral. Giving effect for these cash needs, IEAM's projected net cash position available to satisfy its plan obligations is estimated to be \$2,455,000 at June 30, 2014.

Pursuant to the Omtammot Settlement more fully described in this Disclosure Statement, certain payments and recoveries are anticipated to occur before any distributions are made to general unsecured creditors. From the estimated net cash balance of \$2,455,000 referred to in the preceding paragraph, IEAM will pay Omtammot its allowed substantial contribution claim and cash relating to the Baker and Yale Settlements. Further, the Liquidation Trust will be funded with a payment of \$500,000. The aforementioned payments, totaling \$2,580,000, will result in a cash deficit of approximately \$125,000 with regard to payments required to be made under the Plan on the Effective Date. The Omtammot Settlement requires that Omtammot lends the IEAM estate \$125,000 to remedy that deficit and allow the Effective Date to occur.

Valuation of Omtammot's Collateral and Deficiency Claim:

Assumptions utilized in valuing Omtammot's collateral directly impact the timing and extent of general unsecured creditor recoveries. Specifically, the ultimate value realized from the sale or liquidation of Omtammot's collateral will affect the extent of its resulting deficiency claim. Although the cash held by the Trustee as a result of the Baker and Yale Settlements is a fixed amount not subject to change, the ultimate amount realized through the liquidation of the other referenced collateral may result in amounts materially different than those amounts assumed herein.

Administrative Claims:

Certain former management members have filed post-petition administrative claims totaling approximately \$850,000. The Trustee has determined that those claims are without merit, and should not be allowed. Accordingly, the Trustee's professionals have filed or will file objections seeking disallowance of those claims in full. The ability of the Debtor to emerge from Chapter 11 is dependent, in part, on the disallowance of such administrative claims. To the extent that the Trustee's objections are overruled, the allowed portion of former management's administrative claims will adversely and perhaps materially impact on general unsecured creditors' projected recoveries. As of January 31, 2014, there was approximately \$2,132,000 in unpaid professional fees. Prior to the Trustee's appointment, approximately \$5,676,000 in professional fees and expenses were incurred. After the Trustee's appointment, approximately \$2,339,000 in professional fees and expenses were incurred.

On March 20, 2014, Michael Esposito ("Mr. Esposito") filed an adversary complaint (the "Esposito Complaint") (Adv. Pro. 14-50091-BLS) against, among others, IEAM. The Esposito Complaint states that Mr. Esposito has suffered damages in excess of \$100 million due to the conduct of the defendants. Mr. Esposito asserts that damages sought against IEAM in the amount of \$100 million are an administrative claim. Of the fourteen causes of action in the

Esposito Complaint, seven are against IEAM. Those include: (1) civil conspiracy; (2) intentional interference with prospective economic advantage; (3) abuse of process; (4) defamatory injury to reputation; (5) injurious falsehood; (6) intentional infliction of emotional distress; and (7) aiding and abetting the commission of a tort. These and the other causes of action revolve around actions alleged to have been taken by IEAM, its former CEO, its professionals, and other individuals and entities currently or formerly associated with IEAM or its former CEO. Specifically, Mr. Esposito alleges that the defendants participated in a massive scheme, which he likens to the pre-petition stock fraud that led to the filing of these cases, through which the defendants sought to drain the resources of IEAM solely for their own benefit and to the detriment of Mr. Esposito and all other parties in interest. He further alleges that the adversary proceeding filed by IEAM against Mr. Esposito and certain related entities as described below was done maliciously and with the intent to harm and discredit Mr. Esposito due to Mr. Esposito's discovery of the alleged scheme.

The Trustee acknowledges the seriousness of these allegations and the amount sought. If Mr. Esposito recovers any amounts asserted in the Esposito Complaint against IEAM as an administrative claim, such administrative claim would be entitled to be paid prior to any distribution to General Unsecured Claims or Interest Holders. Moreover, depending on the amount of the claim, the Plan may not have sufficient funds to become Effective. However, the Trustee believes that the claims asserted against IEAM in the Esposito Complaint are likely without merit and are subject to defenses. The Trustee intends to take action to promptly resolve and/or dismiss the Esposito Complaint as it relates to IEAM.

Final Allowed General Unsecured Claims:

The projected amount of IEAM's final allowed amount of general unsecured claims has been assumed to be \$2,915,400, inclusive of Omtamott's anticipated deficiency claim. The total amount of scheduled and filed general unsecured claims is \$23,936,000. Accordingly, estimated general unsecured creditor recoveries are predicated on the anticipated objection, subordination, or disallowance of approximately \$21,820,000 in filed or scheduled general unsecured claims. To the extent any of those claims are ultimately allowed, the projected recoveries will be adversely affected.

Of the amounts anticipated to be expunged, \$4,670,000 have been filed by insiders of Omtammot and will be consensually subordinated in connection with the Term Sheet. Approximately \$17,779,000 of filed unsecured claims are either being subordinated under the Plan or via adversary actions that the Trustee intends to file to subordinate such claims pursuant to section 510 of the Bankruptcy Code.

1.2. FINAL APPROVAL OF THE DISCLOSURE STATEMENT AND CONFIRMATION OF THE PLAN.

1.2.1. **Requirements.** The requirements for Confirmation of the Plan are set forth in § 1129 of the Bankruptcy Code. The requirements for the Disclosure Statement are set forth in § 1125 of the Bankruptcy Code.

1.2.2. **Approval of the Plan and Confirmation Hearing.** To confirm the Plan, the Bankruptcy Court must hold the Confirmation Hearing to determine whether the Plan meets the requirements of § 1129 of the Bankruptcy Code.

1.2.3. **Effect of Confirmation.** Except as otherwise provided in the Plan or in the Confirmation Order, confirmation will effect the continued administration of the Debtor's remaining assets in accordance with the Plan and the Liquidating Trust Agreement and the dissolution of the Debtor. Confirmation serves to make the Plan binding upon the Debtor, all Creditors, Interest Holders and other parties-in-interest, regardless of whether they cast a Ballot to accept or reject the Plan. Confirmation of the Plan shall constitute a finding that: (i) the Plan has been proposed in good faith and in compliance with applicable provisions of the Bankruptcy Code; and (ii) all solicitations of acceptances or rejections of the Plan have been in good faith and in compliance with applicable provisions of the Bankruptcy Code.

1.2.4. **Impaired Claims or Interests.** Pursuant to section 1126 of the Bankruptcy Code, only the Holders of Claims in Classes "Impaired" by the Plan and receiving a payment or distribution under the Plan may vote on the Plan. Pursuant to section 1124 of the Bankruptcy Code, a Class of Claims may be "Impaired" if the Plan alters the legal, equitable or contractual rights of the Holders of such Claims or Interests treated in such Class. The Holders of Claims not Impaired by the Plan (Non-Tax Priority Claims) are deemed to accept the Plan and do not have the right to vote on the Plan.

1.2.5. **Eligibility to Vote on the Plan.** Unless otherwise ordered by the Bankruptcy Court, only Record Holders of Allowed Class B, C and D Claims and Class E Interests may vote on the Plan.

1.2.6. **Voting Procedure and Ballot Deadline.** To ensure your vote is counted you must (i) complete the Ballot, (ii) indicate your decision either to accept or reject the Plan in the boxes provided in the Ballot, and (iii) sign and return the Ballot to the address set forth on the Ballot (please note that envelopes and prepaid postage have not been included with the Ballot) or file electronically with the Claims Agent as set forth on the Ballot. **BALLOTS SENT BY FACSIMILE TRANSMISSION ARE NOT ALLOWED AND WILL NOT BE COUNTED.**

1.3. **Acceptance of the Plan.** As a Creditor or Interest Holder, your acceptance of the Plan is important. In order for the Plan to be accepted by an Impaired Class of Claims or Interests, a majority in number and two-thirds in dollar amount of the Claims voting (of each Impaired Class of Claims) must vote to accept the Plan. At least one impaired Class of Creditors, excluding the votes of insiders, must actually vote to accept the Plan. **YOU ARE URGED TO COMPLETE, DATE, SIGN AND PROMPTLY MAIL THE BALLOT ATTACHED TO THE NOTICE. PLEASE BE SURE TO COMPLETE THE BALLOT PROPERLY AND LEGIBLY IDENTIFY THE EXACT AMOUNT OF YOUR CLAIM AND THE NAME OF THE CREDITOR.**

2. **THE DEBTORS.**

2.1. **Description of Debtors and Debtors' Business.**

IEAM's organizational history was last described in a Form 10-KSB Amendment 1-FY 2006, Filed December 28, 2007. That document disclosed the following:

- *IEAM originally operated as a holding company with four (4) wholly owned subsidiaries, Pitt Penn Holding Inc., a Delaware corporation ("PPH"), EMC Packaging, Inc., a Delaware corporation ("EMC"), Unifide Industries Limited Liability Company, a New Jersey limited liability company ("Unifide"), and Today's Way Manufacturing, LLC, a New Jersey limited liability company ("Today's Way").*
- *PPH, through its wholly owned subsidiary Pitt Penn Oil Co., LLC, an Ohio limited liability company ("Pitt Penn"), was a leading manufacturer, marketer and seller of automotive chemicals and additives.*
- *EMC's original business consisted of converting hydrofluorocarbon gases ("HFC") R134a and R152a into branded private label refrigerant and propellant products.*
- *Unifide was a marketer and seller of automotive chemicals and additives.*
- *Today's Way manufactured and packaged the products which were sold by Unifide.*

2.2. **Summary of Debtors' Bankruptcy Case.**

1. Initial Events in Bankruptcy.

On May 1, 2009, the [Debtor] filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court under Case No. 09-11508. On April 30, 2009, PPH, a Delaware Corporation, and PPO, an Ohio limited liability company, each filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court under Case Nos. 09-11475 and 09-11476, respectively. On May 4, 2009, EMC, a Delaware corporation, filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court under Case No. 09-11524. On May 6, 2009, Unifide, a New Jersey limited liability company, and Today's Way, a New Jersey limited liability company, each filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court under Case Nos. 09-11587 and 09-11586, respectively. PPH, PPO, EMC, Unifide, and Today's Way are each wholly-owned direct or indirect subsidiaries (the "Subsidiaries") of the Company.

2. Events Occurring in the Bankruptcy Case.

a. Joint Administration.

The Honorable Brendan L. Shannon is presiding over the Debtors' bankruptcy cases. The Bankruptcy Court entered an order of joint administration of the Debtors' cases on May 11, 2009 (D.I. 21). Accordingly, these cases have been procedurally consolidated into the Pitt Penn Holding Company, Inc. Bankruptcy Case No. 09-11475 (BLS).

b. Retention of Professionals.

The Court [originally] approved the Debtors' retention of the following professionals pursuant to 11 U.S.C. § 327:

- 1. Pace Reich, P.C., general bankruptcy counsel (now withdrawn), Order entered July 2, 2009 (D.I. 130);*
- 2. Loizides, P.A., Delaware bankruptcy counsel, Order entered July 2, 2009 (D.I. 129);*
- 3. Cozen & O'Connor, special litigation counsel, Order entered July 7, 2009 (D.I. 136);*
- 4. Thomas, Alexander & Forrester, LLP, special securities litigation counsel (now withdrawn), Order entered February 16, 2010 (D.I. 349);*
- 5. Brian Weller, insurance adjuster, Order entered February 16, 2010 (D.I. 346);*
- 6. Hector F. Marquez-Somoza, collection counsel in Puerto Rico, Order entered August 24, 2010 (D.I. 519);*
- 7. Kane Kessler, PC, replacement general bankruptcy counsel, approved by Order dated March 30, 2011 (D.I. 712);*
- 8. Epstein & Cresci, PC, special litigation counsel, approved by Order dated May 17, 2011 (D.I. 722);*
- 9. Pavia & Harcourt LLP, special litigation and general corporate counsel, Order entered January 20, 2011 (D.I. 644);*
- 10. Peckar & Abramson, special litigation counsel, by Order dated February 1, 2012 (D.I. 973);*

11. *Holtz Rubenstein Reminick, LLP, accountants, by Order dated September 20, 2012 (D.I. 1277);and*
12. *Potter Anderson & Corroon LLP, co-counsel to the Debtors, by Order dated March 15, 2013 (D.I. 1537).*

Pace Reich, P.C. was withdrawn as Debtors' counsel by Order dated September 7, 2010 (D.I. 526). Kane Kessler, PC was retained as replacement counsel.

The Court has approved procedures for the approval of fee and expense requests of professionals retained pursuant to 11 U.S.C. § 327. See Order entered July 7, 2009 (D.I. 138).

In addition, by Order entered July 17, 2009 (D.I. 143), the Bankruptcy Court approved procedures for the employment and compensation of ordinary course professionals, subject to a fee cap of no more than \$15,000 per month. The following professionals have been retained pursuant to such Order:

1. *Mandelbaum Salsburg, New Jersey special litigation counsel, as of July 21, 2009;*
2. *Ganfer & Shore, general corporate counsel, as of July 31, 2009;*
3. *Cohen & Grigsby PC, Pennsylvania local litigation counsel, as of July 31, 2009;*
4. *Peckar & Abramson PC, New York litigation counsel, as of February 15, 2010 (now also engaged as special litigation counsel as noted above);*
5. *Pavia & Harcourt LLP, general corporate counsel, as of December 2010 (now also engaged as special litigation counsel as noted above);*
6. *Epstein & Cresci, collections counsel (also engaged as special litigation counsel noted above);and*
7. *Richards, Kibbe & Orbe, LLP as special securities counsel as of September 7, 2012.*

Promptly after being appointed, the Trustee interviewed multiple firms to serve as his financial advisor and tax expert in these cases. After completing this process, the Trustee determined that CohnReznick, LLP possessed the qualifications and skills necessary to best assist him in evaluating all financial aspects of these cases. The Trustee also retained Cole, Schotz, Meisel, Forman & Leonard, P.A. to serve as bankruptcy counsel to assist with the various tasks to be performed in these cases. In addition, the Trustee completed a review of the agreements with and work done by all retained professionals, and particularly those handling litigation for the estate. The Trustee concluded that the majority of the professionals retained in

these cases to handle litigation would continue their retentions on a modified basis. In addition, the Trustee solicited proposals from multiple claims agents and retained UpShot Services, LLC. The Bankruptcy Court has approved the Trustee's retention of the following professionals:

1. Cole, Schotz, Meisel, Forman & Leonard, P.A., Bankruptcy Counsel to the Trustee, Order entered June 27, 2013 (D.I. 1810);
2. CohnReznick, LLP, Financial Advisor for the Trustee, Order entered June 27, 2013 (D.I. 1811);
3. Stroz Friedberg LLC, E-Discovery Consultant, Order entered July 1, 2013 (D.I. 1821);
4. Epstein & Cresci P.C., Special Litigation to the Trustee, Order entered July 16, 2013 (D.I. 1841);
5. Pavia & Harcourt LLP., Special Litigation to the Trustee, Order entered July 16, 2013 (D.I. 1842);
6. Peckar & Abramson, P.C., Special Litigation to the Trustee, Order entered July 16, 2013 (D.I. 1843);
7. Pavia & Harcourt LLP., Special Litigation to the Trustee, Order entered July 16, 2013 (D.I. 1842); and
9. UpShot Services, LLC, Claims and Noticing Agent, Order entered August 15, 2013 (D.I. 1886).

c. Debtor in Possession Financing and Use of Cash Collateral.

1. Use of Cash Collateral

On May 28, 2009,[the] Debtors filed a motion for authorization to use cash collateral on an interim and, thereafter, a final basis. (D.I. 56). At that time, Sovereign Bank held a lien on accounts receivable. The cash collateral motion was granted on an interim basis by Order entered on June 4, 2009 (D.I. 75). The lender was provided with an adequate protection lien under 11 U.S.C. § 361(2) of the Bankruptcy Code "to the extent Lenders' cash collateral is diminished as a result of use by Debtors, to the extent and with the same priority in Debtors' post-petition assets, and proceeds thereof, that the Lender held in Debtors' prepetition collateral." Shortly thereafter, Sovereign assigned its rights under the loan to Omtammot. The motion was approved on a final basis by order dated August 11, 2009.

By Order dated September 28, 2009 (D.I. 219), Debtors' authority to use cash collateral was extended through June 2010. By separate Order of the same date (D.I. 220), the lender's adequate protection lien was made subject to an unlimited carve-out in favor of professionals.

By letter dated September 2, 2011, Omtammot informed the Debtors that Omtammot no longer consented to the use of cash collateral.

2. The First DIP Facility.

The Debtors sought to approve emergency debtor-in-possession financing (the "First DIP Facility") by motion dated May 28, 2009 (D.I. 57). The Debtors sought to borrow up to \$300,000 under the First DIP Facility on a superpriority basis under 11 U.S.C. § 364(c)(1). The Bankruptcy Court approved the use of interim financing under the First DIP Facility by order dated June 4, 2009 (D.I. 76). By Order dated September 1, 2009 (D.I. 192), the Bankruptcy Court approved the First DIP Facility on a final basis. As with the adequate protection lien for use of cash collateral, by Order dated September 28, 2009 (D.I. 220), the superpriority claims of [the] lender were made subject to a carve-out in favor of professionals.

Debtors' authority to borrow and to use proceeds under the First DIP Facility was approved on a final basis on August 31, 2009 (D.I. 192). By Order dated September 28, 2009 (D.I. 219), the Debtors' authority to use proceeds and to borrow under the First DIP Facility was extended through December 31, 2009. The Debtors have borrowed 100% of the availability under the First DIP Facility, the proceeds of which were used to finance the administration of these bankruptcy cases.

3. The Second DIP Facility.

By motion dated January 25, 2010 (D.I. 322), the Debtors sought interim and final Bankruptcy Court approval of additional DIP Financing from Omtammot II, LP (the "Second DIP Facility") on a superpriority basis with limited priming liens under 11 U.S.C. §§ 364(c). The Second DIP Facility permitted Debtors to borrow up to \$150,000 on an interim basis and up to \$500,000 on a final basis, with the understanding that the \$500,000 cap could be increased to \$1,500,000. The Bankruptcy Court approved the Second DIP Facility on an interim basis by Order dated January 28, 2010 (D.I. 329) and on a final basis by Order dated February 16, 2010 (D.I. 347).

The Second DIP Facility was set to expire on July 30, 2010. By motion dated July 22, 2010 (D.I. 495), Debtors sought an extension of the Second DIP Facility through January 31, 2011. This motion included a request to draw down a portion of an additional \$500,000 on the Second DIP Facility. That motion (as modified by a supplemental motion) was granted by Order dated November 22, 2010 (D.I. 580). By motion dated January 3, 2011 (D.I. 618), Debtors sought an extension of the Second DIP Facility through July 31, 2011. This motion included a request to drawn down the final \$550,000, if necessary, under the Second DIP Facility. That motion was granted by Order dated January 20, 2011 (D.I. 643) and extended Debtors' ability to use DIP financing under the Second DIP Facility through July 31, 2011. That authority was then further extended as follows:

- i. Order dated August 11, 2011 (DI 837) authorizing continued use of the Second DIP Facility through October 31, 2011.*
- ii. Order dated October 3, 2011 (DI 881) authorizing continued use of the Second DIP Facility through November 30, 2011.*

- iii. Order dated November 1, 2011 (D.I. 900) Approving Extension of DIP Financing through the end of 2011.

d. Schedules, SOFAs and MORs.

Following an extension of the deadline to file their schedules and statements of financial affairs, the Debtors filed these documents on June 1, 2009. The Debtors have also continued to file their monthly operating reports.

e. Bar Date and Claims Agent.

By Order dated July 7, 2009 (D.I. 134), the Bankruptcy Court established September 8, 2009 as the deadline to file proofs of claim and proofs of interest, and November 2, 2009 as the deadline for governmental units to file proofs of claim. By Order dated July 7, 2009 (D.I. 135), Pace Reich, P.C. was appointed as the Debtors' claims agent. Following Mr. Reich's withdrawal as general bankruptcy counsel, the Debtors [operated] without a claims agent until the retention of Upshot Services, LLC, as Claims and Noticing Agent (D.I. 1511). In addition, by order dated July 18, 2013, the Bankruptcy Court has entered an order establishing August 12, 2013 as the deadline for filing administrative expense claims against the Debtors.

f. Schedules, SOFAs and MORs.

Following an extension of the deadline to file their schedules and statements of financial affairs, the Debtors filed these documents on June 1, 2009. The Debtors have also continued to file their monthly operating reports.

g. Bar Date and Claims Agent.

By Order dated July 7, 2009 (D.I. 134), the Bankruptcy Court established September 8, 2009 as the deadline to file proofs of claim and proofs of interest, and November 2, 2009 as the deadline for governmental units to file proofs of claim. By Order dated July 7, 2009 (D.I. 135), Pace Reich, P.C. was appointed as the Debtors' claims agent. Following Mr. Reich's withdrawal as general bankruptcy counsel, the Debtors have been operating without a claims agent.

As set forth above, the Trustee retained UpShot Services, LLC, Claims and Noticing Agent (D.I. 1511). In addition, by order dated July 18, 2013, the Bankruptcy Court has entered an order establishing August 12, 2013 as the deadline for filing administrative expense claims against the Debtors.

h. U.S. Trustee's Motion to Convert.

On December 11, 2009, the Office of the United States Trustee filed its motion to convert the Debtors' cases to cases under Chapter 7 (D.I. 279). A hearing on the Motion to Convert was held on January 13, 2010. The Bankruptcy Court denied the Motion to Convert. However, the Bankruptcy Court required that the Debtors immediately pay all outstanding withholding taxes and that the Debtors file a plan of reorganization by January 25, 2010. The Debtors complied with these directions.

i. Plan Process.

The Debtors filed their original Plan on January 22, 2010 (D.I. 318). The accompanying disclosure statement was filed on February 22, 2010 (D.I. 358). The Debtors then sought Bankruptcy Court approval of the disclosure statement. Objections were received from Beryl Zyskind and the Office of the United States Trustee.

On May 25, 2010, Debtors filed their First Amended Consolidated Plan of Reorganization (D.I. 444). On May 26, 2010, Debtors filed their First Amended Disclosure Statement and accompanying first amended plan (D.I. 444 - 447). Mr. Zyskind and the I.R.S. both raised certain informal objections to these documents.

On January 20, 2011, Debtors filed their Second Amended Plan and accompanying disclosure statement (D.I. 632, 633). The disclosure statement was approved by Order dated March 7, 2011 (D.I. 692). A confirmation hearing was scheduled for July 21, 2011. Objections to approval of the plan were filed by the Internal Revenue Service, the United States Department of Justice and Pace Reich, P.C. Due to the government objections, Debtors sought an adjournment of the confirmation hearing.

Following the negotiation of the settlement with Baker & McKenzie, Debtors informed the Court, in April 2012, that they would be in a position to substantially restructure the plan in light of the fact that a portion of the plan consideration could be paid in cash, rather than solely through stock, notes, or contingent interests. The Court directed Debtors to file their plan by September 28, 2012. The Debtors subsequently sought an adjournment to October 31, 2012. The Court gave the Debtors until October 17, 2012 to file an amended plan.

3. Appointment of the Chapter 11 Trustee

a. Trustee's Appointment

Prior to the Trustee's appointment, the Debtors and Omtammot proposed competing plans of reorganization. Those competing plans, litigation resulting from the plans, and other disputes among the Debtors and Omtammot caused the cases to progress at such a pace and in such a manner as to prompt the Court to issue an oral show cause order as to why these cases should not be converted to cases under Chapter 7 of the Bankruptcy Code ("Show Cause Order"). On April 25, 2013, the Bankruptcy Court held a hearing on the various responses filed by the Debtors, Omtammot and the Office of the United States Trustee to the Show Cause Order. At that hearing, the Bankruptcy Court ordered the appointment of a Chapter 11 Trustee. On May 3, 2013 the Bankruptcy Court entered an Order authorizing the appointment of Norman L. Pernick as Chapter 11 Trustee.

After his appointment, the Trustee and his professionals had several detailed and substantive meetings with representatives of Omtammot and the former representatives of the Debtor (the "Post-Petition Management"). At those meetings, the parties discussed the proposed plans, including the Trustee's detailed analysis of their feasibility based on, among other things,

the cash needs for each plan to go effective and other information. The Trustee also presented the outlines and a feasibility analysis of an alternative plan and other case resolution options.

After conducting extensive diligence and analysis and meeting with various parties in interest, the Trustee has proposed the Chapter 11 Trustee's Plan of Liquidation for Industrial Enterprises of America. ***This Plan is proposed solely with respect to IEAM and not the Debtor Affiliates.***

Since the Appointment Date, the Trustee has undertaken significant work to ensure that these cases proceed in an expeditious manner that will provide the greatest benefit to all of the interested parties. Initially, the Trustee and his professionals met with Robert Renck (as representative of the Debtors and Post-Petition Management), Omtammot, and Beryl Zyskind. At those meetings, the Trustee received each parties' thoughts on the case, and discussed the proposed plans and possible next steps.

Thereafter, the Trustee requested all documents Post-Petition Management had in its possession concerning the Debtor. The Trustee then evaluated all materials received. Much like Post-Petition Management, the Trustee determined that the historical and prepetition financial records of the Debtor were in a relative state of chaos. CohnReznick has assisted him in organizing, evaluating, and maintaining the Debtors financial books and records. That process included: (1) a detailed analysis of alleged net operating losses ("NOL") that were a lynchpin of the Plan of Reorganization proposed by the Debtors; (2) obtaining and evaluating all billed and unbilled professional fee information; (3) determining Debtors' cash position, net of post-petition liabilities; (4) evaluating Debtors' post-petition operating results and cash flows; (5) organizing and taking control of Debtors' cash management system; (6) evaluating the Debtors prepetition and postpetition compliance with federal and state income tax filings; (7) preparing cash flow projections and alternative creditor recovery scenarios required in obtaining a consensual settlement with Omtammot; and (8) completing a detailed analysis of prepetition claims in this case (including creating best and worst case scenarios). The Trustee and his professionals used the information gained through those efforts to determine if either of the plans of reorganization proposed by the Debtors or Omtammot was feasible and/or in the best interests of the Debtors' estates and creditors.

Specifically, because the plan proposed by the Debtors relied heavily the value of purported net operating losses ("NOL"), the Trustee and his professionals completed a detailed analysis of the NOLs and their usability by the Debtors. That analysis included speaking with Omtammot's expert and holding multiple discussions with representatives of the Debtors and Post-Petition Management. Based on that analysis, the Trustee concluded that the overwhelming majority of the alleged NOLs, which were calculated based on fraudulent stock issuances, likely would not qualify as NOLs for and/or could not be used in a material way to offset potential future income. The Trustee shared his analysis in detail with Omtammot and Post-Petition Management, and has responded to all questions raised by the parties to date.

Additionally, after completing the re-creation of the Debtors' post-petition financials, the Trustee and his professionals undertook an analysis of the cash needed to consummate the plans proposed by the Debtors and Omtammot (on a best and worst case scenario based on claims allowance/objection estimates). The Trustee and his professionals also created a recovery

analysis for a potential third plan - a Trustee-proposed plan of liquidation. After completing those analyses, the Trustee again met with Omtammot and Post-Petition Management. At those meetings the Trustee discussed the feasibility and cash needs of each plan as well as the option of a liquidating plan. Based on those meetings and the Trustee's analysis of the plans and Debtors' financial status, the Trustee has concluded that a plan of liquidation is the only feasible plan and also will be in the best interests of the Debtor's estate and creditors.

b. Books and Records

The Trustee has taken steps to secure, access and preserve the Debtor's books and records. The records include, but are not limited to, accounting records for each debtor and non-debtor subsidiary, documents surrounding IEAM's acquisition of each of its subsidiaries (debtor and non-debtor), all contracts (including leases) to which the Debtor is a party, a list of accrued but unpaid fees for professionals in these cases, board minutes, accounts payable, certificates of insurance, and bank account statements.

The Trustee has also entered into an independent formal arrangement with Stroz Friedberg, LLC ("Stroz"), who serves as the Debtor's E-discovery consultant. Stroz maintains possession and custody of the Debtor's prepetition books and records, email correspondence, and relevant information in support of asserted and pending litigation. However, certain of Debtor's prepetition accounting records were created and stored on a system that was not compatible with the Trustee's or Stroz's storage and review platform. As such, the Trustee secured a vendor, Xterra, who restored these documents into a format that allowed the Trustee's professionals to evaluate and analyze these financial documents.

c. Tax Liability

Based on the documents received and knowledge gained through interviews and a review of these cases, the Trustee concluded that the Debtors had not filed federal or state income tax returns. Due to the well-documented prepetition fraud involving IEAM's former management and a fragmented organizational structure, the Trustee confirmed that the Debtor's prepetition financial records are incomplete and unreliable. The Trustee, based on feedback from his financial advisors, has concluded that preparation of the prepetition federal and state income tax returns is not feasible due to the lack of appropriate books and records. Further, any attempt to recreate the prepetition books and records carries significant execution risk, and the Trustee has concluded that the costs of recreating the books and records, if even feasible, would not be cost effective or beneficial to the estates. The outcome of the Allocation Motion, as described below, and the ultimate determination of the Debtors' tax liability will impact the amount of funds available for distribution to Holders of Allowed General Unsecured Claims. The Trustee and his professionals have estimated that, based in part on the Allocation Motion and the expenses that are deductible from any gains, the Debtor will not have federal tax liability. However, there can be no assurance that the estimated amount of funds available for distribution to Holders of Allowed General Unsecured Claims is correct, and the amount available will be determined, in part, on the Debtor's tax liability.

d. Omtammot Settlement

As set forth above, the Trustee engaged in extensive discussions with the parties in interest in this case regarding plan scenarios. The Trustee and Omtammot reached an agreement regarding the nature and extent of Omtammot's claims, including an agreement with respect to the funding of the Liquidating Trust. The Plan incorporates the Omtammot Settlement, which is memorialized in the Term Sheet. The Term Sheet is attached as Exhibit A to the Plan, and is incorporated by reference into this Disclosure Statement. The Term Sheet provides, *inter alia*, as follows²:

- a. Omtammot will receive an allowed administrative claim in the amount of \$800,000 in exchange for a release and waiver of all other claims and rights asserted in the Substantial Contribution Claim.
- b. Omtammot has a lien on approximately 8% of the total cash received pursuant to settlements with Baker & McKenzie, LLP and Yale University. (the "Liened Cash").
- c. From the Liened Cash, Omtammot will loan to the Trust to be formed through the Plan an amount sufficient to provide the Trust with \$500,000, on the Effective Date, to fund pending and future litigation as well as other administrative expenses of the Trust (the "Trust Loan"). The Trust Loan shall accrue interest at Prime +3% per annum and shall be secured by a first priority lien on all of the Trust assets, with a carve out for reasonable professional fees incurred by the Trust and the Trustee's fees and commissions. The Trust Loan will be repaid through quarterly payments of the amount of cash in the Debtors' bank accounts in excess of \$500,000, and in no event later than the earlier of (a) the realization of \$1,000,000 in net litigation or other recoveries after the Effective Date or (b) at the time the Liquidating Trust winds up its affairs. The Trust Loan shall be fully funded and repaid before any distribution is made to general unsecured creditors.
- d. Should there be a negative difference between cash projected in the Settlement Model and actual cash, the following shall occur: (1) if the difference is \$250,000 or less, Omtammot shall increase the Trust Loan by the amount required to compensate for the negative difference; or (2) if the difference is greater than \$250,000, the Trustee shall have one hundred eighty (180) days from confirmation of the Plan to reduce the negative difference to \$250,000, in which case Omtammot's obligation to increase the Trust Loan by \$250,000 shall be triggered. If the Trustee is unable to reduce the difference to \$250,000 within one hundred eighty (180) days then the Term Sheet, the Settlement Model, and the

² This summary of the Term Sheet is provided for the benefit of the Court and other parties in interest. To the extent there is any conflict between this summary and the Term Sheet, the terms of the Term Sheet, attached as Exhibit A to the Plan, shall govern. Capitalized terms in this subsection 4(d) not otherwise defined herein shall have the meanings ascribed to them in the Term Sheet.

other agreements embodied therein may be declared unenforceable at the election of Omtammot or the Trustee, which election shall be made in writing.

- e. Omtammot has a lien on certain assets of the Debtors' estates, including but not limited to, the plant and related real estate located in Creighton, Pennsylvania (the "Creighton Plant"), the contingent proceeds, net of expenses, of litigation relating to fire damages at the Creighton Plant, rent received pursuant to the a lease of the Creighton Plant, and cash proceeds of the sale of inventory and accounts receivable during these Chapter 11 Cases.
- f. Omtammot and the Trustee shall confer and cooperate regarding potential environmental issues associated with the Creighton Plant, as well as the disposition of the Creighton Plant and the continued pursuit of the litigation relating to the fire damage at the Creighton Plant. Subject to Omtammot's right to have the Creighton Plant transferred to it, the net proceeds of those assets, after deduction of all reasonable expenses of the Debtors' estates associated with monetizing these assets for the benefit of Omtammot, if any, shall be turned over to Omtammot on account of its secured claim. Additionally, the monies held by the Trustee (\$420,917 as of October 31, 2013 plus amounts received through the date of the turn over), relating to rent and accounts receivable collected, and any other cash collateral of Omtammot that might be identified shall be turned over to Omtammot on or before the Effective Date on account of Omtammot's secured claim.
- g. Omtammot shall have a secured claim on all pending and future litigation and other recoveries in the amount of 28% of net recoveries. Omtammot will waive any further secured claims against such litigation recoveries.
- h. Omtammot waives any and all claims, including administrative expense claims for alleged diminution relating to the estates' use of the Baker and Yale Settlement proceeds.
- i. All claims filed by Omtammot, its principals, members, affiliates and/or related entities against any of the Debtors in any of the Bankruptcy Cases are being treated as set forth in the Term Sheet (including the Settlement Model and any other agreements embodied therein) and any claims in excess of such treatment shall be waived and no distribution shall be received on account of any such claims.
- j. The Trustee will, in good faith, consult with Omtammot concerning any settlement of any and all claims (including professional fees) against the Debtors that would provide for a distribution in excess of \$25,000.
- k. The Trustee will, in good faith, consult with Omtammot concerning all settlements of litigation or other Trust assets with an originally-asserted value in excess of \$50,000.

1. Omtammot agrees to support the Trustee's efforts to obtain Bankruptcy Court approval of the Term Sheet and the Plan, including the execution of any and all necessary documents or taking any other action that may be reasonably necessary to carry out the express terms and intent of this Term Sheet and the Plan.

For disclosure purposes, Omtammot is owned by 1HMBH4 LLC (66.7%) and Hapfus LLC (33.3%). 1HMBH4 LLC is owned by Pike Capital Partners QP (83.4%) and Pike Capital Partners LP (16.6%), which own a combined 4,771,666 shares of IEAM. Hapfus LLC is owned by ECS, Jr. Family Trust (50%) and Segundo Irrevocable Trust (50%), which in conjunction with related entities own 2,015,328 shares of IEAM. Prior to the Petition Date, certain of the members of the entities that own Omtammot were shareholders of IEAM. At the time it purchased the Sovereign debt, the indirect owners of Omtammot owned less than five (5%) percent of IEAM shares. Omtammot itself is not a shareholder of IEAM.

A motion seeking approval of the settlement pursuant to Bankruptcy Rule 9019 (the "Allocation Motion") was filed with the Court. The Allocation Motion sought, in part, a determination from the Court of the allocation between contract and tort recoveries realized as part of the Baker and Yale Settlements. On March 19, 2014, the Court entered an order approving the Allocation Motion. Based on this determination, the Trustee and his professionals will file tax returns implementing the Court approved allocation. Under applicable law, Omtammot has a valid lien on all litigation, and proceeds of litigation, related to contract claims. It does not have a valid lien on litigation, and proceeds of litigation, related to tort claims. The Term Sheet resolves that allocation/secured claim issue by providing Omtammot with a secured claim on approximately 8% of the Baker and Yale Settlements previously received by the Debtor and a secured claim on 28% of any future settlements or litigation proceeds or other recoveries. The Baker and Yale Settlement agreements did not originally allocate the settlement proceeds between contract and tort claims and recoveries.

3. SUMMARY OF THE PLAN.

3.1. **Purpose of the Plan.** The Trustee proposed the Plan over the alternative of converting the Debtor's bankruptcy case to Chapter 7 of the Bankruptcy Code because the Trustee believes that: (i) the Plan provides a more orderly liquidation and a greater recovery to creditors than a Chapter 7 liquidation, and (ii) the Plan avoids unnecessary costs to the Debtor's estate that would accrue if the Debtor's bankruptcy case was converted to Chapter 7 of the Bankruptcy Code. **At this time, a final determination has not been made as to whether the Debtor Affiliates' cases should be converted to Chapter 7 of the Bankruptcy Code or remain in Chapter 11. This Plan is proposed with respect to IEAM only. The Plan is not proposed for the Debtor Affiliates.** Although the Trustee is evaluating all options for the Debtors Affiliates, it is possible that the Trustee will seek conversion of Debtor Affiliates to Chapter 7 of the Bankruptcy Code.

3.2. **Classification of Claims and Interests under the Plan.** All Allowed Claims and Interests, except the Allowed Unclassified Claims, are placed in the Classes set forth in Article 3 of the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified. A Claim or Interest is

classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and is classified in other Classes to the extent that any remainder of the Claim or Interest qualifies within the description of such other Classes.

3.2.1 Classification and Treatment of Allowed Class B Omtammot Secured Claim. As set forth in Article 3 of the Plan, the Allowed Class B Omtammot Secured Claim shall receive, the following as set forth in the Term Sheet: (i) the Net Sale Proceeds; (ii) Cash held by the Chapter 11 Trustee relating to litigation, rent and accounts receivable collection involving the Creighton Plant as set forth on the Term Sheet, including proceeds from the Crum & Forster Litigation; (iii) Cash in the amount of 8% of the gross proceeds received from Baker and Yale Settlements; and (iv) twenty eight (28%) percent of all recoveries net of attorneys' fees and expenses and commission from any pending and future Causes of Action and other recoveries in this Bankruptcy Case not to exceed an amount of \$8,083,675. The face amount asserted as Omtammot's total claim against IEAM is \$8,083,675. Omtammot will be entitled to (i) receive cash from the proceeds of its collateral and (ii) to share with general unsecured creditors in the recovery from Causes of Action as set forth above as part of its unsecured deficiency claim.

3.2.2 Classification and Treatment of Allowed Class C General Unsecured Claims. As set forth in Article 3 of the Plan, Allowed Class C General Unsecured Claims shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, and (iv) the Allowed Omtammot Secured Claim, its Pro Rata share of the Liquidation Proceeds. A distribution to Holders of General Unsecured Claims will also only take place after the Trust Loan is repaid as set forth in the Term Sheet. The amount of the distribution to Holders of Allowed General Unsecured Claims will increase if proceeds are recovered in the Litigation Cases. Holders of Allowed General Unsecured Claims may receive payment in full if certain filed claims are subordinated under section 510(b) of the Bankruptcy Code; administrative claims are reduced as a result of claim objections and the Liquidating Trust recovers approximately \$2,900,000 in net proceeds after the Effective Date from the Litigation Cases, as described below and as defined in the Plan, after repayment of the Trust Loan and distributions required to paid on account of the Omtammot Secured Claim.

3.2.3 Classification and Treatment of Allowed Class D Subordinated Claims. As set forth in Article 3 of the Plan, Allowed Class D Subordinated Claims shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, (iv) the Allowed Omtammot Secured Claim, and (v) Allowed General Unsecured Claims, their Pro Rata share of the Liquidation Proceeds. Holders of Existing IEAM Interests shall receive a beneficial interest in the Liquidating Trust. After the satisfaction of Allowed General Unsecured Claims, Holders of IEAM Subordinated Claims shall share Pro Rata in the Liquidation Proceeds with Holders of Existing IEAM Interests. Pursuant to the

Plan, the Trustee seeks to subordinate the following Claims under section 510(b) of the Bankruptcy Code: (i) Claim No. 1042 filed by Ernest C. Segundo, Jr.; (ii) Claim No. 1203 filed by Ernest C. Segundo; (iii) Claim No. 1204 filed by Segundo Irrevocable Trust; (iv) Claim No. 1211 filed by Opt Out of IEAM, LLC; (v) Claim No. 1163 filed by Timothy J. Lawler; and (vi) Claim No. 1212 by Beryl Zyskind. Class D is impaired under the Plan. Out of an abundance of caution, the Trustee sought subordination of Claim No. 1212 by Beryl Zyskind in a separate adversary proceeding. This adversary proceeding is resolved as set forth in section 4.11 of the Plan. For purposes of making a Distribution, Subordinated Claims shall be converted from the dollar amount of the Claim to a number of shares. Such conversion will be calculated by taking the dollar amount of the Subordinated Claims, and dividing that amount by the per share value of the shares at the Petition Date, which was \$0.01³. The resultant number of shares computed shall be combined with the number of shares issued and outstanding, and included under Class E – Existing IEAM Interests for the purpose of making any pro rata Distribution.

3.2.4 Classification and Treatment of Allowed Class E Existing IEAM Interests. As set forth in Article 3 of the Plan, Allowed Class E IEAM Interests shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, (iv) the Allowed Omtammot Secured Claim, and (v) Allowed General Unsecured Claims, their Pro Rata share of the Liquidation Proceeds. After the satisfaction of Allowed General Unsecured Claims, Holders of IEAM Subordinated Claims shall share Pro Rata in the Liquidation Proceeds with Holders of Existing IEAM Interests.

3.3. Implementation and Execution of the Plan.

The Plan is a liquidating chapter 11 plan. The funds for implementation of the Plan are comprised of amounts recovered by the Trustee and the Debtor through litigation, settlements, and liquidation of the Debtor's assets, as well as the Trust Loan to the extent necessary.

Projected distributions are based upon good faith estimates of the total amount of Claims ultimately Allowed and the funds available for distribution. Both the actual amount of Allowed Claims in a particular Class and the funds available for distribution to such Class may differ from the Trustee's estimates. If the total amount of Allowed Claims in a Class is higher than the Trustee's estimates, or the funds available for distribution to such Class are lower than the Trustee's estimates, the percentage recovery to Holders of Allowed Claims in such Class will be less than projected.

Projection distributions are based on certain assumptions which include, but are not limited to, (i) the subordination of claims under section 510(b) of the Bankruptcy Code; (ii)

³ The share price as of the Trustee's appointment date was approximately \$0.05. As of March 18, 2014, the share price is approximately \$0.004.

reduction in administrative claims pursuant to claim objections; (iii) the recovery of proceeds from Litigation Cases and (iv) available Cash on the Effective Date.

3.4. **Effective Date**

3.4.1. **Conditions to the Effective Date.** The Plan shall not become effective and the Effective Date shall not occur unless and until each of the following conditions has been satisfied or duly waived by the Trustee (which may be at any time and without further order): (i) the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Trustee; (ii) the Confirmation Order shall provide that the Trustee is authorized to take all actions necessary and appropriate to enter into, implement and consummate all agreements or documents created in connection with the Plan or needed to effectuate, advance, or further the purposes thereof; (iii) all other actions, documents, and agreements necessary to implement the Plan shall have been effected or executed and shall be in form and substance acceptable to the Trustee; (iv) any governance documents, as they may be amended, shall have been adopted and filed with the applicable authorities in the relevant jurisdictions and shall become effective on the Effective Date in accordance with such jurisdiction's laws; (v) the Confirmation Order shall have become a Final Order, (vi) the Settlement Allocation Order shall have become a Final Order; and (vii) sufficient funds to become effective.

3.4.2. **Effect of Nonoccurrence of Conditions to the Effective Date.** If each of the conditions to the Effective Date is not satisfied or duly waived, then upon motion by the Trustee made before the time that each of such conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order shall be vacated by the Bankruptcy Court; provided, however, that notwithstanding the filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this section of the Plan, the Plan shall become null and void in all respects.

3.5. **The Liquidating Trust.**

3.5.1. **Appointment of Liquidating Trustee.** In the Confirmation Order, the Liquidating Trustee will be appointed and will be bound to perform as required by the Plan. The Liquidating Trustee will be Norman L. Pernick.

3.5.2. **Establishment of the Liquidating Trust.** On the Effective Date, and in accordance with the Confirmation Order, the Assets will be irrevocably transferred and assigned to the Liquidating Trust, and will be held in trust for the benefit of all Holders of Allowed Claims and Interests pursuant to the terms of the Plan and the Liquidating Trust Agreement. For the avoidance of doubt, the assets owned by non-IEAM Debtors, including the

Creighton Plant and litigation relating to same, will not be transferred to the Liquidating Trust and instead will remain assets of the Pitt Penn bankruptcy estate. The Assets that will be transferred and assigned to the Trust include: (a) all Cash; (b) all Causes of Action, including the Litigation Cases initiated by the Debtor as described below; (c) all remaining fixtures, furniture and equipment, if any; (d) all accounts receivable, security deposit refunds, insurance refunds and any other amounts owed to the Debtor, whether due prior or subsequent to the Petition Date; (e) any other rights, deferred taxes, claims, causes of action or defenses, whether arising by statute or common law, and whether arising under the laws of the United States, other countries, or applicable state or local law, if any; and (f) all of the Debtor's books, records, and privileges.

The following is a summary of the Litigation Cases initiated by the Debtor that will be assigned to the Trust. The gross amount asserted in the Litigation Cases is approximately \$60,000,000. The Trustee does not represent that this is the actual amount that will be recovered.

Industrial Enterprises of America, Inc. v. Ardent Advisors, LLC, et al.
Adv. Proc. No. 11-51876

Plaintiff: IEAM

Defendants: Ardent Advisors LLC; Brian Corbman; Eric L. Krogius; Kathleen Krogius; Derek A. Peterson; Amy L. Almsteier

Summary: IEAM alleges that between August 2006 and August 2007, as part of the Mazzuto scheme, defendants were improperly issued approximately 300,000 shares of unrestricted IEAM stock for either no consideration or at a 20% discount. The value of the improperly issued shares is alleged to be in excess of \$1.2 million.

Gross Amount Asserted: \$1,200,000

Industrial Enterprises of America, Inc. v. Computershare Trust Co., et al.

Adv. Proc. No. 11-51877

Plaintiff: IEAM

Defendants: Computershare Trust Co., Inc.; WFG Investments, Inc.; Chris Cuzalina; National Financial Services, LLC (Dismissed on 4/16/12)

Summary: IEAM alleges that defendants willfully participated in the Mazzuto scheme by improperly issuing and transferring IEAM shares at the request of Mazzuto and/or Margulies without IEAM approval, opinion of counsel, or any other authorization. Over 40 million shares were issued through approximately 425 issuances, including issuances to Cuzalina's hedge fund. Approximately 3.5 million unrestricted shares were issued by Computershare and transferred to a brokerage account at WFG called the "Margulies Law Group IOLTA." IEAM seeks no less than \$13 million arising out of the purportedly illegal transactions involving the Margulies Law Group IOLTA brokerage account and up to \$80 million from the

Computershare issuances. On August 2, 2013, the Court granted Computershare's motion to dismiss the complaint based on a contractual forum selection clause. Plaintiff refiled its claims against Computershare in Colorado on October 30, 2013 and served Computershare on November 8, 2013.

Gross Amount Asserted: \$12,360,000

Industrial Enterprises of America, Inc. v. Esposito, et al.
Adv. Proc. No. 13-50935

Plaintiff: IEAM

Defendants: Michael C. Esposito; Greenwich Investment Partners, LLC; Greenwich Investment Partners, LLP; Daniel W. Pike; Pike Capital Partners, LP; Pike Capital Partners; Pike Capital Management, LLC; View Street Capital, LLC

Summary: IEAM alleges that Mr. Esposito entered into an illegal agreement with Mazzuto to inflate the price of IEAM stock by artificially creating trading volume (purchases and sales) in IEAM stock in the market. IEAM alleges that Pike – whose hedge fund owned approximately 4,771,666 shares of IEAM stock as of the Petition Date – traded in IEAM stock while in possession of material, non-public information relating to IEAM. Mr. Pike vigorously disputes the allegations and believes that the action was commenced by the Debtors' former management solely to harass Mr. Pike and attempt to derail the previous chapter 11 plan proposed Omtammot.

Gross Amount Asserted: \$700,000

Industrial Enterprises of America, Inc. v. Engelberg, et al.
Adv. Proc. No. 11-51874

Plaintiff: IEAM

Defendants: Ilene Engelberg, CPA; Regal Partners, Inc.; Sapphire Associates LLC

Summary: IEAM brought action against Engelberg for her participation with her boyfriend (John Mazzuto) in the defrauding of IEAM and its investors. IEAM alleges, among other things, that Engelberg was a signatory on an IEAM Wachovia account and diverted funds to herself and Mazzuto, including through her alter egos, Regal and Sapphire. IEAM further alleges Engelberg created false financial statements which resulted in her pleading guilty to criminal charges. IEAM alleges Engelberg wrongfully received in excess of \$3.2 million in cash and shares.

Gross Amount Asserted: \$3,220,000

Industrial Enterprises of America, Inc. v. Archdale, et al.
Adv. Proc. No. 11-51875

Plaintiff: IEAM

Defendants: Dominic Archdale; David Conroy; Karen Conroy; Claiborne D. Elder; Gimmel Partners LP; Grand Slam Master Fund Ltd.; Grand

Slam Capital Master Fund; Peter Keblish; Lynne J. Kinder; L-3 Communications; Neil Lande; MCF Navigator; Meadowbrook Opp. Fund; Northwood Capital Partner; Phineus Voyager LP; James Ritchie; Jennifer Ritchie; Matthew Russo; Sander Morris Harris; Tamalpais Master Fund; Hildegard Utecht.

Summary: IEAM alleges defendants advanced the Mazzuto scheme by purchasing illegally issued IEAM shares at a discount knowing that such issuances were illegal or as a result of gross negligence. The value of the improperly issued shares is alleged to be in excess of \$7.75 million.

Gross Amount Asserted: \$8,000,000

Industrial Enterprises of America, Inc. v. Tabor Academy, et al.
Adv. Proc. No. 11-51879

Plaintiff: IEAM

Defendant: Tabor Academy ("Tabor"); Lou Frey Institute of Government and Politics ("Frey")

Summary: IEAM alleges that defendants received illegally-issued IEAM securities to which they were not entitled as part of Mazzuto scheme. IEAM alleges that Tabor received approximately 305,000 shares (valued at \$1,524,750) and Frey accepted 42,500 shares (\$172,850 value). Frey has settled and has been dismissed from the proceeding.

Gross Amount Asserted: \$1,475,000

Industrial Enterprises of America, Inc. v. Margulies
Adv. Proc. No. 09-52313

Plaintiff: IEAM

Defendant: Susan Margulies ("Susan")

Summary: IEAM alleges Susan received illegally-issued IEAM securities to which she was not entitled as part of Mazzuto scheme. IEAM alleges Susan received 450,000 shares that she later sold for in excess of \$1.9 million.

Gross Amount Asserted: \$1,890,000

Industrial Enterprises of America, Inc., et al. v. Margulis, et al.
Adv. Proc. No. 12-51302

Plaintiffs: IEAM; EMC Packaging, Inc. ("EMC"); Unifide Industries, LLC (IEAM subsidiary); Pit Penn Oil Co., LLC ("Pitt Penn") (IEAM subsidiary)

Defendants: Barry Margulis; Scott Margulis

Summary: Plaintiffs allege breach of nondisclosure, confidentiality, and non-compete provisions in acquisition and employment agreements. Plaintiffs also allege defendants stole inventory worth approximately \$200,000.

Gross Amount Asserted: \$190,000

Industrial Enterprises of America, Inc. v. Margulies/Mazzuto, et al.

Adv. Proc. No. 11-51880

Plaintiff: IEAM

Defendants: James Margulies; Jeffrey Levinson; Crawford Shaw; M4 Capital LLC; Robert Casper; Jay 3 Corp.; James Mazzuto; John Stefiuk; James Strupp; David Zazoff; ZA-Consulting LLC; Barry Margulis; Scott Margulis; Alan Berger; Mitch Seifert; Barry Honig; Lloyd Dohner, d/b/a Donson Brooks Marketing; JG Capital, Inc.; Andrew Kramer; Margulies & Levinson; Peter Vanucci; David Selmon; Berger Apple; Robert Dan Redmond; Computer Protech, Inc.; Black Nickel, Inc.; Black Nickel Vision Fund LLC; River Valley, Inc., John Mazzuto; Killeen & Associates, P.C.; George Cannan; Caroline Costante; Lloyd Dohner; Theresa Mazzuto; Steven Berger.

Summary: IEAM alleges willful participation of the named “insider” defendants, including former IEAM directors, officers, employees and “consultants” or their alter egos and family/friends. IEAM alleges that defendants engaged in a variety of wrongful acts within their respective roles in the Mazzuto scheme.

Gross Amount Asserted: \$20,700,000

Industrial Enterprises of America, Inc. v. Margulies Law Group, PC
Adv. Proc. No. 09-52314

Plaintiff: IEAM

Defendant: Margulies Law Group, PC (“MLG”)

Summary: IEAM alleges that MLG received illegally-issued IEAM securities to which it was not entitled as part of the Mazzuto scheme. IEAM alleges MLG received 3,428,150 shares later sold for in excess of \$17.6 million. IEAM was granted a default judgment against Margulies Law Group.

Gross Amount Asserted: \$193,000

Industrial Enterprises of America, Inc. v. Brandywine Consultants, et al.
Adv. Proc. No. 09-52316

-and-

Industrial Enterprises of America, Inc. v. Rosenthal, et al.
Adv. Proc. No. 09-52318

Plaintiff: IEAM

Defendant: Brandywine Consultants; Randall H. Rosenthal

Summary: IEAM alleges that Brandywine (owned by Rosenthal) received illegally issued shares as part of the Mazzuto scheme and sold those shares on the open market knowing that the shares were illegally issued. IEAM alleges that Rosenthal received in excess of \$2.65 million and Brandywine received in excess of \$6.6 million.

Gross Amount Asserted: \$9,200,000

Industrial Enterprises of America, Inc. v. Burtis, et al.
Adv. Proc. No. 11-51868

Plaintiff: IEAM

Defendants: Robert Burtis; Stacey Cannan; Thomas F. Cannan (deceased); Matthew Collyer; Susan Collyer; Ian Engelberg; Richard Mazzuto; Rick Mazzuto; Sarah Mazzuto; William Mazzuto; Jane Doe (a minor)

Summary: IEAM alleges that defendants are all family members of IEAM insiders who received (and later sold) illegally-issued IEAM securities to which they were not entitled as part of Mazzuto scheme. IEAM alleges 385,021 shares were transferred with a value of \$1,487,881.59.

Gross Amount Asserted: \$1,250,000

Industrial Enterprises of America, Inc. v. Badeau, et al.
Adv. Proc. No. 11-51872

Plaintiff: IEAM

Defendants: Bruce Badeau; Doris Blau; Hunter M.A. Carr; Bernard J. Clinton; Roger W. Creery; Kenneth Crimmins; Merrilee Parker Crimmins; Michael Patrick Crimmins; Johnny Deshotels; Lee Elwan; Mark Glatz; Marla Goodman; Graham Jones; Timothy J. Lawler; John Linstrom III; Richard Loggie; Richard Martini; Merchant Bankcorp of America; Nexcore; Northpoint Partners LLC; James O'Callaghan; Charles Pedrani; John C. Pellegrino; William Peterson; Quest Capital Markets, Inc.; Myrna Robbins; Ruden McClosky Smith Schuster and Russell; Donald Sapaugh; Michael Joseph Seidelhuber; Neville West

Summary: IEAM alleges that defendants received illegally-issued IEAM securities to which they were not entitled as part of Mazzuto scheme. IEAM further alleges some defendants participated in what is called the "Dohner" scheme, whereby financial advisors touted IEAM stock and bought/sold stock to create the appearance of high volume. IEAM alleges 890,220 shares were transferred with a value of \$4,388,166.

Gross Amount Asserted: \$3,750,000

- 3.5.3. **Duties of Liquidating Trustee.** On the Effective Date, the Liquidating Trustee will be the representative of the Estate as that term is used in Bankruptcy Code section 1123(b)(3)(B) and will have the rights and powers provided for in the Bankruptcy Code, in addition to any rights and powers granted herein and in the Liquidating Trust Agreement. In his capacity as the representative of the Estate, the Liquidating Trustee will be the successor-in-interest to the Debtor with respect to all Claims, actions, and other interests constituting the Trust Assets. The Liquidating Trustee will hold all rights, title and interest in and to the Trust Assets of the Liquidating Trust on behalf of the Beneficiaries thereof, and will pay from the Liquidating Trust all ordinary and necessary costs of protecting and preserving the Trust Assets. The Liquidating Trustee will administer the Liquidating Trust, will liquidate the Trust Assets of the Liquidating Trust, and will make distributions from the Liquidating Trust, all in accordance with the terms of the Plan and the Liquidating Trust Agreement.

- 3.5.4. **Reporting Requirements/Effect of Failure to Object.** After the Effective Date, the Liquidating Trustee shall file quarterly operating reports. Before making his Final Distribution, the Liquidating Trustee shall file a written report with the Bankruptcy Court (which report shall constitute the final accounting of the Liquidating Trust) showing the assets administered, the distributions made by the Liquidating Trustee and the Final Distributions to be made by the Liquidating Trustee (the “Final Liquidating Trustee Accounting Report”). The Liquidating Trustee shall provide notice by regular, first-class mail to all Beneficiaries of the filing of the Final Liquidating Trustee Accounting Report. Any Beneficiary who fails to file and serve on the Liquidating Trustee a written objection to any Liquidating Trustee Accounting Report or to the Final Liquidating Trustee Accounting Report within twenty (20) days after such report or account is filed shall be deemed to have assented thereto and approved the contents thereof. Any objection to any report or accounting shall be resolved by the Bankruptcy Court. If no objection is filed to the Final Liquidating Trustee Accounting Report within the time frame set forth above, then, upon making the Final Distribution in the manner set forth in the Final Liquidating Trustee Accounting Report, the Liquidating Trustee and all his Professionals shall be: (a) fully discharged of their duties hereunder and under the Liquidating Trust Agreement; and (b) fully discharged and released from all duties, liabilities and obligations of every kind and nature to the Beneficiaries, except as is expressly set forth herein or in the Liquidating Trust Agreement to the contrary.
- 3.5.5. **Authorization of the Liquidating Trustee.** Subject to the rights of Omtammot as set forth in the Term Sheet, the Liquidating Trustee shall be empowered and authorized to, among other things: (a) liquidate the Trust Assets; (b) retain and/or employ Professionals, (c) exercise all power and authority that may be exercised by any officer, director or holder of an Interest in a Debtor with like effect as if authorized, exercised and taken by unanimous consent of such officers, directors or holders of Interests including, without limitation, amending the Debtor’s organizational documents or dissolving the Debtor; (d) pursue objections to, and estimations and settlements of, Claims; (e) prosecute, in accordance with his reasonable business judgment, any causes of action of the Estate including Disputed Claims and Litigation Cases; (f) calculate and implement all distributions to be made under this Plan; (i) market, sell, lease or otherwise dispose of or realize the value of all Trust Assets; (j) file all required tax returns and pay taxes and all other obligations on behalf of the Debtor; (k) file required operating reports; and/or (l) take all other actions required under the Plan to complete the liquidation, dissolution and wind-up of the Debtor in accordance with applicable non-bankruptcy law and the Plan. To the extent the Liquidating Trustee seeks to sell a Trust Asset, such transaction shall be subject to Court approval.

- 3.5.6. **Disbursements.** All distributions under the Plan on account of Allowed Claims and/or Interests shall be made by the Liquidating Trustee. For purposes hereof, the transfer of Cash to the Liquidating Trust shall be deemed a disbursement by the Debtor.
- 3.5.7. **Compensation of the Liquidating Trustee and the Liquidating Trustee's Professionals.** The Liquidating Trustee shall be entitled to reasonable compensation in an amount consistent with that of similar professionals in similar types of bankruptcy proceedings. The costs and expenses of the Liquidating Trustee, including the fees and expenses of the Liquidating Trustee and his retained professionals, shall be paid out of the Liquidating Trust Assets and shall be considered administrative expenses of the Debtor's Estate. Such fees and expenses shall be paid or reserved prior any distributions under the Plan. The Liquidating Trustee shall maintain appropriate reserves to fund confirmation administrative expenses, post-confirmation administrative expenses, and operating expenses during the implementation of the Plan. Such reserves shall be established in consultation with the Liquidating Trustee's professionals. The Liquidating Trustee shall provide Omtammot with monthly fee statements for each professional retained after the Effective Date. Omtammot shall have twenty (20) to raise an objection to payment of a fee statements. Unless an objection is raise, the Liquidating Trustee may pay the fee statement in full.
- 3.5.8. **Cash.** The Liquidating Trustee may invest Cash (including any earnings thereon); provided, however, that such investments are investments permitted to be made by a liquidating trust within the meaning of Treasury Regulation § 301.7701-4(d), as reflected therein, or under applicable Internal Revenue Service guidelines, rulings, or other controlling authorities.
- 3.5.9. **Retention of Professionals by the Liquidating Trustee.** The Liquidating Trustee may retain and reasonably compensate counsel and other Professionals to assist in his duties on such terms as the Liquidating Trustee deems appropriate without Bankruptcy Court approval, including any Professional who represented the Chapter 11 Trustee in the Chapter 11 Case. The Trustee will consult in good faith with Omtammot regarding his retention of Professionals.
- 3.5.10. **Reserve.** The Liquidating Trustee will utilize the Reserve as follows (and the Reserve can, but does not need to be, held in separate accounts):
- (a) to pay all costs and expenses related to the care and maintenance of the Trust Assets, including, but not limited to, the expenses of the Liquidating Trust (including the fees and expenses of the Liquidating Trustee and any Professionals) and the expenses related to all matters handled by the Liquidating Trustee and his Professionals, including

Litigation Cases and Disputed Claims which are prosecuted and/or resolved by the Liquidating Trustee.

(b) to make disbursements to Holders of Allowed Claims.

(c) If any amount is remaining in the Reserve at a time when the Liquidating Trustee believes in good faith that the need for such Reserve has ended, the Liquidating Trustee will eliminate the Reserve and any remaining amount will become Liquidation Proceeds available for distribution pursuant to the terms of the Plan.

3.5.11. **No Rights in Trust Assets.** The Trust Assets will be held by the Liquidating Trustee in trust for the benefit of the creditors that are Beneficiaries of the Liquidating Trust and that are paid from the Liquidating Trust under the Plan.

3.5.12. **Limitation On Liability of Liquidating Trustee.** Subject to applicable law, the Liquidating Trustee will not be liable for any act he may do or omit to do as Liquidating Trustee hereunder while acting in good faith and in the exercise of his reasonable business judgment; nor will the Liquidating Trustee be liable in any event except for his own gross negligence, fraud or willful misconduct. The foregoing limitation on liability also will apply to any Person (including any Professional) employed by the Liquidating Trustee and acting on behalf of the Liquidating Trustee in the fulfillment of the Liquidating Trustee's duties hereunder or under the Liquidating Trust Agreement. The Liquidating Trustee and all Professionals shall also be entitled to indemnification out of the assets of the Liquidating Trust against any losses, liabilities, expenses (including attorneys' fees and disbursements), damages, taxes, suits or claims that the Liquidating Trustee may incur or sustain by reason of being or having been a Liquidating Trustee of the Liquidating Trust or for performing any functions incidental to such service to the extent such losses, liabilities, expenses, damages, taxes, suits or claims are not the result of their gross negligence, fraud or willful misconduct.

3.6. **Delivery of Distribution.** Any Distribution shall be made to Record Holders of Allowed Claims: (i) at the address set forth on the proof of claim Filed by such Holder, (ii) at the address set forth in any written notices of address change Filed by such Holder, (iii) at the addresses reflected in the Schedules if neither a proof of claim nor a written notice of address change has been Filed, or (iv) if the Holder's address is not listed in the Schedules, at the last known address of such Holder according to the Debtor's books and records. Except as otherwise provided for herein, ordered by the Bankruptcy Court, or otherwise, Distributions under the Plan shall be made as soon as is practicable on the later to occur of (a) the Effective Date, (b) when a Claim becomes an Allowed Claim, or (c) when sufficient Cash is available for a Distribution to a particular Class pursuant to the treatment of such Class under the Plan, as determined in accordance with the Liquidating Trustee's reasonable business judgment. The Liquidating Trustee shall establish a reserve of Cash, which is estimated to be sufficient to satisfy incurred and anticipated post-Effective Date Claims incurred by the Liquidating Trustee and to fund the Distribution Reserve. The Liquidating Trustee may make any additional Distribution after the

initial Distribution is made on or about the Effective Date. Such additional Distribution may be made at such time(s) and in such amount(s) as determined by the Liquidating Trustee in accordance with his (her or its) reasonable business judgment. Any Distribution made to an Interest Holders shall be mailed to each broker, commercial bank, transfer agent, trust company, dealer or other intermediary or nominee, or their mailing agent (each a “Nominee”) identified by the Debtor’s Claims Agent as any entity through which beneficial holders indirectly hold an IEAM Interest.

3.7. **Procedures for Treating and Resolving Disputed Claims.** No payments or Distribution will be made with respect to all or any portion of a Disputed Claim unless and until all objections to any such Disputed Claim have been settled, withdrawn, or determined by a Final Order, and the Disputed Claim has become an Allowed Claim. All objections to Claims must be filed by the Liquidating Trustee on or before the Claims Objection Deadline, per sections 4.11 of the Plan.

3.7.1. **Distribution Reserve.** The Liquidating Trustee shall withhold the Distribution Reserve from the property to be distributed under the Plan to Creditors. The Liquidating Trustee may request estimation for any Disputed Claim that is contingent or unliquidated, and the Liquidating Trustee will withhold the Distribution Reserve based upon the estimated amount of each such Claim as determined by the Bankruptcy Court. If the Liquidating Trustee elects not to request such an estimation from the Bankruptcy Court with respect to a Disputed Claim that is contingent or unliquidated, the Liquidating Trustee will withhold the Distribution Reserve based upon the appropriate pro rata percentage Distribution of the Face Amount of such Claim. The Liquidating Trustee shall not pay legal fees and expenses from the Distribution Reserve to ensure there is sufficient Cash available to satisfy Disputed Claims.

3.7.2. **Distributions After Allowance.** Payments and Distributions from the Distribution Reserve on account of a Disputed Claim, to the extent that such Disputed Claim ultimately becomes an Allowed Claim, will be made in accordance with provisions of the Plan that govern the Class in which such Claim is classified. Promptly after the date when the order or judgment of the Bankruptcy Court allowing all or part of such Claim becomes a Final Order, the Liquidating Trustee shall distribute to the Holder of such Claim any Cash allocated to such Claim in the Distribution Reserve that would have been distributed on the dates Distributions were previously made on account of Allowed Claims had such Claim been an Allowed Claim on such dates. All Distributions made under this Section of the Plan on account of an Allowed Claim shall be made as if such Claim had been an Allowed Claim on the dates Distributions were previously made to Allowed Claims.

3.8. **Dissolution of the Debtor.** To the extent permitted by applicable nonbankruptcy law, on the Effective Date, the Debtor as a corporate entity shall be dissolved without the need

for any further action or approval and without filing any document or taking any other action, to the extent permissible under applicable law.

3.9. **The Liquidating Trustee's Abandonment, Disposal and/or Destruction of the Records.** Pursuant to section 554 of the Bankruptcy Code, the Liquidating Trustee shall be authorized to abandon all originals and/or copies of documents and business records upon order of the Bankruptcy Court obtained on motion on twenty days negative notice to the Debtor's Bankruptcy Rule 2002 service list.

3.10. **Deemed Rejection of Executory Contracts and Unexpired Leases Upon Confirmation.** Except as otherwise provided in the Plan, or in any contract, agreement or other document entered into in connection with the Plan, as of the Confirmation Date each of the Debtor shall be deemed to have rejected all prepetition executory contracts and unexpired leases other than those specifically assumed on or before the Confirmation Date, or entered into during the Chapter 11 Proceedings, or that are otherwise subject to a motion to assume that is pending on or before the Confirmation Date, pursuant to Bankruptcy Code section 1123(b)(2).

3.11. **Rejection Damages Bar Date.** If the rejection of an executory contract or unexpired lease gives rise to a Rejection Damages Claim, such Rejection Damages Claim shall be forever barred and shall not be enforceable against the Debtor or its estate, or its respective successors or properties unless a Proof of Claim shall be filed with the Claims Agent, within thirty (30) days after service of the order rejecting the contract. If a Rejection Damages Claim becomes an Allowed Claim then it shall be classified as a General Unsecured Claim.

3.12. **Jurisdictional Provisions.** Article IX of the Plan provides for the retention of jurisdiction by the Bankruptcy Court over certain matters following the Confirmation Date.

3.13. **The Professional Fee Claim Bar Date.** All final requests for compensation or reimbursement of fees and expenses pursuant to Bankruptcy Code sections 327, 328, 330, 331, 503(b) or 1103 for services rendered to the Debtor or the Trustee prior to the Effective Date must be filed with the Bankruptcy Court and served on the Trustee and his counsel, as applicable, no later than thirty (30) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to applications of such Professionals or other entities for compensation or reimbursement of fees and expenses must be filed and served on the Trustee and his respective counsel, as applicable, and the requesting Professional or other entity no later than twenty (20) days (or such longer period as may be allowed by order of the Bankruptcy Court) after the date on which the applicable application for compensation or reimbursement was served.

3.14. **Implementation of the Zyskind Settlement.** The Plan and the Confirmation Order shall implement the terms of the Zyskind Settlement between the Chapter 11 Trustee, Omtammot and Beryl Zyskind ("Mr. Zyskind" and together with the Chapter 11 Trustee and Omtammot, the "Zyskind Settlement Parties") pursuant to section 1123(b)(3)(A) of the Bankruptcy Code. By way of background, Mr. Zyskind previously entered into an agreement with IEAM (then known as Advanced Bio/Chem, Inc.) to acquire convertible notes and common stock purchase warrants in exchange for \$100,000 (the "Zyskind Agreement"). In the Zyskind Agreement, Mr. Zyskind acquired four notes convertible into IEAM common stock (the "Convertible Notes") and certain common stock purchase warrants (the "Warrants") giving Mr.

Zyskind the option of purchasing an additional 200,000 shares of IEAM common stock. On or about June 28, 2006, Mr. Zyskind notified IEAM that he was electing to convert the Convertible Notes into IEAM stock and to exercise the Warrants to purchase additional IEAM stock. IEAM did not issue stock to Mr. Zyskind pursuant to his election under the Convertible Notes and exercise of the Warrants. On July 17, 2006, Mr. Zyskind filed a complaint against IEAM in the Supreme Court of the State of New York (the "Supreme Court"). On or about April 2, 2009, the Supreme Court issued a judgment in favor of Mr. Zyskind and against IEAM (the "Judgment"). In the Judgment, the Supreme Court awarded Mr. Zyskind a monetary judgment against IEAM in the sum of \$10,758,463.90, and directed IEAM, or its transfer agent, to issue and deliver 121,500,280 shares of IEAM's common stock to Mr. Zyskind. Currently, Mr. Zyskind holds 105,000,000 shares of IEAM's common stock. On September 4, 2009, Mr. Zyskind filed Claim No. 1212 against IEAM asserting a general unsecured claim in the amount of \$10,758,463.30 arising out of the Judgment. On March 10, 2014, the Trustee filed the Subordination Action seeking to subordinate Claim No. 1212.

Pursuant to the Zyskind Settlement:

- (a) The Zyskind Settlement Parties agree that Proof of Claim No. 1212 filed against IEAM by Mr. Zyskind in the unsecured amount of \$10,758,463.30 (the "Zyskind Claim") shall be reclassified and allowed as set forth herein. The Zyskind Claim shall be bifurcated into (i) an allowed General Unsecured Claim in the amount of eight hundred thousand dollars (\$800,000) (the "Allowed Zyskind Unsecured Claim") and (ii) an allowed equity interest with a dollar value of \$9,958,463.30 (the "Subordinated Zyskind Claim")
- (b) The Zyskind Settlement Parties further agree as follows:
 - i) On the Effective Date, Mr. Zyskind shall assign to Omtammot two hundred thousand dollars (\$200,000) (the "Assigned Zyskind Claim") of the Allowed Zyskind Unsecured Claim. In exchange therefor, on the date that Omtammot receives its initial Distribution under the Plan, Omtammot shall pay Mr. Zyskind one hundred thousand dollars (\$100,000) on account of the Assigned Zyskind Claim.
 - ii) Omtammot shall have the option to purchase all or a portion of the balance of the Allowed Zyskind Unsecured Claim (the "Purchase Option") at a purchase price of fifty percent of the Claim amount purchased. The Purchase Option shall expire ninety (90) days after the Effective Date.
- (c) On the date that Omtammot receives its initial Distribution under the Plan, Omtammot shall pay Mr. Zyskind one hundred thousand dollars (\$100,000) as a carve out from the Distribution to Omtammot on account of the Omtammot Secured Claim.
- (d) On the Confirmation Date, the Subordinated Zyskind Claim shall be converted to a hypothetical amount of IEAM shares as of the Petition Date as set forth in the Plan. In accordance with the conversion formula set forth in the Plan, the

Subordinated Zyskind Claim shall be converted to 995,846,330 hypothetical shares (the “Converted Share Amount”). The Converted Share Amount shall be added with Mr. Zyskind’s IEAM Equity Interests in the amount of 105,000,000 for a total of 1,100,846,330 hypothetical shares of IEAM (the “Zyskind Equity Interest”). The Zyskind Settlement Parties agree that any Distribution made on account of the Zyskind Equity Interest shall be paid as follows: seventy five percent (75%) to Omtammot and twenty five (25%) to Mr. Zyskind.

- (e) Mr. Zyskind has agreed to vote to accept the Plan in both his capacity as the holder of the Allowed Zyskind Unsecured Claim and the Zyskind Equity Interest.
- (f) After execution of a confidentially agreement, the Liquidating Trustee shall provide Mr. Zyskind reasonable access to information regarding the Litigation Cases. The Liquidating Trustee reasonably will consult in good faith with Mr. Zyskind regarding any settlements of Litigation Cases where the originally-asserted amount up at issue exceeds to \$50,000
- (g) On the Effective Date, the Chapter 11 Trustee shall dismiss the Subordination Action (Adversary No. 14-50081), with prejudice.

3.15. ADDITIONALLY, PLEASE NOTE THAT ARTICLE 13 THE PLAN GOVERNS THE EXCULPATION AND RELEASE OF CERTAIN PARTIES WITH RESPECT TO THE CASE. PLEASE REVIEW THIS PROVISION CAREFULLY.

4. FEASIBILITY.

4.1. Financial Feasibility Analysis.

4.1.1. **Bankruptcy Code Standard.** The Bankruptcy Code requires that, in order to confirm a plan, the Bankruptcy Court must find that confirmation of such plan is not likely to be followed by the liquidation or the need for further financial reorganization of the debtor(s) unless contemplated by the plan.

4.1.2. **No Need for Further Reorganization of Debtor.** The Plan provides for the liquidation and distribution of all of the Debtor’s Assets. Accordingly, the Debtor believes that all Plan obligations will be satisfied without the need for further reorganization of the Debtor.

5. BEST INTERESTS OF CREDITORS AND ALTERNATIVES TO PLAN.

5.1. Chapter 7 Liquidation.

5.1.1. **Plan is in the Best Interests of Creditors.** Notwithstanding acceptance of the Plan by a voting Impaired Class, in order to confirm the Plan, the Bankruptcy Court must determine that the Plan is in the best interests of each Holder of a Claim or Interest in any such Impaired Class which has not voted to accept the Plan. Accordingly, if an Impaired Class does not vote unanimously to

accept the Plan, the best interests test requires the Bankruptcy Court to find that the Plan provides to each member of such Impaired Class a recovery on account of the Class member's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the recovery that each such Class member would receive if the Debtor was liquidated under Chapter 7.

The Trustee believes that the Plan satisfies the best interests test, because, among other things, the recoveries expected to be available to Holders of Allowed Claims under the Plan will be greater than the recoveries expected to be available in a Chapter 7 liquidation. Attached as Exhibit "C" to this Disclosure Statement is a liquidation analysis performed by the Trustee's professionals that substantiates the Trustee's view that the Plan provides greater recoveries to creditors than a Chapter 7 liquidation.

In a typical Chapter 7 case, a trustee is elected or appointed to liquidate a debtor's assets for distribution to creditors in accordance with the priorities set forth in the Bankruptcy Code. Generally, secured creditors are paid first from the proceeds of sales of the properties securing their liens. If any assets are remaining in the bankruptcy estate after satisfaction of secured creditors' claims from their collateral, administrative expenses are next to receive payment. Unsecured creditors are paid from any remaining sales proceeds, according to their respective priorities. Unsecured creditors with the same priority share in proportion to the amount of their allowed claims in relationship to the total amount of allowed claims held by all unsecured creditors with the same priority. Finally, equity interests are cancelled; however, equity interest holders will receive a beneficial interest in the Trust.

Although the Plan effects a liquidation of the Debtor's remaining Assets and a Chapter 7 liquidation would have the same goal, the Proponent believes that the Plan provides the best source of recovery to Holders of General Unsecured Claims. Liquidating the Debtor's estate under Chapter 7 would not provide a timely Distribution to Holders of such Claims and would likely provide a smaller Distribution to Holders of such Claims because of the fees and expenses which would be incurred during a Chapter 7 liquidation, including potential added time and expense incurred by the Chapter 7 trustee and any retained professionals in familiarizing themselves with the Cases. Moreover, the Omtammot Settlement provides a substantial benefit to the Debtor's estate. To the extent the Omtammot Settlement is not consummated and this case was converted to case under Chapter 7, there would be increased legal fees costs associated with litigation involving the nature and extent of Omtammot's liens. Accordingly, the Trustee believes that the Plan is in the best interests of Creditors.

5.2 **Alternative Plan(s).** The Trustee does not believe that there are any alternative plans for reorganizing IEAM that are feasible. The Trustee believes that the Plan, as described herein, enables Holders of Claims to realize the greatest possible value under the circumstances, and that, compared to any alternative plan, the Plan has the greatest chance to be confirmed and consummated. Pursuant to the Term Sheet, however, the Trustee has agreed to give Mr. Robert

L. Renck, Jr. or any other third party until the day on which objections to the Disclosure Statement and the motion to approve the Term Sheet, which dates are anticipated to be the same, are due, to submit to the Trustee with a copy to counsel to Omtammot for review a non-contingent, detailed and definite proposal for exit financing and/or a plan of reorganization which presents a materially higher and better recovery for the Debtors' estates, creditors, and parties in interest, to be determined in the sole discretion and judgment of the Trustee. Nothing contained herein shall prevent any party in interest from proposing a different or competing plan.

6. **RISK FACTORS.**

Holders of Claims who are entitled to vote on the Plan should read and carefully consider the following factors, as well as the other information set forth in this Disclosure Statement and the Plan, before deciding whether to vote to accept or reject the Plan.

6.1. **Certain Bankruptcy Considerations.**

Even if the Impaired Voting Classes vote to accept the Plan, the Court may exercise substantial discretion and may choose not to confirm the Plan. Section 1129 of the Bankruptcy Code requires, among other things, that the value of Distributions to dissenting Holders of Claims or Interests may not be less than the value such Holders would receive if the Debtor was liquidated under Chapter 7 of the Bankruptcy Code. Although the Proponents believe that the Plan will meet such requirement, there can be no assurance that the Court will reach the same conclusion.

6.2. **Claims Estimation.**

There can be no assurance that the estimated amount of Claims set forth in the Plan is correct, and the actual allowed amounts of Claims may differ from the estimates. The Trustee and his professionals are in process of reconciling Claims, including tax Claims. Any value given as to the Claims against and the Assets of the Debtor is based upon an estimation of such value. There can be no assurance by the Trustee that any additional liquidation proceeds will be generated from the liquidation of the Liquidating Trust Assets for distribution to Holders of Allowed General Unsecured Claims.

6.3 **Litigation Cases.**

The Trustee is exploring the possibility of modifying the fee arrangements for professionals prosecuting the Litigation Cases to a contingency arrangement for some or all of the Litigation Cases to ensure that the Litigation Cases are vigorously prosecuted. Depending on the realization and timing of recoveries, the Trust may have insufficient resources with which to pursue the Litigation Cases absent contingency fee arrangements with counsel. The unavailability of funds in the Liquidating Trust with which to satisfy the fees and expenses of the Litigation Cases is therefore a risk factor that should be considered by voting Creditors and Interest Holders.

7. **TAX CONSEQUENCES OF THE PLAN.**

If the Trustee's Plan is confirmed by the Bankruptcy Court, there may be tax consequences which could affect individual holders of Claims or Interests. The tax consequences of the treatment of several Classes of Claims and Interests under the Plan are uncertain. Accordingly, holders of Claims and Interests are urged to consult with an independent tax advisor regarding such implications and how they may affect such individual holders based on their individual circumstances.

8. **CONCLUSION.**

It is important that you exercise your right to vote on the Plan. It is the Proponent's belief and recommendation that the Plan fairly and equitably provides for the treatment of all Claims against and Interests in the Debtor.

IN WITNESS WHEREOF, the Trustee has executed this Disclosure Statement this 28th day of March, 2014.

Industrial Enterprises of America, Inc.

By: /s/ Norman L. Pernick
Name: Norman L. Pernick
Title: Chapter 11 Trustee

DISCLOSURE STATEMENT EXHIBIT A

[IEAM Second Amended Plan of Liquidation]

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

In re:)	Chapter 11
)	
PITT PENN HOLDING CO., INC., <i>et al.</i> ¹ ,)	Case No. 09-11475 (BLS)
)	(Jointly Administered)
Debtors.)	
_____)	

**CHAPTER 11 TRUSTEE'S FIRST AMENDED PLAN OF LIQUIDATION FOR
INDUSTRIAL ENTERPRISES OF AMERICA, INC.**

Patrick J. Reilley (No. 4451)
Cole, Schotz, Meisel, Forman & Leonard, P.A.
500 Delaware Avenue, Suite 1410
Wilmington, DE 19801
Telephone: (302) 652-3131
Facsimile: (302) 574-2104
E-mail:preilley@coleschotz.com

Warren A. Usatine
Cole, Schotz, Meisel, Forman & Leonard, P.A.
Court Plaza North
25 Main Street
Hackensack, NJ 07601
Telephone: (201) 525-6233
Facsimile: (678) 525-6233
E-mail:wusatine@coleschotz.com

Counsel for the Chapter 11 Trustee

Dated: March 27, 2014

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number are: Pitt Penn Holding Company, Inc. (3681), Pitt Penn Oil Company, LLC (8893), Industrial Enterprises of America, Inc. (3499), EMC Packaging, Inc. (3619), Today's Way Manufacturing LLC (0259) and Unifide Industries LLC (8701).

This Chapter 11 Trustee's Second Amended Plan of Liquidation for Industrial Enterprises of America, Inc. is filed pursuant to Title 11 of the United States Code (the "Bankruptcy Code") by Norman L. Pernick, the Chapter 11 Trustee (the "Trustee") appointed for Industrial Enterprises of America, Inc.

ARTICLE 1: DEFINITIONS

As used in this Plan, each of the terms listed below shall have the meaning given to it in this Article (such meaning to be equally applicable to the singular and plural form of the term defined unless the context otherwise requires). Any term defined in the Bankruptcy Code and not otherwise defined herein shall have the meaning specified in the Code unless the context otherwise requires.

1.1 **"Administrative Claim"** means an Allowed Claim under Bankruptcy Code section 503(b) that is entitled to priority under Bankruptcy Code section 507(a)(2), other than a Priority Tax Claim or a Non-Tax Priority Claim.

1.2 **"Allowed Claim"** means: (a) a Claim that has been allowed by a Final Order; or (b) a Claim for which a proof of claim complying with Bankruptcy Rule 3001 has been timely filed with the Bankruptcy Court or scheduled by the Debtor in its Schedules as neither unliquidated, disputed nor contingent and as to which Claim (i) no objection to the allowance thereof has been or shall be interposed within the period of time fixed by the Plan, the Code, the Bankruptcy Rules or orders of the Bankruptcy Court, or (ii) as to which Claim either an objection to the Claim or an application to amend the Schedules with respect to a scheduled Claim has been interposed, which objection or application has been resolved in favor of the Claimant holding such Claim by entry of an order of the Bankruptcy Court which becomes a Final Order. Unless otherwise specified in the Plan, an Allowed Claim shall not include interest

on such Claim, or any fees, costs or charges provided for under the agreement under which such Claim arose, accruing or arising on or after the applicable Petition Dates.

1.3 **“Assets”** means each and every item of property and interest of the Debtor or the Estate as of the Effective Date, whether tangible or intangible, legal or equitable, liquidated or unliquidated, and includes without limitation: (a) all Cash; (b) all Causes of Action; (c) all remaining fixtures, furniture and equipment, if any; (d) all accounts receivable, security deposit refunds, insurance refunds and any other amounts owed to the Debtor, whether due prior or subsequent to the Petition Date; (e) any other rights, deferred taxes, claims, causes of action or defenses, whether arising by statute or common law, and whether arising under the laws of the United States, other countries, or applicable state or local law, if any; and (f) all of the Debtor’s books, records, and privileges.

1.4 **“Avoidance Actions”** means Causes of Action arising under Bankruptcy Code sections 502, 510, 544, 545, 547, 548, 549, 550, 551 or 553(b), or under related state or federal statutes and common law, including, without limitation, fraudulent transfer laws, whether or not litigation is commenced to prosecute such Causes of Action.

1.5 **“Baker Settlement”** means the settlement resolving Adversary Proceeding No. 11-51767 filed by the Debtor against Baker & McKenzie and Martin Weisberg [Docket No. 1043].

1.6 **“Bankruptcy Court”** means the United States Bankruptcy Court for the District of Delaware or, to the extent the reference of any proceeding in this case is withdrawn, the United States District Court for the District of Delaware.

1.7 **“Bankruptcy Rules”** means, as appropriate, the Rules of Practice and Procedure in Bankruptcy promulgated by the Supreme Court of the United States, as amended from time to time and the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware, as amended from time to time.

1.8 **“Bar Date”** means (i) September 8, 2009 for General Unsecured Claims; (ii) November 2, 2009 for governmental entity Claims; and (iii) August 12, 2013 for Administrative Claims.

1.9 **“Beneficiary”** means “beneficiary” as defined in the Liquidating Trust Agreement.

1.10 **“Beneficial Interests”** means “beneficial interest” as defined in the Liquidating Trust Agreement.

1.11 **“Business Day”** means any day except a Saturday, Sunday or other day on which commercial banks of Wilmington, Delaware are authorized by law to close.

1.12 **“Case”** means the bankruptcy case of the Debtor under Chapter 11 of the Bankruptcy Code. The Case No. is 09-11508.

1.13 **“Cash”** means cash, bank deposits with or letters of credit issued by a bank which the Bankruptcy Court has approved or otherwise recognizes as a creditworthy federal depository, and negotiable instruments which are cashier’s checks issued by such a bank or checks certified by such a bank as supported by sufficient collected funds to pay such instruments in full.

1.14 **“Causes of Action”** means any and all claims, actions, proceedings, causes of action, Avoidance Actions, Litigation Cases, suits, accounts, controversies, agreements, promises, rights of action, rights to legal remedies, rights to equitable remedies, rights to payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, that the Debtor and/or estate may hold against any Person, but excluding those released, exculpated or waived pursuant to the Plan, the Confirmation Order and any other Final Order of the Bankruptcy Court.

1.15 **“Chapter 11”** means Chapter 11 of the Bankruptcy Code.

1.16 **“Claim”** means a “claim” as such term is defined in Bankruptcy Code section 101(5), including Claims against the Debtor and/or, against the property of the Debtor.

1.17 **“Claims Agent”** means UpShot Services, LLC.

1.18 **“Claims Objection Deadline”** means the end of the day on the date that is one hundred twenty (120) days after the Effective Date; provided, however, that such date may be extended in accordance with section 4.11 of the Plan.

1.19 **“Claimant”** means the Holder of a Claim.

1.20 **“Class”** means a group of Claims, consisting of Claims which are substantially similar to each other, as classified pursuant to the Plan and Bankruptcy Code sections 1122 and 1123(a)(1).

1.21 **“Confirmation Date”** means the date on which the Confirmation Order becomes a Final Order.

1.22 **“Confirmation Hearing”** means the date the Bankruptcy Court commences the hearing to consider confirmation of the Plan.

1.23 **“Confirmation Order”** means the order of the Bankruptcy Court confirming the Plan pursuant to Bankruptcy Code section 1129.

1.24 **“Creditor”** means any Person that holds a Claim against the Debtor.

1.25 **“Creighton Plant”** means the plant located in Creighton, Pennsylvania that was pledged as collateral for the Prepetition Loan.

1.26 **“Crum & Forster Litigation”** means that certain adversary proceeding filed by pursuant to which Debtor Pitt Penn Holding Company, Inc. seeks to recover in excess of \$3.5 million from its insurance carrier resulting from a fire occurring at the Creighton Plant in September, 2009.

1.27 **“Debtor”** means Industrial Enterprises of America, Inc.

1.28 **“Debtor Affiliates”** mean, collectively, Pitt Penn Holding Company, Inc., Pitt Penn Oil Company, LLC, EMC Packaging, Inc., Today’s Way Manufacturing LLC, and Unifide Industries LLC.

1.29 **“Disallowed”** means, with reference to any Claim, a Claim or any portion thereof that has been disallowed or expunged by a Final Order of the Bankruptcy Court.

1.30 **“Disclosure Statement”** means the Chapter 11 Trustee’s Disclosure Statement for Industrial Enterprises of America, Inc., as it may be amended, modified or supplemented from time to time.

1.31 **“Disputed Claim”** means a Claim (i) that has been listed on the Schedules as unliquidated, contingent or disputed; or (ii) as to which an objection has been or shall be timely filed by the Debtor, the Liquidating Trustee or any other party in interest and not been determined by a Final Order.

1.32 **“Distribution Reserve”** means cash from the Assets in an amount equal to the Distribution or Distributions under applicable classes of Claims that may be payable on account of Disputed Claims if allowed, which Cash will be held by the Liquidating Trustee pending allowance of Disputed Claims, and then distributed on account of Allowed Claims in accordance with the Plan.

1.33 **“Effective Date”** means the latest of: (i) the date the Confirmation Order becomes a Final Order and (ii) the date on which all conditions to the effectiveness of the Plan are satisfied or waived.

1.34 **“Entity”** has the meaning ascribed to such term in section 101(15) of the Bankruptcy Code.

1.35 **“Estate”** means the bankruptcy estate of the Debtor created under Bankruptcy Code section 541.

1.36 **“Existing IEAM Interests”** means the shares of common stock of IEAM issued and outstanding as of the Record Date.

1.37 **“Final Distribution Date”** means the date on which the distribution is made from the Liquidating Trust that finally and fully exhausts the Trust Assets.

1.38 **“Final Order”** means (a) an order, judgment or other decree issued by the Bankruptcy Court and entered on its docket that has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for certiorari or seek reargument or rehearing has expired, and as to which no appeal, petition for certiorari, reargument or rehearing is pending, or as to which any right to appeal, petition for certiorari or seek reargument or rehearing has been waived in writing in a form satisfactory to the Trustee or, if an appeal, certiorari, reargument or rehearing thereof has been sought, the order, judgment or decree of the Bankruptcy Court has been affirmed by the highest court to which the order, judgment or decree has been appealed or from which the reargument or rehearing was sought, or certiorari has been denied, and the time to take any further appeal or to seek certiorari or further reargument or rehearing has expired; or (b) a stipulation or other agreement entered into which has the effect of a Final Order as defined in clause (a) of this Section.

1.39 **“General Unsecured Claim”** means a Claim that is not an Administrative Claim, Priority Tax Claim, Non-Tax Priority Claim, or a Secured Claim.

1.40 **“Holder”** means an Entity holding a Claim or Interest.

1.41 **“Impaired”** means, with respect to any Claim, Class or Interest that such Claim, Class or Interest is impaired within the meaning of Bankruptcy Code section 1124.

1.42 **“IEAM”** means Debtor Industrial Enterprises of America, Inc.

1.43 **“IEAM Subordinated Claims”** means any Claim against IEAM that is subordinated pursuant to section 510(b) of the Bankruptcy Code, including any Claim arising from the rescission or right of rescission of a purchase or sale of security or Interest of IEAM, for damages arising from such purchase or sale of such security or Interest or for reimbursement or contribution on account of such Claim. IEAM Subordinated Claims shall include, but are not limited to, the following Claims: (i) Claim No. 1042 filed by Ernest C. Segundo, Jr.; (ii) Claim No. 1203 filed by Ernest C. Segundo; (iii) Claim No. 1204 filed by Segundo Irrevocable Trust; (iv) Claim No. 1211 filed by Opt Out of IEAM, LLC; (v) Claim No. 1163 filed by Timothy J. Lawler and (vi) Claim No. 1212 filed by Beryl Zyskind.

1.44 **“Interest”** means the legal, equitable, contractual or other rights of any Person with respect to any capital stock or other ownership interest in the Debtor, whether or not transferable, and any option, warrant or other right to purchase, sell, subscribe for, or otherwise acquire or receive an ownership interest or other equity security in the Debtor.

1.45 **“Interest Holder”** means the Holder of an Interest in IEAM.

1.46 **“Lien”** means, with respect to the Debtor’s property, any mortgage, lien, pledge, charge, security interest, or other security device or encumbrance of any kind affecting such property.

1.47 **“Liquidating Trust”** means the grantor trust established pursuant to the Liquidating Trust Agreement.

1.48 **“Liquidating Trust Agreement”** means that certain agreement, governing the Liquidating Trust, that will be filed as part of the Plan Supplement not later than ten (10) calendar days before the deadline for voting to accept or reject this Plan, and which is incorporated into this Plan by this reference thereto.

1.49 **“Liquidating Trustee”** means the fiduciary responsible for implementing and administering the Liquidating Trust in accordance with the Liquidating Trust Agreement, and any successor appointed in accordance with the Liquidating Trust Agreement. On the Effective Date, the Liquidating Trustee shall be Norman L. Pernick.

1.50 **“Liquidation Proceeds”** means (a) any unused portion of the Reserve, (b) the Cash proceeds or other proceeds of sale, collection, or other liquidation of any of the Trust Assets after payment of all costs, expenses, and commissions of such sale, collection, or other disposition of the Trust Assets by the Debtor through the Effective Date and thereafter by the Liquidating Trustee, and (c) all Cash or other proceeds from the administration of the Trust Assets, including Litigation Recoveries.

1.51 **“Litigation Cases”** means any litigation commenced by IEAM prior to the Effective Date.

1.52 **“Litigation Recoveries”** means all Cash or other recoveries from the Causes of Action, including the Litigation Cases.

1.53 **“Net Sale Proceeds”** means the purchase price for the Creighton Plant *less* all costs, expenses and adjustments associated with, or incurred by, the Debtor or the Liquidating Trustee in connection with the sale of the Creighton Plant, including without limitation, (i) adjustments to the purchase price for real estate taxes, water and sewer charges or any other governmental taxes or charges, (ii) title and survey costs and expenses, (iii) costs and expenses associated with any environmental reports or remediation, (iv) real estate broker commissions or fees, (v) reasonable attorneys’ fees, costs and expenses, and (vi) any and all other costs and expenses incurred by the Debtor or the Liquidating Trustee in connection with the sale of the Creighton Plant.

1.54 **“Non-Tax Priority Claim”** means a Claim, other than an Administrative Claim or a Priority Tax Claim that is entitled to priority under Bankruptcy Code section 507(a).

1.55 **“Omtammot”** means Omtammot, LLC.

1.56 **“Omtammot Secured Claim”** means the sum of (i) the Net Sale Proceeds; (ii) Cash held by the Chapter 11 Trustee relating to rent, litigation and accounts receivable collection involving the Creighton Plant as set forth on the Term Sheet; including proceeds from the Crum & Forster Litigation; (iii) Cash in the amount of eight percent (8%) of the gross proceeds of the Baker and Yale Settlements; and (iv) twenty eight percent (28%) percent of all recoveries net of attorneys’ fees and expenses and commission from any pending and future Causes of Action in this Bankruptcy Case or other recoveries not to exceed an amount of \$8,083,675.

1.57 **“Omtammot Settlement”** means the settlement embodied in the Term Sheet providing for the treatment of the Omtammot Secured Claim.

1.58 **“Person”** means a “person” within the meaning of Bankruptcy Code section 101(41).

1.59 **“Petition”** means the petition under Chapter 11 of the Bankruptcy Code filed by the Debtor with the Bankruptcy Court, pursuant to which this Case was commenced.

1.60 **“Petition Date”** means the date of the filing of the Petition by the Debtor.

1.61 **“Plan”** means this Chapter 11 Trustee’s Plan of Liquidation, as it may be amended, modified or supplemented from time to time.

1.62 **“Plan Supplement”** means the supplement or supplements to this Plan containing certain documents relevant to the implementation of this Plan, including the Liquidating Trust Agreement, to be filed no less than ten (10) calendar days before the deadline for voting to accept or reject this Plan.

1.63 **“Prepetition Loan”** means the prepetition loan to the Debtors by Sovereign Bank, which loan was subsequently assigned by Sovereign Bank to Omtammot.

1.64 **“Priority Tax Claim”** means an Allowed Claim to the extent of the amount of such Claim which is entitled to priority under Bankruptcy Code section 507(a)(8).

1.65 **“Pro Rata”** means the proportion that the amount of any Claim or Interest in a particular Class bears to the aggregate amount of all Claims or Interests in such Class.

1.66 **“Professionals”** means attorneys, accountants, appraisers, auctioneers and other professionals within the meaning of Bankruptcy Code section 327(a).

1.67 **“Record Date”** means the date on which the Bankruptcy Court holds a hearing to consider the adequacy of the Disclosure Statement in connection with the Plan.

1.68 **“Record Holder”** means the Holder of an Interest or Claim as of the Record Date.

1.69 **“Rejection Damages Claim”** means any Claim for damages arising by reason of the rejection of any executory contract or unexpired lease by operation of the Plan or pursuant to an order of the Bankruptcy Court.

1.70 **“Rejection Damages Claim Bar Date”** means the deadline by which Holder of a Rejection Damages Claim must file a Proof of Claim, which deadline shall be the later of: (a) the General Bar Date; (b) thirty (30) days after service of an order by the Court authorizing such rejection; or (c) such other date, if any, as the Court may have fixed in an order authorizing such rejection.

1.71 **“Reserve”** means the reserve established by the Liquidating Trustee to pay: (a) all reasonably anticipated expenses of administering the Liquidating Trust including, but not limited to, the costs, fees, and expenses of the Liquidating Trustee and all professionals retained by him and (b) Claims, including Professional Fee Claims, that are Disputed. Among other things, the

Reserve will be used to fund the professional fees and expenses incurred to prosecute the Litigation Cases and objections to Disputed Claims. The Reserve will be funded from the Cash transferred to the Liquidating Trustee on the Effective Date or as soon thereafter as is practicable, and the amount of the Reserve may be specified in the Confirmation Order. The Liquidating Trustee will have the right to fix the initial amount, and any additional amounts of the Reserve, in his reasonable discretion. Unused amounts in the Reserve as of the Final Distribution Date (after the payment of all costs and expenses to be covered by the Reserve as described above) will become part of the Liquidation Proceeds.

1.72 **“Schedules”** means the schedules of assets and liabilities filed by the Debtor with the Bankruptcy Court, pursuant to Bankruptcy Rule 1007(b)(1), and as they have been or may be amended from time to time.

1.73 **“Secured Claim”** means an Allowed Claim of a Claimant that is secured by a valid, perfected, enforceable and unavoidable Lien on property of the Debtor, or based on a valid and Bankruptcy Court-approved Allowed Claim for setoff pursuant to Bankruptcy Code section 553, to the extent of the value of such Claimant’s interest in the Debtor’s interest in such property, or to the extent of the amount subject to setoff, as the case may be. The determination of the secured status of a claim defined herein may result from a determination made by the Bankruptcy Court pursuant to Bankruptcy Code section 506.

1.74 **“Settlement Allocation Order”** means a final order entered by the Bankruptcy Court allocating the proceeds from the Baker and Yale Settlements.

1.75 **“Subordination Action”** means Adversary Proceeding No. 14-50081 initiated by the Chapter 11 Trustee seeking the subordination of Claim No. 1212 by Beryl Zyskind.

1.76 **“Term Sheet”** means the Restructuring Term Sheet dated January 31, 2014 between the Chapter 11 Trustee on behalf of the Debtor, Debtor Affiliates and Omtamot.

1.77 **“Trust Assets”** means all Assets that are to be contributed, transferred, assigned and conveyed to the Liquidating Trust.

1.78 **“Unimpaired”** means, with respect to a Claim, Class or Interest, a Claim, Class or Interest that is not impaired within the meaning of Bankruptcy Code section 1124.

1.79 **“Unsecured Claim”** means a Claim arising prior to the Petition Dates against the Debtor that is neither a Secured Claim nor entitled to priority under the Bankruptcy Code or any order of the Bankruptcy Court.

1.80 **“Voting Deadline”** shall have the meaning found in that certain Order (I) Approving the Disclosure Statement for Chapter 11 Trustee’s Plan of Liquidation for Industrial Enterprises of America, Inc., (II) Determining Dates, Procedures, and Forms Applicable to Solicitation Process, (III) Establishing Voting Tabulation Procedures and (IV) Establishing an Objection Deadline and Scheduling a Hearing to Consider Confirmation of the Plan of Liquidation for Industrial Enterprises of America, Inc.

1.81 **“Yale Settlement”** means the settlement resolving the disputed involving the Debtor and Yale University. The Court entered an order approving the settlement on December 28, 2010 [Docket No. 625].

ARTICLE 2: CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

2.1 **Introduction.** All Claims and Interests, Administrative Claims and Priority Tax Claims are placed in the Classes set forth below. In accordance with Bankruptcy Code section 1123(a)(1), Administrative Claims and Priority Tax Claims have not been classified, and the respective treatment of such unclassified Claims is set forth below in Sections 3.1 and 3.2 of the Plan.

2.2 **Claim Classification.** The Claims against and the Interests in the Debtor are hereby classified as follows:

a. **Class A – Non-Tax Priority Claims.** Class A shall include all Claims that are Allowed Non-Tax Priority Claims against the Debtor. Class A is unimpaired under the Plan and, therefore, Holders of Class A Claims are conclusively presumed to have accepted the Plan and are not entitled to vote to accept or reject the Plan.

b. **Class B – Omtammot Secured Claim.** Class B shall include the Omtammot Secured Claim against the Debtor. Class B is impaired under the Plan, and the Holder of the Class B Claim is entitled to vote to accept or reject the Plan.

c. **Class C - General Unsecured Claims.** Class C shall include all Claims that are Allowed General Unsecured Claims against the Debtor. Class C is impaired under the Plan, and the Holders of the Class C Claims are entitled to vote to accept or reject the Plan.

d. **Class D – IEAM Subordinated Claims.** Class D shall include a Claim against IEAM arising from damages for the purchase or sale of securities of IEAM that is subject to section 510(b) of the Bankruptcy Code. Pursuant to the Plan, the Trustee seeks to subordinate the following Claims under section 510(b) of the Bankruptcy Code: (i) Claim No. 1042 filed by Ernest C. Segundo, Jr.; (ii) Claim No. 1203 filed by Ernest C. Segundo; (iii) Claim No. 1204 filed by Segundo Irrevocable Trust; (iv) Claim No. 1211 filed by Opt Out of IEAM, LLC; (v) Claim No. 1163 filed by Timothy J. Lawler; and (vi) Claim No. 1212 filed by Beryl Zyskind. Class D is impaired under the Plan. All Subordinated Claims shall be converted to hypothetical shares of IEAM based upon the stock price of IEAM as of the Petition Date in determining any Pro Rata distributions on account of Equity Interests. Out of an abundance of caution, the Trustee also sought the subordination of Claim No. 1212 by Beryl Zyskind in the Subordination Action. The Subordination Action is resolved as set forth in section 4.11 of the Plan.

e. **Class E – Existing IEAM Interests.** Class E shall include all Existing IEAM Interests. Class E is impaired under the Plan.

ARTICLE 3: TREATMENT OF CLAIMS

3.1 **Administrative Claims.** Except to the extent that an Allowed Administrative Claim has been paid prior to the Effective Date, each holder of an Allowed Administrative Claim shall receive payment of the amount of such Allowed Administrative Claim in Cash on the Effective Date, or as soon as reasonably practicable thereafter, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Administrative Claim.

3.2 **Priority Tax Claims.** Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date, each holder of an Allowed Priority Tax Claim shall receive payment of the amount of such Allowed Priority Tax Claim in Cash on the Effective Date, or as soon as reasonably practicable thereafter, in full satisfaction, settlement, release and discharge of, and in exchange for, such Allowed Priority Tax Claim.

3.3 **Class A: Non-Tax Priority Claims.** Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date, each holder of an Allowed Non-Tax Priority Claim shall receive payment of the amount of such Allowed Priority Tax Claim in Cash on the Effective Date, or as soon as reasonably practicable thereafter, in full satisfaction, settlement, release and discharge of, and in exchange for, such Non-Tax Priority Claim.

3.4 **Class B: Omtammot Secured Claim.** The Holder of the Allowed Omtammot Secured Claim shall receive, in full satisfaction, settlement, release and discharge of and in exchange for, such Allowed Omtammot Secured Claim, the following as set forth in the Term Sheet: (i) the Net Sale Proceeds; (ii) Cash held by the Chapter 11 Trustee relating to litigation, rent and accounts receivable collection involving the Creighton Plant as set forth on the Term Sheet, including proceeds from the Crum & Forster Litigation; (iii) Cash in the amount of eight percent (8%) of the gross proceeds as a result of the Baker and Yale Settlements; and twenty eight percent (28%) of all recoveries net of attorneys' fees and expenses and commission

from any pending and future Causes of Action in this Bankruptcy Case and any other recoveries. The face amount asserted as Omtammot's total claim against IEAM is \$8,083,675. Omtammot will be entitled to (i) receive cash from the proceeds of its collateral and (ii) to share with general unsecured creditors in the recovery from Causes of Action as set forth above as part of its deficiency claim.

3.5 Class C: General Unsecured Claims. Holders of Allowed General Unsecured Claims shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, and (iv) the Allowed Omtammot Secured Claim, its Pro Rata share of the Liquidation Proceeds. A Distribution to Holders of Allowed General Unsecured Claims will not take place on the Effective Date and will only take place after the Trust Loan is repaid as set forth in the Term Sheet.

3.6 Class D: IEAM Subordinated Claims. Holders of IEAM Subordinated Claims shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, (iv) the Allowed Omtammot Secured Claim, (v) Allowed General Unsecured Claims, and (vi) repayment of the Trust Loan, their Pro Rata share of the Liquidation Proceeds. After the satisfaction of Allowed General Unsecured Claims, Holders of IEAM Subordinated Claims shall share Pro Rata in the Liquidation Proceeds with Holders of Existing IEAM Interests. Holders of Subordinated Claims shall receive a beneficial interest in the Liquidating Trust. All Subordinated Claims shall be treated hypothetical shares of IEAM based upon the stock price of IEAM as of the Petition Date in determining any Pro Rata distributions on account of Equity Interests.

3.7 Class E: Existing IEAM Interests. Holders of Existing IEAM Interests shall receive, after the satisfaction of all payments required to be made to Holders of (i) Allowed Administrative Claims, (ii) Allowed Priority Tax Claims, (iii) Allowed Non-Tax Priority Claims, (iv) the Allowed Omtammot Secured Claim, (v) Allowed General Unsecured Claims, and (vi) repayment of the Trust Loan, their Pro Rata share of the Liquidation Proceeds. All Interests in IEAM shall be cancelled on the Effective Date and Holders of Existing IEAM Interests shall receive a beneficial interest in the Liquidating Trust. After the satisfaction of Allowed General Unsecured Claims, Holders of IEAM Interests shall share pro rata in the Liquidation Proceeds with Holders of IEAM Subordinated Claims.

3.8 General Provision Applicable to All Classes. Notwithstanding any other provision of the Plan specifying a date or time for the distribution of any payment to any Holder of a Claim or Interest, payments and distributions in respect of any Claim or Interest which at such date or time is disputed, unliquidated or contingent shall not be made until such Claim or Interest becomes an Allowed Claim or Allowed Interest, whereupon such payments shall be made promptly in accordance with this section.

ARTICLE 4: MEANS FOR IMPLEMENTATION OF THE PLAN

4.1 Appointment of the Liquidating Trustee. In furtherance of and consistent with the purpose of the Liquidating Trust and the Plan, the Liquidating Trustee shall be deemed to be a judicial substitute for the Debtor as the party-in-interest in this Bankruptcy Case, under the Plan or in any judicial proceeding or appeal to which the Debtor is a party, consistent with section 1123(b)(3)(B) of the Bankruptcy Code and section 303 of the Delaware General Corporation Law, and is appointed as the representative of the Estate for all purposes, including for the retention and enforcement of all Claims and rights, known and unknown, which arose

prior to the Effective Date. On the Effective Date, the Liquidating Trustee shall be Norman L. Pernick.

4.2 Establishment of Reserve. The Liquidating Trustee shall establish the Reserve in an amount to be determined by him. That portion of the Reserve that relates to the costs and expenses of prosecuting Causes of Action and objections to Claims, and payment of professional fees and administrative expenses, will be determined on the basis of an estimate prepared by the Professionals who will prosecute such matters.

The Liquidating Trustee shall withhold the Distribution Reserve from the property to be distributed under the Plan to Creditors. The Liquidating Trustee may request estimation for any Disputed Claim that is contingent or unliquidated, and the Liquidating Trustee will withhold the Distribution Reserve based upon the estimated amount of each such Claim as determined by the Bankruptcy Court. If the Liquidating Trustee elects not to request such an estimation from the Bankruptcy Court with respect to a Disputed Claim that is contingent or unliquidated, the Liquidating Trustee will withhold the Distribution Reserve based upon the appropriate pro rata percentage Distribution of the Face Amount of such Claim. The Liquidating Trustee shall not pay legal fees and expenses from the Distribution Reserve to ensure there is sufficient Cash available to satisfy Disputed Claims.

4.3 Execution of the Liquidating Trust Agreement. On the Effective Date, the Liquidating Trust Agreement, in a form consistent with this Plan, shall be executed, and all other necessary steps shall be taken to establish the Liquidating Trust.

4.4 Establishment of the Liquidating Trust. On the Effective Date, and in accordance with the Confirmation Order, the Assets will be irrevocably transferred and assigned to the Liquidating Trust, and will be held in trust for the benefit of all Holders of Allowed Claims and Interests pursuant to the terms of the Plan and the Liquidating Trust Agreement. The

Estate's title to the Assets will pass to the Liquidating Trust on the Effective Date free and clear of all Claims, Liens and Interests in accordance with Bankruptcy Code section 1141. The Liquidating Trustee will pay, or otherwise make distributions on account of, all Allowed Claims and Interests against the Debtor in accordance with the terms of the Plan.

4.5 Funding of the Liquidating Trust. The Trust shall be initially capitalized with any remaining cash on hand (which in no case shall be less than \$500,000) after all Effective Date payments (including payments of cash collateral to Omtammot) required by the Plan have been made. As set forth in the Term Sheet, of the amount received by Omtammot as a result of its security interest in proceeds of the Baker and Yale Settlements, Omtammot will make a loan to the Liquidating Trust in the amount up to \$500,000 as necessary to fund pending and future litigation and other administrative expenses of the Trust (the "Trust Loan"). The Trust Loan shall accrue interest at Prime +3% per annum, shall be secured by a first priority lien on all of the Trust asset, with a carve out for reasonable professional fees incurred by the Trust and the Trustee's fees and commissions, and will be repaid through quarterly payments of the amount of cash in bank in excess of \$500,000, and in no event later than the earlier of (a) the realization of \$1,000,000 in net litigation or other recoveries after the Effective Date or (b) at the time the Liquidating Trust winds up its affairs.

4.6 Effect of Transfer. For federal and applicable state income tax purposes, the transfer of the Assets to the Liquidating Trust will be a disposition of the Assets directly to and for the benefit of the Beneficiaries of the Liquidating Trust in partial satisfaction of their Claims, immediately followed by a deemed contribution of the Assets by the Beneficiaries to the Liquidating Trust. The Beneficiaries will be treated as the grantors and deemed owners of the Liquidating Trust.

4.7 Settlement of Claims. The Liquidating Trustee will be authorized to settle Disputed Claims, Causes of Action or disputes as to amounts owing to the Estate with an originally-asserted amount up to \$500,000, without first having to seek approval from the Bankruptcy Court. Notwithstanding the foregoing, nothing contained herein shall alter the rights of Omtammot as set forth in the Term Sheet with respect to settlements of litigation or other Trust assets with an originally-asserted value in excess of \$50,000. The Liquidating Trustee will be authorized and empowered to bind the Liquidating Trust thereto. Any settlement by the Liquidating Trustee shall be conclusively deemed to be in the best interests of the Estate and the Liquidating Trust.

4.8 Preservation and Pursuit of Causes of Action, Including Litigation Cases. All claims, demands and Causes of Action of any kind or nature whatsoever held by, through, or on behalf of the Debtor and/or its Estate against any other Person, including, but not limited to, the Causes of Action set forth on the attached Schedule 1, arising before the Effective Date and which have not been resolved or disposed of prior to the Effective Date, are hereby preserved in full for the benefit of the Liquidating Trust, whether or not such claims or causes of action are specifically identified in the Disclosure Statement accompanying the Plan. The Liquidating Trustee is hereby designated as the estate representative pursuant to and in accordance with Bankruptcy Code section 1123(b)(3)(B). Among other things, the Liquidating Trustee will have the authority to prosecute the Litigation Cases and any other rights, claims or causes of action belonging to the Debtor and its Estate.

4.9 Litigation Recoveries. The Litigation Recoveries and all other Liquidation Proceeds will be deposited into the Liquidation Trust.

4.10 Omtammot Settlement. The Plan incorporates the Omtammot Settlement, which is memorialized on the Term Sheet. The Term Sheet is attached hereto as Exhibit A and

is incorporated herein. To the extent of any conflicts between the Plan, the Term Sheet or the Confirmation Order, the Term Sheet shall control.

4.11 Implementation of the Zyskind Settlement. The Plan and the Confirmation Order shall implement the terms of the Zyskind Settlement between the Chapter 11 Trustee, Omtammot and Beryl Zyskind (“Mr. Zyskind” and together with the Chapter 11 Trustee and Omtammot, the “Zyskind Settlement Parties”) pursuant to section 1123(b)(3)(A) of the Bankruptcy Code. Pursuant to the Zyskind Settlement:

(a) The Zyskind Settlement Parties agree that Proof of Claim No. 1212 filed against IEAM by Mr. Zyskind in the unsecured amount of \$10,758,463.30 (the “Zyskind Claim”) shall be reclassified and allowed as set forth herein. The Zyskind Claim shall be bifurcated into (i) an allowed General Unsecured Claim in the amount of eight hundred thousand dollars (\$800,000) (the “Allowed Zyskind Unsecured Claim”) and (ii) an allowed equity interest with a dollar value of \$9,958,463.30 (the “Subordinated Zyskind Claim”)

(b) The Zyskind Settlement Parties further agree as follows:

- i) On the Effective Date, Mr. Zyskind shall assign to Omtammot two hundred thousand dollars (\$200,000) (the “Assigned Zyskind Claim”) of the Allowed Zyskind Unsecured Claim. In exchange therefor, on the date that Omtammot receives its initial Distribution under the Plan, Omtammot shall pay Mr. Zyskind one hundred thousand dollars (\$100,000) on account of the Assigned Zyskind Claim.
- ii) Omtammot shall have the option to purchase all or a portion of the balance of the Allowed Zyskind Unsecured Claim (the “Purchase Option”) at a purchase price of fifty percent of the Claim amount purchased. The Purchase Option shall expire ninety (90) days after the Effective Date.

(c) On the date that Omtammot receives its initial Distribution under the Plan, Omtammot shall pay Mr. Zyskind one hundred thousand dollars (\$100,000) as a carve out from the Distribution to Omtammot on account of the Omtammot Secured Claim.

(d) On the Confirmation Date, the Subordinated Zyskind Claim shall be converted to a hypothetical amount of IEAM shares as of the Petition Date as set forth in the Plan. In

accordance with the conversion formula set forth in the Plan, the Subordinated Zyskind Claim shall be converted to 995,846,330 hypothetical shares (the “Converted Share Amount”). The Converted Share Amount shall be added with Mr. Zyskind’s IEAM Equity Interests in the amount of 105,000,000 for a total of 1,100,846,330 hypothetical shares of IEAM (the “Zyskind Equity Interest”). The Zyskind Settlement Parties agree that any Distribution made on account of the Zyskind Equity Interest shall be paid as follows: seventy five percent (75%) to Omtamnot and twenty five (25%) to Mr. Zyskind.

(e) Mr. Zyskind has agreed to vote to accept the Plan in both his capacity as the holder of the Allowed Zyskind Unsecured Claim and the Zyskind Equity Interest.

(f) After execution of a confidentially agreement, the Liquidating Trustee shall provide Mr. Zyskind reasonable access to information regarding the Litigation Cases. The Liquidating Trustee reasonably will consult in good faith with Mr. Zyskind regarding any settlements of Litigation Cases where the originally-asserted amount up at issue exceeds to \$50,000.

(g) On the Effective Date, the Chapter 11 Trustee shall dismiss the Subordination Action (Adversary No. 14-50081), with prejudice.

4.12 Procedure for Determination of Claims. Except as to any Claim that has been Allowed prior to the Effective Date, the Liquidating Trustee may object to the allowance of any Claim against the Debtor or seek estimation thereof on any grounds permitted by the Bankruptcy Code by filing the appropriate pleading in the Bankruptcy Court at any time prior to the first Business Day which is one hundred twenty (120) days after the Effective Date.

4.13 Treatment of Disputed and Contingent Claims.

a. Disputed Claims. No payments or other distributions will be made to Holders of Claims unless and until such Claims are Allowed Claims. No distribution or

payment shall be made to any Holder of an Allowed Claim who is also a potential defendant in a Litigation Case. If a Claim is not an Allowed Claim on the Effective Date or when payment is otherwise due under the Plan, payment of the Claim will be made after the Claim becomes an Allowed Claim or on such earlier date as the Liquidating Trustee deems appropriate, in either case, from the Reserve otherwise attributable to such Claim. At the time of any payments of other distributions to Holders of Allowed Claims in any Class, an amount sufficient to have paid each Holder of a Disputed Claim in such Class its Pro Rata share of such Distribution, calculated as though such Disputed Claim were an Allowed Claim, shall be reserved for the potential benefit of the Holder of the Disputed Claim, and thereafter distributed as set forth above, but in the event that a creditor asserts duplicative, overlapping, or multiple Claims, the total amount reserved shall not exceed the total amount subject to distribution to such Creditor on account of such Claims. Further, to the extent necessary to insure that the amount reserved for a Disputed Claim is sufficient, any amount held or reserved on account of one Claim of a Creditor shall also be deemed to be held or reserved for all Claims of that Creditor.

b. Contingent Claims. Until such time as a contingent Claim or a contingent portion of an Allowed Claim becomes fixed or absolute or is Disallowed, such Claim will be treated as a Disputed Claim for all purposes related to distributions under the Plan. The Holder of a contingent Claim will only be entitled to a distribution under the Plan when and if such contingent Claim becomes an Allowed Claim.

4.14 Authority to Settle and Assign. In accordance with Bankruptcy Code section 1123(b)(3), and subject to the terms of the Liquidating Trust Agreement and Omtammot's rights under the Term Sheet, the Liquidating Trustee will own and retain, and may prosecute, enforce, compromise, settle, release, or otherwise dispose of, any and all claims, defenses, counterclaims, setoffs, and recoupments belonging to the Debtor or its Estate.

4.15 **Resignation of Directors.** On the Effective Date, the current directors of the Debtor shall be deemed to have resigned and shall be fully discharged from their responsibilities and duties as directors of the Debtor. In general and subject to the protective provisions in the Plan, the Liquidating Trustee shall act for the Debtor and its Estate in a fiduciary capacity as applicable to a board of directors.

4.16 **Dissolution of Debtor.** To the extent permitted by applicable nonbankruptcy law, on the Effective Date, the Debtor shall be deemed dissolved as a corporation or limited liability company, as applicable, pursuant to applicable corporate or limited liability company law and by authority of the Confirmation Order confirming the Plan without having to file any document, or take any other action.

4.17 **The Liquidating Trustee's Abandonment, Disposal and/or Destruction of the Records.** Pursuant to section 554 of the Bankruptcy Code, the Liquidating Trustee shall be authorized to abandon all originals and/or copies of documents and business records upon order of the Bankruptcy Court obtained on motion on twenty days negative notice to the Debtor's Bankruptcy Rule 2002 service list.

4.18 **Execution of Documents.** The Debtor (or the Liquidating Trustee on behalf of the Debtor) may execute any and all documents and instruments necessary to effectuate the Plan.

5. THE LIQUIDATING TRUSTEE

5.1 **Appointment of Liquidating Trustee.** In the Confirmation Order, the Liquidating Trustee will be appointed and will be bound to perform as required by the Plan. The Liquidating Trustee shall be Norman L. Pernick.

5.2 **Duties of Liquidating Trustee.** On the Effective Date, the Liquidating Trustee will be the representative of the Estate as that term is used in Bankruptcy Code section 1123(b)(3)(B) and will have the rights and powers provided for in the Bankruptcy Code, in

addition to any rights and powers granted herein and in the Liquidating Trust Agreement. In his capacity as the representative of the Estate, the Liquidating Trustee will be the successor-in-interest to the Debtor with respect to all claims, actions, and other interests constituting the Trust Assets. The Liquidating Trustee will hold all rights, title and interest in and to the Trust Assets of the Liquidating Trust on behalf of the Beneficiaries thereof, and will pay from the Liquidating Trust all ordinary and necessary costs of protecting and preserving the Trust Assets. The Liquidating Trustee will administer the Liquidating Trust, will liquidate the Trust Assets of the Liquidating Trust, and will make distributions from the Liquidating Trust, all in accordance with the terms of the Plan and the Liquidating Trust Agreement.

5.3 Reporting Requirements/Effect of Failure to Object. After the Effective Date, the Liquidating Trustee shall file quarterly operating reports. Before making his Final Distribution, the Liquidating Trustee shall file a written report with the Bankruptcy Court (which report shall constitute the final accounting of the Liquidating Trust) showing the assets administered, the distributions made by the Liquidating Trustee and the Final Distributions to be made by the Liquidating Trustee (the "Final Liquidating Trustee Accounting Report"). The Liquidating Trustee shall provide notice by regular, first-class mail to all Beneficiaries of the filing of the Final Liquidating Trustee Accounting Report. Any Beneficiary who fails to file and serve on the Liquidating Trustee a written objection to any Liquidating Trustee Accounting Reports or to the Final Liquidating Trustee Accounting Report within twenty (20) days after such report or account is filed shall be deemed to have assented thereto and approved the contents thereof. Any objection to any report or accounting shall be resolved by the Bankruptcy Court. If no objection is filed to the Final Liquidating Trustee Accounting Report within the time frame set forth above, then, upon making the Final Distribution in the manner set forth in the Final Liquidating Trustee Accounting Report, the Liquidating Trustee and all his Professionals shall

be: (a) fully discharged of their duties hereunder and under the Liquidating Trust Agreement; and (b) fully discharged and released from all duties, liabilities and obligations of every kind and nature to the Beneficiaries, except as is expressly set forth herein or in the Liquidating Trust Agreement to the contrary.

5.4 Authorization of the Liquidating Trustee. Subject to the rights of Omtammot as set forth in the Term Sheet, the Liquidating Trustee shall be empowered and authorized to, among other things: (a) liquidate the Trust Assets; (b) retain and/or employ Professionals, (c) exercise all power and authority that may be exercised by any officer, director or holder of an Interest in the Debtor with like effect as if authorized, exercised and taken by unanimous consent of such officers, directors or holders of Interests including, without limitation, amending the Debtor's organizational documents or dissolving the Debtor; (d) pursue objections to, and subordination, estimations and settlements of, Claims; (e) prosecute, in accordance with his reasonable business judgment, any causes of action of the Estate including Disputed Claims and Litigation Cases; (f) calculate and implement all distributions to be made under this Plan; (i) market, sell, lease or otherwise dispose of or realize the value of all Trust Assets; (j) file all required tax returns and pay taxes and all other obligations on behalf of the Debtor; (k) file required operating reports; and/or (l) take all other actions required under the Plan to complete the liquidation, dissolution and wind-up of the Debtor in accordance with applicable non-bankruptcy law and the Plan. To the extent the Liquidating Trustee seeks to sell a Trust Asset, such transaction shall be subject to Court approval.

5.5 Disbursements. All distributions under the Plan on account of Allowed Claims and/or Interests shall be made by the Liquidating Trustee. For purposes hereof, the transfer of Cash to the Liquidating Trust shall be deemed a disbursement by the Debtor.

5.6 Compensation of the Liquidating Trustee and the Liquidating Trustee's Professionals. The Liquidating Trustee shall be entitled to reasonable compensation in an amount consistent with that of similar professionals in similar types of bankruptcy proceedings. The costs and expenses of the Liquidating Trustee, including the fees and expenses of the Liquidating Trustee and his retained professionals, shall be paid out of the Liquidating Trust Assets and shall be considered administrative expenses of the Debtor's Estate. Such fees and expenses shall be paid or reserved prior any distributions under the Plan. The Liquidating Trustee shall maintain appropriate reserves to fund confirmation administrative expenses, post-confirmation administrative expenses, and operating expenses during the implementation of the Plan. Such reserves shall be established in consultation with the Liquidating Trustee's professionals. The Liquidating Trustee shall provide Omtammot with monthly fee statements for each professional retained after the Effective Date. Omtammot shall have twenty (20) days to raise an objection to payment of a fee statement. Unless an objection is raised, the Liquidating Trustee may pay the fee statement in full.

5.7 Cash. The Liquidating Trustee may invest Cash (including any earnings thereon); provided, however, that such investments are investments permitted to be made by a liquidating trust within the meaning of Treasury Regulation § 301.7701-4(d), as reflected therein, or under applicable Internal Revenue Service guidelines, rulings, or other controlling authorities.

5.8 Retention of Professionals by the Liquidating Trustee. The Liquidating Trustee may retain and reasonably compensate counsel and other Professionals to assist in his or her duties on such terms as the Liquidating Trustee deems appropriate without Bankruptcy Court approval, including any Professional who represented the Chapter 11 Trustee in the Chapter 11 Case. The Liquidating Trustee shall consult in good faith with Omtammot regarding the retention of any Professional.

5.9 **Reserve.** The Liquidating Trustee will utilize the Reserve as follows (and the Reserve can, but does not need to be, held in separate accounts):

(a) to pay all costs and expenses related to the care and maintenance of the Trust Assets, including, but not limited to, the expenses of the Liquidating Trust (including the fees and expenses of the Liquidating Trustee and any Professionals) and the expenses related to all matters handled by the Liquidating Trustee and his Professionals, including Litigation Cases and Disputed Claims which are prosecuted and/or resolved by the Liquidating Trustee.

(b) to make disbursements to Holders of Allowed Claims and/or Interests.

(c) If any amount is remaining in the Reserve at a time when the Liquidating Trustee believes in good faith that the need for such Reserve has ended, the Liquidating Trustee will eliminate the Reserve and any remaining amount will become Liquidation Proceeds available for distribution pursuant to the terms of the Plan.

5.10 **No Rights in Trust Assets.** The Trust Assets will be held by the Liquidating Trustee in trust for the benefit of the creditors that are Beneficiaries of the Liquidating Trust and that are paid from the Liquidating Trust under the Plan.

5.11 **Limitation On Liability of Liquidating Trustee.** Subject to applicable law, the Liquidating Trustee will not be liable for any act he may do or omit to do as Liquidating Trustee hereunder while acting in good faith and in the exercise of his reasonable business judgment; nor will the Liquidating Trustee be liable in any event except for his own gross negligence, fraud or willful misconduct. The foregoing limitation on liability also will apply to any Person (including any Professional) employed by the Liquidating Trustee and acting on behalf of the Liquidating Trustee in the fulfillment of the Liquidating Trustee's duties hereunder or under the Liquidating Trust Agreement. The Liquidating Trustee and all Professionals shall also be entitled to indemnification out of the assets of the Liquidating Trust against any losses, liabilities, expenses

(including attorneys' fees and disbursements), damages, taxes, suits or claims that the Liquidating Trustee may incur or sustain by reason of being or having been a Liquidating Trustee of the Liquidating Trust or for performing any functions incidental to such service to the extent such losses, liabilities, expenses, damages, taxes, suits or claims are not the result of their gross negligence, fraud or willful misconduct.

ARTICLE 6: EFFECT OF CONFIRMATION

Except as otherwise provided in the Plan or in the Confirmation Order, confirmation will effect the continued administration of the Debtor's remaining assets in accordance with the Plan and the Liquidating Trust Agreement and the dissolution of the Debtor. Confirmation serves to make the Plan binding upon the Debtor, all Creditors, Interest Holders and other parties-in-interest, regardless of whether they cast a Ballot to accept or reject the Plan.

ARTICLE 7: EXEMPTION FROM SECURITIES LAWS

Pursuant to Section 1145(a) of the Bankruptcy Code, the offer, issuance, transfer or exchange of any security under the Plan, or the making or delivery of an offering memorandum or other instrument of offer or transfer under the Plan, shall be exempt from Section 5 of the Securities Act of 1933 or any similar state or local law requiring the registration for offer or sale of a security or registration or licensing of an issuer or a security.

ARTICLE 8: DISTRIBUTIONS

8.1 Whenever any payment of a fraction of a cent would otherwise be called for, the actual payment shall be in an amount equal to a rounding of such fraction to the nearest whole cent (rounding down in case of fractions of 0.5 or less).

8.2 Distributions shall be mailed to the most current of the following addresses for each Claimant and/or Interest Holder: (a) for Scheduled Claims for which no proof of claim has

been filed, to the address listed on the Schedules or the Debtor's books and records; (b) for filed proofs of claim, to the address listed on the proof of claim for distribution purposes, and if no such address is listed, to the noticing address listed; (c) the address provided to the Liquidating Trustee by the Claimant or (d) for Interest Holders, each broker, commercial bank, transfer agent, trust company, dealer or other intermediary or nominee, or their mailing agent (each a "Nominee") identified by the Debtor's Claims Agent as any entity through which beneficial holders indirectly hold an IEAM Interest. Any checks for distribution to holders of an Allowed Claim of any class, not negotiated within ninety (90) days after issuance shall be deemed void and the funds represented by such checks, if any, shall be retained by the Liquidating Trust.

8.3 Notwithstanding any provision to the contrary in the Plan, nothing shall bar a Creditor from asserting its setoff or recoupment rights to the extent permitted under section 553 of the Bankruptcy Code or any other applicable provision of the Bankruptcy Code. The Liquidating Trustee may, pursuant to sections 553 and/or 558 of the Bankruptcy Code or applicable nonbankruptcy laws, but shall not be required to, set off against any Claim or Interest the payments or other distributions to be made pursuant to this Plan in respect of such Claim or Interest, or claims of any nature whatsoever that the Debtor may have against the Holder of such Claim or Interest.

8.4 Notwithstanding anything to the contrary contained herein or in the Liquidating Trust Agreement, if the amount of Cash to be distributed to the Holder of an Allowed Claim is less than \$50, the Trustee may hold the Cash distributions to be made to such Holder until the aggregate amount of Cash to be distributed to such Holder is in an amount equal to or greater than \$50. Notwithstanding the preceding sentence, if the amount of Cash distribution to any Holder of an Allowed Claim never aggregates more than \$50, then the Liquidating Trustee shall not be required to distribute Cash to any such Holder.

ARTICLE 9: RETENTION OF JURISDICTION

The Bankruptcy Court shall retain jurisdiction of this Case for the purposes of Bankruptcy Code sections 105(a), 1127 and 1142(b) and for the following purposes:

- (a) To hear and determine all Objections to the allowance or disallowance of any and all Claims or Interests;
- (b) To hear and determine all motions to estimate Claims;
- (c) To hear and determine all motions or adversary proceedings to subordinate or disallow any and all Claims or Interests;
- (d) To hear and determine all matters relating to the assumption and rejection of any executory contract or unexpired lease, including, but not limited to, any cure payments or Claims for rejection damages arising therefrom;
- (e) To determine applications for allowance of compensation and reimbursement of expenses by Professionals;
- (f) To enforce and interpret the Plan, to resolve any disputes arising under or in connection with the Plan, to effectuate payments under the Plan and/or to compel performance of any Person in accordance with the provisions of the Plan;
- (g) To correct any defect, to cure any omission or to reconcile any inconsistency in the Plan or in the Confirmation Order as may be necessary or advisable to carry out the intents and/or purposes of the Plan;
- (h) To determine such other matters and for such other purposes as may be provided in the Confirmation Order or otherwise deemed appropriate to accomplish its intents and purposes;
- (i) To enforce all orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Case and the Plan;

(j) To hear and determine all motions or adversary proceedings to recover all assets of the Debtor and property of the Debtor's estate;

(k) To adjudicate all Litigation Cases and Causes of Action brought in the Bankruptcy Court or transferred to the Bankruptcy Court either prior to or subsequent to the Effective Date;

(l) To hear and determine any motion or adversary proceeding with respect to the sale of the Creighton Plant;

(m) To hear any other matter not inconsistent with the Bankruptcy Code or jurisdiction of the Bankruptcy Court; and

(n) To enter a Final Order closing this Case.

ARTICLE 10: EXECUTORY CONTRACTS

10.1 Deemed Rejection of Executory Contracts and Unexpired Leases Upon Confirmation. As of the Confirmation Date the Debtor shall be deemed to have rejected all prepetition executory contracts and unexpired leases other than those specifically assumed on or before the Confirmation Date, or entered into during the Chapter 11 Cases, or that are otherwise subject to a motion to assume that is pending on or before the Confirmation Date, pursuant to Bankruptcy Code section 1123(b)(2).

10.2 Rejection Damages Bar Date. If the rejection of an executory contract or unexpired lease pursuant to this Plan gives rise to a Rejection Damages Claim, such Rejection Damages Claim shall be forever barred and shall not be enforceable against the Debtor or its Estate, or their respective successors or properties unless a Proof of Claim shall be filed with the Claims Agent, within thirty (30) days after service of the order rejecting the contract. If a Rejection Damages Claim becomes an Allowed Claim then it shall be classified as a General Unsecured Claim pursuant to the Plan.

ARTICLE 11: CONFIRMATION WITHOUT ACCEPTANCE

11.1 In the event that any Impaired Class does not accept the Plan as provided in Bankruptcy Code section 1129(a)(8)(A), it is hereby requested that the Bankruptcy Court confirm the Plan pursuant to Bankruptcy Code section 1129(b) with respect to such non-accepting Classes, in which case, the Plan shall constitute a motion for such relief.

11.2 Pursuant to section 1126(c) of the Bankruptcy Code, an Impaired Class of Claims shall have accepted the Plan if, after excluding any Claims held by any Holder designated pursuant to section 1126(e) of the Bankruptcy Code, (a) the Holders of at least two-thirds in dollar amount of the Allowed Claims actually voting in such Class have voted to accept such Plan and (b) more than one-half in number of such Allowed Claims actually voting in such Class have voted to accept the Plan.

11.3 Except for Holders of Claims in Classes that are deemed or presumed to have accepted or rejected this Plan, Holders of Claims in a particular Impaired Class of Claims that were given the opportunity to vote to accept or reject this Plan and notified that a failure of any Holders of Claims in such Impaired Class of Claims to vote to accept or reject this Plan would result in such Impaired Class of Claims being deemed to have accepted this Plan, then such Class of Claims shall be deemed to have accepted this Plan.

ARTICLE 12: INJUNCTION

Except as provided in this Plan or Confirmation Order, all entities or Persons which have held, hold, or may hold Claims or Interests against the Debtor, 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 with respect to any such Claim or Interest against the Trust Assets, (b) the enforcement, attachment, collection or recovery by any manner or means of any judgment, award, decree or order against the Trust Assets on account of any such Claim, (c) creating,

perfecting or enforcing any Lien of any kind against the Trust Assets on account of any such Claim, and (d) commencing or continuing in any manner any action or other proceeding of any kind with respect to any Claim or Interest.

ARTICLE 13: EXCULPATION AND LIMITATION OF LIABILITY

The Chapter 11 Trustee, his advisors, attorneys, representatives, financial advisors, investment bankers, or agents and any of such parties' successors and assigns, shall not have or incur, and are hereby released from, any claim, obligation, cause of action, or liability to one another or to any Holder of any Claim or Interest, or any other party-in-interest, or any of their respective agents, employees, representatives, financial advisors, attorneys, or affiliates, or any of their successors or assigns, for any act or omission in connection with, relating to, or arising out of the Case, the negotiation and Filing of this Plan, the settlement of Claims or renegotiation of executory contracts and leases, the pursuit of confirmation of this Plan, the consummation of this Plan, or the administration of this Plan or the property to be distributed under this Plan, except for their willful misconduct or gross negligence or any obligations that they have under or in connection with this Plan or the transactions contemplated in this Plan, and in all respects shall be entitled to reasonably rely upon the advice of counsel with respect to his duties and responsibilities under this Plan.

In accordance with the Term Sheet, the Chapter 11 Trustee, on behalf of the Debtor and the Debtor's estate and his professionals, shall be deemed to completely and forever agree, promise, release, waive, void, extinguish and discharge, and shall be permanently enjoined from any prosecution or attempted prosecution of, any and all Causes of Action against Omtammot, its principals, members, affiliates and/or related entities and its professionals, other than for claims and causes of action asserted in Adversary Proceeding No. 13-50935 (BLS) and its professionals.

Omtammot, its principals, members, affiliates and/or related entities and its professionals, shall be deemed to completely and forever agree, promise, release, waive, void, extinguish and discharge, and shall be permanently enjoined from any prosecution or attempted prosecution of, any and all Causes of Action against the Chapter 11 Trustee, his professionals and the Debtor and the Debtor's estate.

ARTICLE 14: PAYMENT OF STATUTORY FEES

All fees payable pursuant to 28 U.S.C. § 1930, as determined by the Bankruptcy Court at or in conjunction with the Confirmation Hearing, will be paid on or before the Effective Date and, thereafter, pending entry of a final decree. All quarterly reports of disbursements required to be filed by applicable bankruptcy law will be filed in accordance with applicable bankruptcy law. The United States Trustee will continue to be paid by the Liquidating Trustee until entry of the final order or decree, or upon conversion or dismissal of the Bankruptcy Case.

ARTICLE 15: CONDITIONS TO EFFECTIVE DATE

15.1 Conditions to the Effective Date.

The Plan shall not become effective and the Effective Date shall not occur unless and until each of the following conditions has been satisfied or duly waived by the Trustee (which may be at any time and without further order): (i) the Bankruptcy Court shall have entered the Confirmation Order in form and substance acceptable to the Trustee, who shall consult in good faith with Omtammot as to the form and substance; (ii) the Confirmation Order shall provide that the Trustee, on behalf of the Debtor, is authorized to take all actions necessary and appropriate to enter into, implement and consummate all agreements or documents created in connection with the Plan or needed to effectuate, advance, or further the purposes thereof; (iii) the Bankruptcy Court shall have entered the Settlement Allocation Order; (iv) all other actions, documents, and agreements necessary to implement the Plan shall have been effected or executed and shall be in

form and substance acceptable to the Trustee, who shall consult in good faith with Omtammot; (v) any governance documents, as they may be amended, shall have been adopted and filed with the applicable authorities in the relevant jurisdictions and shall become effective on the Effective Date in accordance with such jurisdiction's laws; (vi) the Confirmation Order shall have become a Final Order, (vii) the Settlement Allocation Order shall have become a Final Order, (viii) the Liquidating Trustee has accepted, in writing, the terms of his service and compensation, and such terms and compensation shall have been approved by the Bankruptcy Court in the Confirmation Order, (ix) the Liquidating Trust has been established and (x) sufficient funds to become effective exist, in the judgment of the Trustee.

15.2 Effect of Nonoccurrence of Conditions to the Effective Date.

If each of the conditions to the Effective Date is not satisfied or duly waived pursuant to section 15.1 of the Plan, then upon motion by the Trustee made before the time that each of such conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order shall be vacated by the Bankruptcy Court; provided, however, that notwithstanding the filing such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to this Section 15.2 of the Plan, the Plan shall become null and void in all respects.

ARTICLE 16: AMENDMENT OR MODIFICATION OF THE PLAN

16.1 Plan Modification. The Plan may be amended, modified, or supplemented by the Trustee 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. In addition, after the Confirmation Date, the Trustee may institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan or the

Confirmation Order, with respect to such matters as may be necessary to carry out the purposes and effects of the Plan. The Trustee may make appropriate technical adjustments and modifications to the Plan without further order or approval of the Bankruptcy Court. A Holder of a Claim or Interest that has voted in favor of this Plan shall be deemed to have accepted this Plan as altered, amended or modified, if the proposed alteration, amendment or modification does not materially and adversely change the treatment of the Claim or Interest of such Holder. To the extent any material amendments to the Plan are made after the solicitation package is served, but prior to the confirmation hearing, the Trustee will file a motion to determine if re-solicitation is necessary.

16.2 Severability. If, prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, then, at the request of the Trustee, the Bankruptcy Court will have the power to alter and interpret such term or provision 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 will then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the 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 Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

16.3 Plan and Term Sheet Control. In the event and to the extent that any provision of the Plan is inconsistent with the provisions of the Disclosure Statement, or any other agreement to be executed by any Person pursuant to the Plan, the provisions of the Plan shall

control and take precedence. In the event of any inconsistency between any provision of any of the foregoing documents, and any provision of the Confirmation Order, the Confirmation Order shall control and take precedence. In the event of any inconsistency between any provision of any of the foregoing documents, the Term Sheet shall control and take precedence.

ARTICLE 17: MISCELLANEOUS

17.1 **Headings.** The headings in this Plan are for convenience of reference only and shall not limit or otherwise affect the meaning of the terms herein.

17.2 **Article and Section References.** Unless otherwise specified, all references in the Plan to Sections and Articles are to Sections and Articles of the Plan.

17.3 **Administrative Claims.** All Administrative Claims that arose after August 13, 2013, other than Professional fee claims, must be filed with the Claims Agent no later than forty-five (45) days after the Effective Date. In the event that the Liquidating Trustee objects to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim.

17.4 **Professional Fee Claims.** All final requests for compensation or reimbursement of fees and expenses pursuant to Bankruptcy Code sections 327, 328, 330, 331, 503(b) or 1103 for services rendered to the Debtor or the Trustee prior to the Effective Date must be filed with the Bankruptcy Court no later than thirty (30) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court. Objections to applications of such Professionals or other entities for compensation or reimbursement of fees and expenses must be filed and served on the Trustee and his counsel and the requesting Professional or other entity no later than twenty (20) days (or such longer period as may be allowed by order of the Bankruptcy Court) after the date on which the applicable application for compensation or reimbursement was served.

17.5 **Extension of Payment Dates.** If any payment date falls due on any day which is not a Business Day, then such due date will be extended to the next Business Day.

17.6 **Notices.** Any notice required or permitted to be provided under the Plan will be in writing and served by personal delivery, overnight mail, or certified mail, return receipt requested.

17.7 **Vesting.** As of the Effective Date, the Liquidating Trust will be vested with all Assets of the Debtor and the Estate, free and clear of all Claims, Liens, security interests, assignments, encumbrances, charges and other interests of creditors, except as otherwise provided in the Plan.

17.8 **Governing Law.** Except to the extent the Bankruptcy Code, Bankruptcy Rules or other federal law is applicable, the rights and obligations arising under the Plan shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without giving effect to the principles of conflicts of law of thereof.

17.9 **No Admissions.** Notwithstanding anything herein to the contrary, nothing contained in the Plan shall be deemed an admission by any entity with respect to any matter set forth herein.

17.10 **Successors and Assigns.** The rights and obligations of any Claimant or Holder of an Interest referred to in the Plan will be binding upon, and will inure to the benefit of, the successors, assigns, heirs, devisees, executors and personal representatives of such Claimant or such Holder of an Interest.

DATED: March 27, 2014

Industrial Enterprises of America, Inc.

By: /s/ Norman L. Pernick

Name: Norman L. Pernick

Title: Chapter 11 Trustee

SCHEDULE 1

RETAINED CAUSES OF ACTION

Industrial Enterprises of America, Inc. v. Ardent Advisors, LLC, et al. Adv. No. 11-51876

Industrial Enterprises of America, Inc. v. Computershare Trust Co., et al. Adv. No. 11-51877

Industrial Enterprises of America, Inc. v. Esposito, et al. Adv. No. 13-50935

Industrial Enterprises of America, Inc. v. Engelberg, et al. Adv. No. 11-51874

Industrial Enterprises of America, Inc. v. Archdale, et al. Adv. No. 11-51875

Industrial Enterprises of America, Inc. v. Tabor Academy, et al. Adv. No. 11-51879

Industrial Enterprises of America, Inc. v. Margulies Adv. No. 09-52313

Industrial Enterprises of America, Inc., et al. v. Margulis, et al. Adv. No. 12-51302

Industrial Enterprises of America, Inc. v. Margulies/Mazzuto, et al. Adv. No. 11-51880

Industrial Enterprises of America, Inc. v. Margulies Law Group, PC Adv. No. 09-52314

Industrial Enterprises of America, Inc. v. Brandywine Consultants, et al. Adv. No. 09-52316

Industrial Enterprises of America, Inc. v. Rosenthal, et al. Adv. No. 09-52318

Industrial Enterprises of America, Inc. v. Burtis, et al. Adv. No. 11-51868

Industrial Enterprises of America, Inc. v. Badeau, et al. Adv. No. 11-51872

Industrial Enterprises of America, Inc. v. Esposito, et al. Adv. No. 13-50935

All Causes of Action against Robert L. Renck, Jr., R.L. Renck & Co., Inc., R.L. Renck & Co., L.P., Design Studios, LLC, and Carol Kroll Kahn.

All Causes of Action against the Debtors' former directors, officers, employees, and management.

All Causes of Action against Fire 1st Defense, Inc. and Brian Weller.

Exhibit A
[Term Sheet]

Execution Version

**INDUSTRIAL ENTERPRISES OF AMERICA, INC.
RESTRUCTURING TERM SHEET
JANUARY 31, 2014**

THIS BINDING TERM SHEET (THE "TERM SHEET") DOES NOT CONSTITUTE (NOR SHALL IT BE CONSTRUED AS) AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OR REJECTIONS AS TO ANY PLAN OF REORGANIZATION, IT BEING UNDERSTOOD THAT SUCH A SOLICITATION, IF ANY, WILL ONLY BE MADE IN COMPLIANCE WITH APPLICABLE PROVISIONS OF SECURITIES, BANKRUPTCY AND/OR OTHER APPLICABLE LAWS. NOTWITHSTANDING THE FOREGOING, THIS TERM SHEET CONTAINS ALL MATERIAL TERMS OF THE SETTLEMENTS AND AGREEMENTS REACHED BETWEEN NORMAN L. PERNICK, CHAPTER 11 TRUSTEE (THE "TRUSTEE")¹ OF THE DEBTORS (AS DEFINED BELOW) AND OMTAMMOT, LLC ("OMTAMMOT") AND SHALL BE BINDING ON THE PARTIES HERETO SUBJECT ONLY TO BANKRUPTCY COURT APPROVAL.

This Term Sheet sets forth the terms of a settlement of existing claims by and among Industrial Enterprises of America, Inc. ("IEAM") and its wholly owned subsidiaries (the "Subsidiaries" and together with IEAM, the "Companies" or the "Debtors") and Omtammot. It is the intention of the parties to incorporate the terms hereof into a plan of orderly liquidation of IEAM (the "Plan" and, the effective date thereof, the "Effective Date") that will be proposed by the Trustee and the conversion or dismissal of the bankruptcy cases of the Subsidiaries as set forth herein. The Plan shall contain the terms and conditions described herein and other standard and customary provisions.

COMPANIES:

Industrial Enterprises of America, Inc.; Pitt Penn Holding Company, Inc. ("PPH"); Pitt Penn Oil Company, LLC ("PPO"); EMC Packaging, Inc. ("EMC"); Today's Way Manufacturing LLC ("Today's Way"); and Unifide Industries LLC ("Unifide").

OMTAMMOT, LLC:

The Debtors' senior secured creditor and former DIP Lender.

PREPETITION CAPITAL STRUCTURE**SOVEREIGN BANK LOAN:**

In October 2007, the Companies entered into a \$5,000,000 revolving line of credit with Sovereign Bank. This line of credit was secured by substantially all of the Companies' assets. Shortly after the filing of these bankruptcy cases, Sovereign Bank assigned all of its interests in the revolving line of credit to Omtammot. Omtammot filed separate claims in each of the Debtors' cases asserting a secured claim of not less than \$4,806,239.68 (Claim Nos. 1205, 1206, 1207, 1208, 1209, and 1210). Based on the Debtors' use of its cash collateral as well as accrued interest and attorneys' fees incurred during the pendency of the Chapter 11 Cases, Omtammot calculates its claim, as of December 16, 2013, as approximately \$8,083,675.

UNSECURED CREDITORS:

In addition to the secured credit provided by Omtammot, the Debtors received unsecured credit from certain vendors and other parties. As such, there have been a number of administrative, priority unsecured, and general unsecured claims filed in each of the Debtors' cases. The cases have not

¹ The term Trustee shall include the Chapter 11 Trustee and any Liquidation Trustee appointed under the Plan.

been and will not be substantively consolidated.

EXISTING EQUITY INTERESTS:

All equity interests in the Companies are owned by existing equity holders (the "Existing Equityholders"). IEAM is a publicly traded holding company. It is the direct parent company of PPH, EMC, Today's Way, and Unifide all of which it acquired between 2004 and 2006. IEAM is the indirect parent of PPO, which is a wholly owned subsidiary of PPH. Certain parties-in-interest also have asserted claims against IEAM that are subject to subordination pursuant to section 510(b) of the Bankruptcy Code (the "Subordinated Claims") and shall be treated as equity interests under the Plan.

CHAPTER 11 CASES:

Between April 30, 2009 and May 6, 2009 (the "Petition Dates"), each of the Debtors filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code (the "Chapter 11 Cases") in the U.S. Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

DIP FACILITIES:

The Debtors entered into two separate DIP Facilities with Omtammot. The first DIP facility was for \$300,000 (the "First DIP Facility") and the second DIP facility was for \$1,500,000 (the "Second DIP Facility") and together with the First DIP Facility, the "DIP Facilities"). The DIP Facilities provided secured super priority priming debtor-in-possession liens to Omtammot on substantially all of the Debtors' assets.

The Debtors repaid all monetary obligations relating to the DIP Facilities after settling an adversary proceeding with Baker & McKenzie, LLP ("Baker") and receiving the proceeds of that settlement.

BAKER SETTLEMENT:

The Debtors commenced an adversary proceeding against Baker and its former partner, Martin Weisberg, Esq., by complaint dated April 11, 2011. The parties subsequently agreed to mediate this dispute. A mediation was held over two days in November and December, 2011. A settlement in principle was reached after the mediation (the "Baker Settlement"). The Baker Settlement was documented and the parties jointly sought approval of the Baker Settlement from the Bankruptcy Court by motion dated March 21, 2012 [Adv. D.I. 44]. At the same time, the parties sought to have the monetary terms of the Baker Settlement filed under seal [Adv. D.I. 45]. The Court approved the Baker Settlement by order dated April 11, 2012 [Adv. D.I. 48]. The Debtors have received the settlement proceeds. Omtammot asserts that it is secured in substantially all of the Baker Settlement proceeds and the Trustee disputes that contention. This Term Sheet settles this dispute, among other

things.

YALE SETTLEMENT:

Shortly after the Petition Date, the Debtors discovered that approximately 270,000 IEAM shares were previously impermissibly issued. After their issuance, and prior to the Petition Date, these shares were donated to Yale University ("Yale"). Accordingly, in 2010, the Debtors contacted Yale in an attempt to have the shares returned or receive the proceeds from any sale of these shares. This contact lead to a dispute between Yale and the Debtors over the rights and interest in these shares. Rather than file an adversary proceeding, the Debtors and Yale agreed to negotiate an amicable settlement without requiring court intervention. After extensive negotiations, the parties settled their dispute (the "Yale Settlement"). The Yale Settlement included a one time payment by Yale to IEAM in exchange for a full release of Yale from any claims arising out of the issuance or sale of IEAM stock. On December 10, 2010, the Debtors filed a motion seeking court approval of the Yale Settlement [Docket No. 601]. On December 28, 2010, the Court entered an order approving the Yale Settlement [Docket No. 615]. The Debtors have received the settlement proceeds. Omtamnot asserts that it is secured in substantially all of the Yale Settlement proceeds and the Trustee disputes that contention. This term sheet settles this dispute, among other things.

SETTLEMENT MODEL

The parties agree on a settlement model of the estimated recoveries in these cases which is attached hereto and incorporated by reference herein as Exhibit A (the "Settlement Model").² The Settlement Model sets forth a framework upon which the calculations of Omtamnot's recoveries are to be based. Estimates included in the Settlement Model were derived from assumptions based on information provided by the Trustee and his advisors relating, among other things, to the projected cash on hand as of an anticipated Effective Date and the extent of allowed priority, administrative and general unsecured claims against the Debtors. Omtamnot and the Trustee acknowledge and agree upon these estimates for the purposes of this Term Sheet, the Settlement Model, and the other agreements embodied herein. The Settlement Model by necessity incorporates certain fixed assumptions, and certain amounts that are estimated will be further refined as this case

² The Settlement Model will be filed under seal and remain confidential, absent consent from the Trustee and Omtamnot, or a court order.

progresses. The parties agree that with respect to those numbers that are estimated, the Trustee, his law firm Cole, Schotz, Meisel, Forman & Leonard, P.A. and his financial advisor CohnReznick, LLP, shall update the Settlement Model periodically. The recoveries to Omtammot, as set forth in the Settlement Model, are based on certain estimates and assumptions agreed to by the Trustee and Omtammot (based on information provided by the Trustee). Actual recoveries as they materialize may differ, perhaps materially. The parties further agree that the reasonableness of the assumptions and estimates embedded in the Settlement Model, including but not limited to estimates of projected cash on hand, the nature and extent of claims and the extent of future litigation recoveries, is not a condition to their settlement; provided, however, that should there be a negative difference from the currently estimated cash on hand as of the Effective Date the following shall occur: 1) if the difference is \$250,000 or less, Omtammot shall increase the Trust Loan (as defined herein) by the amount required to compensate for the negative difference; 2) if the difference is greater than \$250,000, the Trustee shall have one hundred eighty (180) days from confirmation of the Plan to reduce the negative difference to \$250,000, in which case Omtammot's obligation to increase the Trust Loan by \$250,000 shall be triggered. If the Trustee is unable to reduce the difference to \$250,000 within one hundred eighty (180) days then the Term Sheet, the Settlement Model, and the other agreements embodied may be declared unenforceable at the election of Omtammot or the Trustee, which election shall be made in writing. The Trustee will, in good faith, consult with Omtammot concerning any settlement of any and all claims (including professional fees) against the Debtors that would provide for a distribution in excess of \$25,000, and, to the extent that Omtammot does not consent to a settlement, the Trustee shall schedule the settlement for a hearing so as to give Omtammot a reasonable opportunity to object prior to the hearing.

SUBSTANTIAL CONTRIBUTION CLAIM: On August 12, 2013, Omtammot filed a claim for its attorneys' fees and expenses related to Omtammot's substantial contribution to the Debtors' bankruptcy cases (the "Substantial Contribution Claim") in each of the Bankruptcy Cases (Claim Nos. 21, 22, 23, 24, 25, and 26). The Substantial Contribution Claim alleges an administrative expense claim for approximately \$1,224,000 in attorneys' fees and expenses spent in these cases through and including July 15, 2013. Omtammot

alleges that this claim is now approximately \$1,600,000 as of December 16, 2013. Through negotiations with the Trustee, Omtammot agrees, conditioned upon the terms of this Term Sheet, the Settlement Model, and the other agreements embodied herein, to settle the Substantial Contribution Claim and reduce it to an allowed administrative claim in the amount of \$800,000. In exchange for this allowed administrative claim, Omtammot shall waive and release all remaining amounts set forth in the Substantial Contribution Claim.

OMTAMMOT LIEN ON CURRENT ASSETS:

The Trustee agrees that Omtammot has a lien on certain assets of the Debtors' estates, including but not limited to, the plant and related real estate located in Creighton, Pennsylvania (the "Creighton Plant"), the contingent proceeds, net of expenses, of litigation relating to fire damages at the Creighton Plant, rent received pursuant to a lease of the Creighton Plant, and cash proceeds of the sale of certain inventory and accounts receivable during these Chapter 11 Cases.

Omtammot alleges that it possesses a lien on additional assets of the estates under applicable law, including but not limited to the proceeds of the Baker Settlement and Yale Settlement, the residual amount of which makes up the vast majority of the estates' currently held cash balances, as well as other pending and future litigation due to, among other things, that the underlying litigation in many instances arises under contract and not tort. The Trustee disputes Omtammot's allegations and legal theories and asserts that Omtammot does not have a lien on any of the proceeds of the Baker Settlement, Yale Settlement or other pending and future litigation. Through extensive negotiations between the Trustee and Omtammot, the parties have agreed that, for purposes of the settlement embodied by this Term Sheet (as well as the Settlement Model and other agreements contained therein) only, Omtammot has a lien on [REDACTED] or approximately 8% of the total cash received pursuant to the Baker and Yale Settlements pursuant to the Settlement Model.

Omtammot and the Trustee also agree to confer and cooperate regarding potential environmental issues associated with the Creighton Plant, as well as the disposition of the Creighton Plant and the continued pursuit of the litigation relating to the fire damage at the Creighton Plant. Subject to Omtammot's right to have the Creighton Plant transferred to it, the net proceeds of those assets, after deduction of all reasonable expenses of the Debtors' estates associated with monetizing

these assets for the benefit of Omtammot, shall be turned over to Omtammot on account of its secured claim. Additionally, the monies held by the Trustee (\$420,917 as of October 31, 2013 in the Settlement Model), relating to rent and accounts receivable collected, and any other cash collateral of Omtammot that might be identified shall be turned over to Omtammot on the Effective Date on account of Omtammot's secured claim. Prior to the conversion or dismissal of the bankruptcy cases of the relevant Subsidiaries, the Trustee shall tender to Omtammot the assets to which Omtammot is entitled to turnover hereunder, and Omtammot shall have a reasonable period of time within which to accept or reject such assets.

POST EFFECTIVE RECOVERIES:

There are currently 17 pending adversary proceedings associated with the Bankruptcy Cases. Additionally, the Trustee and his professionals are investigating bringing additional adversary proceedings to recover additional funds for the Debtors' estates. Omtammot asserts that it possesses a lien on all of the proceeds of any and all pending and future recoveries. The Trustee disputes this assertion. After extensive negotiations, the Trustee and Omtammot agree that, as part of this Term Sheet and the settlement embodied herein, Omtammot's secured claim shall include 28% of all estate recoveries net of attorneys' fees and expenses from any pending and future causes of action and other recoveries in these Bankruptcy Cases. Omtammot agrees to waive any other claims against the remainder of such litigation and other recoveries. As additional consideration to the estates, Omtammot also waives any and all claims, including administrative expense claims for alleged diminution of cash collateral relating to the estates' use of the Baker and Yale Settlement Proceeds in which Omtammot asserts a lien.

POST-EFFECTIVE DATE LOAN FOR LIQUIDATION TRUST EXPENSES:

As set forth above, the Trustee and Omtammot agree that under the Settlement Model Omtammot has a lien on [REDACTED] of the cash held by the Trustee as a result of the Baker and Yale Settlements. Of the amount received by Omtammot due to its lien on the cash held by the Trustee as a result of the Baker and Yale Settlements, Omtammot agrees to make a loan to the Liquidation Trust, to be formed through the Plan, in the amount up to \$500,000 as necessary to fund pending and future litigation and other administrative expenses of the Trust (the "Trust Loan"). The Trust Loan shall accrue interest at Prime +3% per annum, shall be secured by a first priority lien on all of the Trust assets, with a carve out for reasonable professional fees incurred by the Trust and the Trustee's fees and

commissions, and will be repaid through quarterly payments of the amount of cash in bank in excess of \$500,000, and in no event later than the earlier of (a) the realization of \$1,000,000 in net litigation or other recoveries after the Effective Date or (b) at the time the Liquidating Trust winds up its affairs.

Notwithstanding anything to the contrary in this term sheet, the Trust Loan shall be fully funded and repaid before any distribution is made to general unsecured creditors. Further, to extent there is cash available on the Effective Date to fund the initial \$500,000 required for the Trust, in whole or part, the Trust Loan shall be in an amount required to provide the Trust with \$500,000 at the Effective Date.

**CLAIMS FILED BY OMTAMMOT AND
RELATED ENTITIES AND INDIVIDUALS:**

Except as otherwise provided in this Term Sheet, all claims filed by Omtammot, its principals, members, affiliates and/or related entities against any of the Debtors in any of the Bankruptcy Cases are being treated as set forth in this Term Sheet (including the Settlement Model and any other agreements embodied herein) and any claims in excess of such treatment shall be waived and no distribution shall be received on account of any such claims. Specifically, and without limitation, other than as described herein, Omtammot, its principals, members, affiliates and/or related entities agree to waive claim numbers 21, 22, 23, 24, 25, 26, 1011, 1043, 1205, 1206, 1207, 1208, 1209, and 1210 to the extent such claims are in excess of the treatments set forth in this Term Sheet (including the Settlement Model and any other agreements embodied herein). Notwithstanding the foregoing, any and all equity interests in the Debtors and related claims based thereon, including the Opt Out Claim, and the claim of any of Omtammot's principals, members, affiliates and/or related entities expressed in claim numbers 1042, 1203, and 1204 are expressly preserved except that they are reclassified as equity and shall receive the same treatment as all other equity interests.

LIQUIDATION TRUST:

On the Effective Date, a Liquidation Trust or such other entity as the Trustee shall determine (the "Trust") shall be formed. The Trust shall be established through a customary trust agreement and shall be vested with all assets of the estates existing as of the confirmation of the Plan. Norman L. Pernick shall be named trustee of the Trust. The Trust shall be initially capitalized with any remaining cash on hand (which in no case shall be less than \$500,000) after all Effective Date payments (including payments of cash collateral to Omtammot) required by the Plan have been made, and the proceeds of the Trust

Loan, to the extent a Trust Loan is necessary. In addition to the right to pursue all pending and potential litigation claims held by the Debtors, the Trust shall have the right and power to liquidate the Debtors as it sees fit and in the best interests of the Debtors, their estates, creditors, and all parties in interest. The Trustee will, in good faith, consult with Omtammot concerning all settlements of litigation or other Trust assets with an originally-asserted value in excess of \$50,000 after the Effective Date, and, to the extent that Omtammot does not consent to a settlement, the Trustee shall schedule the settlement for a hearing so as to give Omtammot a reasonable opportunity to object prior to the hearing.

**PLAN TREATMENT OF EQUITY
INTERESTS:**

The allowed equity interests will be paid pro rata based on the amount of equity held, to the extent that equity interests receive payment under the Plan. All Subordinated Claims shall be converted to hypothetical shares of IEAM based upon the stock price of IEAM as of the Petition Date in determining any pro rata distributions on account of equity interests.

CHAPTER 7 TRUSTEE:

In the discretion of the Trustee, certain of the Chapter 11 Cases may be converted from cases under Chapter 11 of the Bankruptcy Code to cases under Chapter 7 of the Bankruptcy Code. Certain Debtors in these cases may be co-plaintiffs with IEAM on certain pending litigation matters. In the event of such conversion, the Chapter 7 trustee of such co-plaintiff debtor's estate reserves the rights of that Chapter 7 estate with regard to the allocation of the net litigation proceeds between the Trust and that Chapter 7 estate. Further, due to its security interest, Omtammot shall be a party in interest and have a right to be heard and object with regard to such allocation.

**SUBMISSION OF HIGHER AND BETTER
OFFER:**

Robert L. Renck, Jr. ("Renck") or any other third party shall have until the day on which objections to the Disclosure Statement and the motion to approve this Term Sheet, which dates are anticipated to be the same, are due, to submit to the Trustee with a copy to counsel to Omtammot for review a non-contingent, detailed and definite proposal for exit financing and/or a plan of reorganization which presents a materially higher and better recovery for the Debtors' estates, creditors, and parties in interest, to be determined in the sole discretion and judgment of the Trustee.

RELEASES:

In settlement of their disputes under this Term Sheet, the Trustee shall provide to Omtammot and its professionals and Omtammot shall provide to the Trustee and his professionals full releases of any claims or causes of action arising out of the

subject matter of the Term Sheet.

To the fullest extent allowable by law, the Plan will contain (a) customary mutual releases for Omtammot, its principals, members, affiliates and/or related entities and its professionals, other than for claims and causes of action asserted in Adversary Proceeding No. 13-50935 (BLS), on the one hand, and the Debtors, the Trustee and his professionals, on the other hand and (b) other exculpatory provisions for such parties.

Nothing herein is intended to provide a release to Renck, Brian K. Weller, any officer or director, and any affiliates of the foregoing (the "Insider Claims"). The Trustee shall review and investigate potential Insider Claims and will consult in good faith with Omtammot regarding pursuit of such claims and any settlement of such claims.

STRUCTURING CONSIDERATIONS:

The parties to this Term Sheet shall use good-faith efforts to structure the transactions contemplated herein and in the Plan to the maximum extent possible in a tax-efficient and cost-effective manner for the Companies. Omtammot agrees to support the Trustee's efforts to obtain Bankruptcy Court approval of this Term Sheet and the Plan, including the execution of any and all necessary documents or taking any other action that may be reasonably necessary to carry out the express terms and intent of this Term Sheet and the Plan.

GOVERNING LAW

This Term Sheet shall be construed and enforced in accordance with, and the validity and performance hereof shall be governed by the general principals of the laws of the State of Delaware. The United States Bankruptcy Court for the District of Delaware shall be the exclusive jurisdiction for the adjudication of any disputes relating to the Term Sheet.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Term Sheet as of the date hereof.

CHAPTER 11 ESTATES OF
INDUSTRIAL ENTERPRISES OF
AMERICA, INC.; PITT PENN
HOLDING COMPANY, INC.; PITT
PENN OIL COMPANY, LLC; EMC
PACKAGING, INC.; TODAY'S WAY
MANUFACTURING LLC; AND
UNIFIDE INDUSTRIES LLC

By: Norman L. Pernick
Title: Chapter 11 Trustee

OMTAMMOT, LLC

By: Ernest C. Segundo, Jr.

Title: Managing Member

Exhibit A

Recovery Models

FILED UNDER SEAL

DISCLOSURE STATEMENT EXHIBIT B

[Recovery Model]

IEAM - Unsecured Creditor Recoveries

Net Post Effective Date Litigation Recoveries											
			Required Amount for GUCS to Be Paid In Full								
\$	2,000,000	\$	4,000,000	\$	4,049,167	\$	6,000,000	\$	8,000,000	\$	10,000,000
\$	4,000,917	\$	4,000,917	\$	4,000,917	\$	4,000,917	\$	4,000,917	\$	4,000,917
	800,000		800,000		800,000		800,000		800,000		800,000
	4,800,917		4,800,917		4,800,917		4,800,917		4,800,917		4,800,917
	560,000		1,120,000		1,133,767		1,680,000		2,240,000		2,800,000
	394,690		789,380		799,083		799,083		799,083		482,758
	954,690		1,909,380		1,932,850		2,479,083		3,039,083		3,282,758
\$	5,755,607	\$	6,710,297	\$	6,733,767	\$	7,280,000	\$	7,840,000	\$	8,083,675
\$	8,083,675	\$	8,083,675	\$	8,083,675	\$	8,083,675	\$	8,083,675	\$	8,083,675
\$	2,000,000	\$	4,000,000	\$	4,049,167	\$	6,000,000	\$	8,000,000	\$	10,000,000
	(560,000)		(1,120,000)		(1,133,767)		(1,680,000)		(2,240,000)		(2,800,000)
\$	1,440,000	\$	2,880,000	\$	2,915,400	\$	4,320,000	\$	5,760,000	\$	7,200,000
	799,083		799,083		799,083		799,083		799,083		482,758
	2,116,317		2,116,317		2,116,317		2,116,317		2,116,317		2,116,317
	2,915,400		2,915,400		2,915,400		2,915,400		2,915,400		2,599,075
	49%		99%		100%		100%		100%		100%
\$	-	\$	-	\$	-	\$	1,404,600	\$	2,844,600	\$	4,600,925

Omtamnot:

Effective Date Recoveries:

Secured Claim Recovery
Substantial Contribution Claim
Total Received at Effective Date

Post-Effective Date Recoveries:

Secured Claim Recovery (28%)
Deficiency (Unsecured) Claim Recovery
Total Post-Effective Date Recoveries

Total Omtamnot Recovery**Maximum Allowed Omtamnot Recovery****Calculation of Dividend to General Unsecured Creditors and Equity:**

Assumed Net Litigation Recoveries

Portion Attributable to Omtamnot Secured Claim (28%)

Available for General Unsecured Creditors, Subordinated Creditors and Equity

General Unsecured Claims:

Omtamnot Deficiency Claim
All Other General Unsecured Claims
Total General Unsecured Claims
General Unsecured Creditor Recovery

Available for Equity (Including Subordinated Claims)

DISCLOSURE STATEMENT EXHIBIT C

[Liquidation Analysis]

Industrial Enterprises of America, Inc. DIP
 Chapter 7 Best Interests of Creditors and Equity Holders Analysis
 Assumed Chapter 7 Conversion Date: June 30, 2014

	Chapter 11	Chapter 7
Estimated Gross Cash in the Estate at June 30, 2014	4,625,739	4,625,739
Projected Litigation Recoveries, Net of Litigation Expenses (a)	4,049,167	4,049,167
Total Assets	8,674,906	8,674,906
Assumed Chapter 7 Expenses:		
Chapter 7 Trustee Commissions		260,000
Chapter 7 Professional Fees		1,500,000
Total Chapter 7 Expenses		1,760,000
Net Recovery Available for Secured Creditors, Unsecured Creditors, Equity Holders, and Chapter 11 Post petition Obligations	\$ 8,674,906	\$ 6,914,906

(a) For purposes of the Chapter 7 Liquidation Analysis, anticipated net litigation recoveries assumed to be the amount required to pay general unsecured creditors in full pursuant to the pending Chapter Plan of Reorganization.