IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
OPTIMA SPECIALTY STEEL, INC., *et al.*,	Case No. 16-12789 (KJC)
Debtors.[1]	Jointly Administered

DISCLOSURE STATEMENT RELATING TO THE FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF OPTIMA SPECIALTY STEEL, INC. AND ITS AFFILIATED DEBTORS AND DEBTORS IN POSSESSION

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Dated: Wilmington, Delaware
May 24, 2017

[1] The Debtors in these Chapter 11 Cases, along with the business addresses and the last four (4) digits of each Debtor's federal tax identification number, if applicable, are: Optima Specialty Steel, Inc., 200 S. Biscayne Blvd., Suite 5500, Miami, FL 33131-2310 (0641); Michigan Seamless Tube LLC, 400 McMunn Street, South Lyon, MI 48178 (3850); Niagara LaSalle Corporation, 1412 150th Street, Hammond, IN 46327 (0059); KES Acquisition Company d/b/a Kentucky Electric Steel, 2704 South Big Run Road, Ashland, KY 41102 (2858); and The Corey Steel Company, 2800 South 61st Court, Cicero, IL 60804 (0255).

UNLESS OTHERWISE DEFINED IN THIS DISCLOSURE STATEMENT, CAPITALIZED TERMS USED HEREIN HAVE THE MEANINGS ASCRIBED TO THEM IN THE JOINT CHAPTER 11 PLAN OF REORGANIZATION OF OPTIMA SPECIALTY STEEL, INC. TO THE EXTENT OF ANY INCONSISTENCY BETWEEN THE PROVISIONS OF THIS DISCLOSURE STATEMENT AND THE PLAN, THE PROVISIONS CONTAINED IN THE PLAN WILL CONTROL.

THE DEBTORS ARE FURNISHING THIS DISCLOSURE STATEMENT TO EACH HOLDER OF CLAIMS AGAINST THE DEBTORS AND INTERESTS IN THE DEBTORS AS A MATTER OF POSTPETITION DISCLOSURE PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE. THIS DISCLOSURE STATEMENT IS TO BE USED BY EACH SUCH HOLDER SOLELY IN CONNECTION WITH ITS EVALUATION OF THE PLAN. USE OF THIS DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE IS NOT AUTHORIZED.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, STATUTORY PROVISIONS, DOCUMENTS RELATED TO THE PLAN, EVENTS IN THE DEBTORS' CHAPTER 11 CASES, AND FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT THE PLAN AND RELATED DOCUMENTS AND STATUTORY PROVISION SUMMARIES ARE FAIR AND ACCURATE, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS ARE UNABLE TO WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED HEREIN, INCLUDING THE FINANCIAL PROJECTIONS AND OTHER FINANCIAL INFORMATION, IS WITHOUT ANY INACCURACY OR OMISSION.

IN EVALUATING THE POSTPETITION DISCLOSURES CONTAINED HEREIN, HOLDERS OF CLAIMS AGAINST THE DEBTORS AND HOLDERS OF INTERESTS AGAINST THE DEBTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DEBTORS AND THE TERMS OF THE PLAN, INCLUDING THE MERITS AND RISKS INVOLVED. THE CONTENTS OF THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL, OR TAX ADVICE. EACH SUCH HOLDER SHOULD CONSULT WITH ITS OWN LEGAL, BUSINESS, FINANCIAL, AND TAX ADVISORS WITH RESPECT TO ANY SUCH MATTERS CONCERNING THIS DISCLOSURE STATEMENT, THE SOLICITATION, THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY. SEE ARTICLE VII – "CERTAIN FACTORS TO BE CONSIDERED" FOR A DISCUSSION OF VARIOUS FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH THE PLAN.

NOTWITHSTANDING THAT THE DEBTORS ARE NOT SOLICITING ACCEPTANCES FOR THE PLAN, THE PROJECTED FINANCIAL INFORMATION REGARDING THE REORGANIZED DEBTORS AND CERTAIN OTHER FORWARD-LOOKING STATEMENTS ARE PROVIDED IN THIS DISCLOSURE STATEMENT FOR PURPOSES OF POSTPETITION DISCLOSURE PURSUANT TO SECTION 1125 OF THE

BANKRUPTCY CODE. SUCH STATEMENTS ARE PROVIDED PURSUANT TO THE SAFE HARBOR ESTABLISHED UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 AND, TO THE EXTENT APPLICABLE, SECTION 1125(e) OF THE BANKRUPTCY CODE, AND SHOULD BE EVALUATED IN THE CONTEXT OF THE ESTIMATES, ASSUMPTIONS, UNCERTAINTIES, AND RISKS DESCRIBED HEREIN, ALL OF WHICH ARE BASED ON VARIOUS ESTIMATES AND ASSUMPTIONS. SUCH INFORMATION AND STATEMENTS ARE SUBJECT TO INHERENT UNCERTAINTIES AND TO A WIDE VARIETY OF SIGNIFICANT BUSINESS, ECONOMIC, AND COMPETITIVE RISKS, INCLUDING, AMONG OTHERS, THOSE SUMMARIZED HEREIN. SEE ARTICLE VII – "CERTAIN FACTORS TO BE CONSIDERED."

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THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS OTHERWISE EXPRESSLY SET FORTH HEREIN, AND NEITHER THE DELIVERY OF THIS DISCLOSURE STATEMENT NOR THE DISTRIBUTION OF ANY SECURITIES PURSUANT TO THE PLAN WILL CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AT ANY TIME SUBSEQUENT TO THE DATE HEREOF. ANY ESTIMATES OF CLAIMS OR EQUITY INTERESTS SET FORTH IN THIS DISCLOSURE STATEMENT MAY VARY FROM THE AMOUNTS OF CLAIMS OR EQUITY INTERESTS ULTIMATELY ALLOWED BY THE BANKRUPTCY COURT.

THE SUMMARIES OF THE PLAN AND OTHER DOCUMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN ITSELF, THE EXHIBITS ATTACHED THERETO AND ALL DOCUMENTS DESCRIBED THEREIN. IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE SUMMARIES PROVIDED HEREIN AND THE TERMS OF THE PLAN OR SUCH RELATED DOCUMENTS, THE TERMS OF THE PLAN OR SUCH RELATED DOCUMENTS SHALL GOVERN. THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING, BUT NOT LIMITED TO, THE INFORMATION REGARDING THE HISTORY, BUSINESSES, AND OPERATIONS OF THE DEBTORS, THE HISTORICAL AND PROJECTED FINANCIAL INFORMATION OF THE DEBTORS AND THE LIQUIDATION ANALYSIS RELATING TO THE DEBTORS ARE INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN. AS TO ANY JUDICIAL PROCEEDINGS IN ANY COURT, INCLUDING ANY ADVERSARY PROCEEDINGS OR CONTESTED MATTERS THAT MAY BE FILED IN THE

BANKRUPTCY COURT, SUCH INFORMATION IS NOT TO BE CONSTRUED AS AN ADMISSION OR STIPULATION BUT RATHER AS STATEMENTS MADE IN SETTLEMENT NEGOTIATIONS AND SHALL BE INADMISSIBLE FOR ANY PURPOSE ABSENT THE EXPRESS WRITTEN CONSENT OF THE DEBTORS.

NO INDEPENDENT AUDITOR OR ACCOUNTANT HAS REVIEWED OR APPROVED THE FINANCIAL PROJECTIONS OR THE LIQUIDATION ANALYSIS HEREIN.

THE CONFIRMATION HEARING WILL COMMENCE ON **JUNE 29, 2017 AT 1:30 P.M.** (EASTERN), BEFORE THE HONORABLE KEVIN J. CAREY, UNITED STATES BANKRUPTCY JUDGE, IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 NORTH MARKET STREET, WILMINGTON, DELAWARE 19801. THE DEBTORS MAY CONTINUE THE CONFIRMATION HEARING FROM TIME TO TIME WITHOUT FURTHER NOTICE OTHER THAN AN ADJOURNMENT ANNOUNCED IN OPEN COURT OR A NOTICE OF ADJOURNMENT FILED WITH THE BANKRUPTCY COURT AND SERVED ON THE MASTER SERVICE LIST AND THE ENTITIES WHO HAVE FILED AN OBJECTION TO THE PLAN. THE BANKRUPTCY COURT, IN ITS DISCRETION AND BEFORE THE CONFIRMATION HEARING, MAY PUT IN PLACE ADDITIONAL PROCEDURES GOVERNING THE CONFIRMATION HEARING. THE PLAN MAY BE MODIFIED, IF NECESSARY, BEFORE, DURING, OR AS A RESULT OF THE CONFIRMATION HEARING, WITHOUT FURTHER NOTICE TO PARTIES IN INTEREST.

THE PLAN OBJECTION DEADLINE IS **JUNE 22, 2017 AT 4:00 P.M.** (EASTERN). ALL PLAN OBJECTIONS MUST BE FILED WITH THE BANKRUPTCY COURT AND SERVED ON THE DEBTORS AND CERTAIN OTHER PARTIES IN INTEREST IN ACCORDANCE WITH THE DISCLOSURE STATEMENT ORDER SO THAT THEY ARE ACTUALLY RECEIVED BY THE DEBTORS AND SUCH PARTIES ON OR BEFORE THE PLAN OBJECTION DEADLINE.

THE PLAN, THIS DISCLOSURE STATEMENT, THE PLAN SUPPLEMENT AND EXHIBITS, ONCE FILED, AND OTHER DOCUMENTS AND MATERIALS RELATED THERETO MAY BE OBTAINED BY: (A) ACCESSING THE DEBTORS' RESTRUCTURING WEBSITE AT HTTP://CASES.GARDENCITYGROUP.COM/OMA, (B) EMAILING OMAINFO@GARDENCITYGROUP.COM, (C) CALLING THE DEBTORS' RESTRUCTURING HOTLINE AT (866) 550-5957, OR (D) ACCESSING THE COURT'S WEBSITE AT HTTP://WWW.DEB.USCOURTS.GOV. COPIES OF SUCH DOCUMENTS AND MATERIALS MAY ALSO BE EXAMINED BETWEEN THE HOURS OF 8:00 AM AND 4:00 PM, MONDAY THROUGH FRIDAY, EXCLUDING FEDERAL HOLIDAYS, AT THE OFFICE OF THE CLERK OF THE COURT, 824 NORTH MARKET STREET, 3RD FLOOR, WILMINGTON, DELAWARE 19801.

INTERNAL REVENUE SERVICE CIRCULAR 230 NOTICE: TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, HOLDERS OF CLAIMS AND INTERESTS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF FEDERAL TAX ISSUES CONTAINED OR REFERRED TO IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED,

BY HOLDERS OF CLAIMS OR INTERESTS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THEM UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS OF CLAIMS AND EQUITY INTERESTS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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I. INTRODUCTION

The Debtors commenced these Chapter 11 Cases on December 15, 2016. The Debtors continue to operate their business and manage their properties pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors' proposal for the restructuring of the Claims against the Debtors and the Interests in the Debtors is as set forth in the Plan, a copy of which is attached as **Exhibit A** hereto.

The Plan provides for a comprehensive reorganization of the Debtors that will (i) leave all creditors unimpaired, paying fixed, undisputed and liquidated claims in full in cash and reinstating contingent, disputed or unliquidated claims, (ii) leave unimpaired and reinstated the equity interests in Debtor Optima, which is the parent of the subsidiary Debtors, (iii) allow the Debtors to emerge from chapter 11 much sooner than anticipated, and (iv) substantially deleverage the capital structure of the Debtors so that the reorganized Debtors are financially strong and can thrive in the marketplace and fulfill their ongoing business relationships with all of their constituencies, including vendors, suppliers, employees, and pensioners.

Specifically, Optima Acquisitions LLC, a Delaware limited liability company ("**OA**" or the "**Plan Sponsor**"), which is the sole 100% common stock shareholder of Debtor Optima and is the Plan Sponsor, will fund the Plan with the Plan Sponsor Contribution, a $200 million cash equity contribution to Reorganized Optima as a contribution in respect of the Plan Sponsor's outstanding and Unimpaired Existing Optima Common Stock. Under the Plan, the Debtors will raise an additional approximately $105 million exit financing term loan and an exit financing revolver of approximately $35 million, commitments for which will be obtained from one or more third parties. The $200 million Plan Sponsor Contribution and the approximately $140 million of exit financing will fund the implementation of the Plan's provisions providing for unimpaired treatment to all creditors and leave OA (as sole shareholder) unimpaired. In return for the $200 million Plan Sponsor Contribution, OA will retain its existing 100% equity interest in Optima.

This Disclosure Statement contains, among other things, descriptions and summaries of provisions of the Debtors' proposed Plan, as attached hereto. Certain provisions of the Plan, and thus the description and summaries contained herein, may be subject to change. Accordingly, the Debtors reserve the right to modify the Plan consistent with Bankruptcy Code section 1127, Bankruptcy Rule 3019, and Article 13.5 of the Plan.

The Debtors are furnishing this Disclosure Statement as a matter of postpetition disclosure pursuant to section 1125 of the Bankruptcy Code. The Plan proposes to substantially deleverage the Debtors' balance sheet in a manner that pays all creditors in full, maximizes the value of the Debtors' business as a going concern, preserves the jobs of employees, honors the claims of its pensioners, and maintains the Debtors' relationships with its vendors, suppliers and other constituencies. The Debtors believe that any alternative to confirmation of the Plan, such as liquidation or attempts by another party in interest to propose or file a plan, could result in significant delays, litigation and costs, and could risk job losses for employees and/or lesser recoveries for other constituencies. For these reasons, the Debtors urge you to support confirmation of the Plan.

II. SUMMARY OF CLASSIFICATION, TREATMENT AND VOTING STATUS OF CLAIMS AND INTERESTS UNDER PLAN

The following table summarizes the classification and voting status of creditors and equity holders under the Plan who are Holders of Allowed Claims and Interests.

For a further explanation, please refer to the discussion in Article V.C-"Provisions for Treatment of Claims and Interests," and the Plan itself.

Class	Designation	Impairment	Entitled to Vote
1	Other Priority Claims	Unimpaired	No (deemed to accept)
2	Other Secured Claims	Unimpaired	No (deemed to accept)
3-A	Unsecured Notes Claims	Unimpaired	No (deemed to accept)
3-B	General Unsecured Claims	Unimpaired	No (deemed to accept)
4	Intercompany Claims	Unimpaired	No (deemed to accept)
5	Intercompany Interests	Unimpaired	No (deemed to accept)
6	Interests in Optima	Unimpaired	No (deemed to accept)

III. BACKGROUND TO THE CHAPTER 11 CASES

A. The Debtors' Business

The Debtors are leading independent domestic manufacturers of specialty steel products. These steel products include (i) special bar quality and merchant bar quality hot rolled steel bars ("**HRSB**"), (ii) value-added precision-tolerance, cold drawn seamless tubes, and (iii) high quality engineered cold finished steel bars ("**CFSB**"). The Debtors' products are utilized across a diversified range of end markets, including transportation (e.g. automotive), energy (e.g. oil and gas shale extraction), agriculture, power generation, yellow goods/construction equipment, railroad car, industrial chain manufacturing, and trailer support beam flanges. The Debtors focus on niche applications within the broader steel supply chain and their products are sold at prices that reflect a spread over the cost of raw material that reflects of the value added by their manufacturing processes. The Debtors' processing operations require substantial technical expertise and specialized equipment to manufacture high quality engineered steel products, which include pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing and specialty cold finished steel bars.

All of the Debtors' manufacturing facilities are located in the United States, and each of the Debtors' operating units has operated in the steel industry for more than 50 years. Through their seven manufacturing and processing facilities in five different states, the Debtors' operating units have the capacity to roll approximately 250,000 tons of HRSB, produce over 50,000 tons of cold drawn seamless pressure and mechanical tube products, and process nearly 700,000 tons of CFSB.

The majority of the Debtors' sales involve products specified to meet specific and sometimes unique customer demands, which creates strong customer relationships and recurring revenues. The Debtors' products encompass (a) special bar quality and merchant bar quality HRSB produced by Debtor KES Acquisition Company d/b/a Kentucky Electric Steel ("**KES**"), (b) pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing produced by Debtor Michigan Seamless Tube LLC ("**MST**"), and (c) quench and tempered bars, Custom Cut® bars and blanks, free machining bars, Stressproof® steel bars, Fatigue-Proof® steel bars, e.t.d.® 150® bars, and other CFSB products produced by Debtor Niagara LaSalle Corporation ("**Niagara**") and Debtor Corey Steel Company ("**Corey**"; together with KES, MST and Niagara, the "**Subsidiaries**").

These products are sold directly to original equipment manufacturers and to distributors, often referred to as metal service centers, which then resell the products in smaller quantities to end users. The Debtors have over one thousand customers in the United States in the transportation, energy, agriculture and power generation industries. The Debtors also sell limited quantities of product to customers in countries other than the United States. The Debtors collectively employ more than 900 people.

B. The Debtors' Corporate Structure and History

Optima was formed in 2008 to invest in the U.S. steel industry and shortly thereafter acquired MST. This acquisition was funded, in part, by a cash contribution of capital from OA in the amount of $80 million. Since that initial acquisition, Optima grew its steel operations through three (3) strategic acquisitions intended to enhance operations and take advantage of synergies and create efficiencies within the business. These three (3) strategic acquisitions, which are discussed in greater detail below, included Optima's purchase of Niagara in 2011, KES in 2013 and Corey in 2015. Optima wholly owns each of the Subsidiaries, and, for avoidance of doubt, Optima and the Subsidiaries comprise all the Debtors in these Chapter 11 Cases.

1. Niagara

On December 5, 2011, Optima acquired Niagara for a total consideration of $236.1 million. In order to fund the acquisition, Optima obtained $168.0 million in proceeds from the issuance of the Secured Notes (as defined below) and received an additional cash contribution of capital from OA of $85 million. Niagara is the largest independent CFSB producer in North America and through various corporate iterations has been in business for over 100 years. Niagara operates facilities in Hammond, Indiana, South Holland, Illinois, Warren, Michigan and Midlothian, Texas.

The Niagara acquisition increased the Debtors' manufacturing scale and raw material consumption, particularly in purchases and consumption of SBQ steel, which is the main raw material for all Optima production processes. As a result of this increased scale, management expected to achieve cost synergies by negotiating more favorable terms with suppliers.

2. KES

On February 5, 2013, Optima completed the acquisition of KES for total net consideration of $110.6 million. To fund the KES acquisition, Optima issued $35 million of unsecured debt, received an additional cash contribution of capital from OA of $20 million, and drew $15 million on its revolving credit facility. The remaining purchase price was funded with cash on hand. KES is a value-added manufacturer of special bar quality and merchant bar quality HRSB, and operates a single 450,000 square foot facility in Ashland, Kentucky. KES' operations date back over 50 years and it was (and continues to be) a supplier to Niagara. The KES acquisition solidified Optima's position in the specialty steel industry, strengthened relationships with customers and suppliers, and was part of the Company's long-term strategy of building a leading specialty steel producer.

3. Corey

Optima completed its acquisition of Corey on January 29, 2015 for a net purchase price of $43.5 million. Optima issued $85 million of unsecured debt (as discussed below) to finance the Corey acquisition. Proceeds from that debt issuance were also used to redeem the $35 million principal amount of unsecured notes issued in 2013 in connection with the acquisition of KES. Corey has been in the metals processing business since 1924 and today is a leading North American CFSB producer operating from a single 380,000 square foot facility located in Cicero, Illinois. Corey's facility is relatively new, highly automated and houses what is perhaps the most modern set of continuous coil-to-bar CFSB drawing lines in North America. The addition of Corey provides the Debtors with further operational and commercial scale, as well as cost and logistics synergy opportunities. Corey's products are distributed to customers in a diverse range of industries primarily located in the U.S., including automotive, hydraulic, fluid power, agriculture, construction, appliance, electrical, and oil and gas.

C. Prepetition Indebtedness

To finance its strategic acquisitions, working capital, and other needs, Optima raised debt financing in addition to its shareholder contributions. As of the Petition Date, the Debtors had outstanding debt obligations in the aggregate amount of over $259 million, including accrued and unpaid interest, consisting primarily of their obligations under the Senior Secured Notes and the Senior Unsecured Notes (each as defined below, and collectively, the "**Notes**").

1. Secured Claims

On December 5, 2011, in connection with its acquisition of Niagara, Optima issued $175 million aggregate principal amount of 12.5% senior secured notes due December 15, 2016 (the "**Secured Notes**") to various holders that may trade from time to time (the "**Secured Noteholders**"). The Secured Notes were priced at 96.0% of par resulting in a yield to maturity of 13.62% with interest payable semi-annually in arrears on June 15 and December 15 of each year. Until the maturity date, interest was timely paid under the Secured Notes.

In connection with the issuance of the Secured Notes, Optima and its existing and future subsidiaries and Wilmington Trust, National Association as trustee and noteholder

collateral agent, entered into an indenture dated December 5, 2011, which governs the Secured Notes. The Secured Notes are fully guaranteed, on a senior secured basis, by each of the Subsidiaries. The Secured Notes and related guarantees are secured by substantially all of the Debtors' assets, subject to permitted liens and specified excluded assets.

In addition to making all interest payments timely under the Secured Notes until the filing of these Chapter 11 Cases, the Debtors made an excess cash flow payment in 2015 in the amount of $13.3 million. As of the Petition Date, the approximate amount outstanding under the Secured Notes was $171.7 million, which includes interest in the approximate amount of $10 million through the Petition Date. Pursuant to, and in accordance with the terms and conditions of, the DIP Orders (as defined below), the Secured Notes have been paid in full from the proceeds of the DIP Facility.

2. Unsecured Noteholder Claims

On January 29, 2015, in connection with the acquisition of Corey, Optima issued $85 million of senior unsecured notes at 100% of face value, bearing interest at 12.0% per annum, payable semi-annually in arrears on March 15 and September 15 of each year (the "**Unsecured Notes**"). The Unsecured Notes were set to mature on the earlier of December 30, 2016, or 15 days after the maturity date of the Secured Notes. Until the commencement of these Chapter 11 Cases, interest payments due under the Unsecured Notes were paid timely.

In connection with the issuance of the Unsecured Notes, Optima and its existing and future subsidiaries and Wilmington Savings Fund Society, FSB as successor trustee, entered into an indenture dated January 29, 2015, which governs the Unsecured Notes. The Unsecured Notes are fully guaranteed by each of the Subsidiaries.

As of the Petition Date, the Unsecured Notes were held solely by funds managed by DDJ Capital Management, LLC (the "**Unsecured Noteholder**," and together with the Secured Noteholders, the "**Noteholders**"). The approximate amount currently outstanding under the Unsecured Notes is $87.5 million, which includes accrued interest in the approximate amount of $2.5 million as of the Petition Date.

3. Unsecured Claims and Equity

The Debtors have general unsecured claims which include, among others, trade claims, litigation claims and environmental claims. As of the Petition Date, the general unsecured claims (excluding the Unsecured Notes) were in excess of $37 million.

Optima is wholly-owned by OA, a privately owned U.S.-based investment firm. OA is the Plan Sponsor under the Plan. OA is owned directly or indirectly or beneficially by three individuals: Mordechai Korf (33%), Gennadiy Bogolyubov (33%) and Igor Kolomoyskyy (33%). Mordechai Korf has been the Chief Executive Officer and/or Chairman of Optima since its formation in 2008.

4. Retired ABL Facility

In addition to the Notes, the Debtors had a prepetition asset based revolving credit facility with PNC Bank, N.A., as lender and agent (the "**ABL Facility**") that matured on November 30, 2016. Unable to secure a further extension of the ABL Facility maturity date from PNC Bank, the Debtors paid all outstanding amounts thereunder and retired the ABL Facility on November 30, 2016.

D. Appointment of the Special Committee

Before the Petition Date, the Debtors formed a special committee comprised of two independent directors (the "**Special Committee**") to review, evaluate and make key decisions regarding the restructuring of the Debtors' business, assets, liabilities, and interests during these Chapter 11 Cases (the "**Restructuring Process**"). The independent directors are John H. Goodish and Menachem M. Mayberg. Mr. Mayberg is a practicing attorney in Miami, Florida. Mr. Goodish has deep steel-industry experience having worked in the industry for forty years including serving as Chief Operating Officer and Executive Vice President of United States Steel Corp. from June 1, 2005 to December 31, 2010.

After the Petition Date, as set forth in Article IV.A.11-"Applications for Retention of Debtors' Professionals," the Debtors retained a Chief Restructuring Officer. Since the retention of the Chief Restructuring Officer, the Restructuring Process has been led by the Chief Restructuring Officer and the Special Committee. The Chief Restructuring Officer and the Special Committee review and evaluate issues arising in the Restructuring Process, and the Special Committee makes the key decisions concerning the Restructuring Process. Mordechai Korf, the Chief Executive Officer and Chairman of Optima (and the President of OA, the Plan Sponsor), is not a member of the Special Committee. He has not made any decisions on behalf of the Debtors with regard to the Plan Support Agreement or the Plan.

E. Key Events Leading to the Chapter 11 Cases

A summary of the key events that precipitated these Chapter 11 Cases is provided below.

1. Macroeconomic and Industry Challenges

Since late 2014, North American steel companies have been affected by reduced demand from domestic energy producers, weakened iron ore and steel scrap pricing, and weaker demand from the mining and agricultural sectors that support the sale of heavy equipment. Moreover, a strong U.S. Dollar has encouraged steel consumers to look for product from offshore producers.

More specifically, the industrial manufacturing sector has been weakened by the impact of low oil prices and slowing growth in other parts of the world, particularly China. Low oil prices resulted in a shutdown of more than half the oil and gas rigs in North America, which has resulted in a commensurate decrease in demand for products from the steel and equipment producers, such as the Debtors, supplying the extraction industry. The global manufacturing slowdown that has persisted for the past two years has led to significant excess capacity in the

metals and mining industries. Excess capacity in Asia and around the world has also led to falling prices and efforts to reduce inventories throughout the supply chain. The impact on the United States has been magnified by the relative strength of the U.S. Dollar, which reduces the cost of imported steel.

Continued strength in North American automotive production, modest support from the construction industry, and consumption of seamless tubes in the power generation industry continue to bolster the Debtors' sales, but have not been able to offset the pressures exerted from the commodity elements of the steel pricing cycle that negatively impacted the Debtors' and the industry's financial results in 2015 and 2016, and the reduction in demand cited above.

Falling steel prices have also discouraged the Debtors' distribution-oriented customer base from holding inventory as both metal service centers and original equipment manufacturers seek to avoid or minimize inventory holding losses. Shorter lead times resulting from available capacity at the primary producing mills also lessens the need for inventory throughout the supply chain. These inventory reductions, at both metal service centers and original equipment manufacturers, tend to exacerbate the volume decreases that result from weaker end user demand. The impact on the Debtor should moderate as pricing stabilizes and customers begin to normalize inventory levels relative to sales, and potentially replenish depleted inventories.

These challenging macroeconomic conditions led to the Debtors' financial performance falling below their expectations in 2015 and 2016.

2. Maturing Notes

As described above, the Debtors' Secured Notes were scheduled to mature on December 15, 2016 with the maturity of the Unsecured Notes following shortly thereafter on or about December 30, 2016. On August 8, 2016, the Debtors retained Lampert Debt Advisors ("**Lampert**"), a debt placement advisory firm, to source debt financing to refinance the maturing Notes and assist in the restructuring of the Debtors' balance sheet. The Debtors, with the assistance of Lampert, devoted several months to extensive negotiations with existing debt holders, OA as 100% shareholder of Optima, and potential new lenders. The Debtors and their stakeholders considered various proposals for the refinancing comprised of new senior secured debt plus a substantial infusion of new debt and equity capital by OA. While those detailed negotiations made substantial and substantive progress for several months, they ultimately failed to result in a binding term sheet or any definitive agreement. With the refinancing negotiations breaking down in December 2016 and the maturity of the Secured Notes looming on December 15, 2016, the Debtors were left with little choice but to seek Chapter 11 relief to facilitate a restructuring.

IV. EVENTS DURING THE CHAPTER 11 CASES

A. First Day Motions and Certain Related Relief

Each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code on December 15, 2016. Recognizing that any interruption of the Debtors'

business, even for a short period, could negatively affect customer and vendor relationships and the Debtors' goodwill, revenue, and profits, which would be detrimental to the value of the Debtors' estates, the Debtors filed certain first day motions authorizing the Debtors to continue operating their businesses in the ordinary course. The first day motions sought to stabilize the Debtors' operations and were designed to facilitate a smooth transition into chapter 11 and ease the strain on the Debtors' business as a consequence of the filing of the Chapter 11 Cases. The following summary highlights certain of the first day orders.

1. Cash Collateral Motion [Docket No. 17]

By interim order granted on December 19, 2016 [Docket No. 54], the Bankruptcy Court authorized the Debtors to use cash collateral until January 19, 2017, granted adequate protection to the Secured Notes Agent for the benefit of itself and the Secured Noteholders, and granted other related relief. By a stipulation, approved by the Bankruptcy Court in an order granted on January 19, 2017 [Docket No. 227], the Debtors' authority to use cash collateral was extended until January 26, 2017. The Debtors' authority to use cash collateral after January 24, 2017 has been governed by the DIP Orders (as defined below).

2. Cash Management Motion [Docket No. 7]

The Bankruptcy Court authorized the Debtors to continue using their cash management systems and their respective bank accounts, business forms, and intercompany transactions, and authorized a waiver of, or extension of time to comply with, requirements under Bankruptcy Code section 345(b) by a final order granted on January 19, 2017 [Docket No. 223].

3. Critical Vendor Motion [Docket No. 14]

The Bankruptcy Court authorized the Debtors to pay certain prepetition claims of critical and foreign vendors and to pay certain prepetition mechanics' liens by a final order granted on January 19, 2017 [Docket No. 226].

4. Wage and Benefits Motion [Docket No. 6]

The Bankruptcy Court authorized the Debtors to pay prepetition wages, compensation, and amounts associated with employee benefit programs, except with respect to certain incentive and profit sharing plans, and continue such programs in the ordinary course by a final order granted on January 17, 2017 [Docket No. 196]. With respect to the incentive and profit sharing plans, the Bankruptcy Court authorized payments to non-insider employees in accordance with the terms and conditions of such plans and payments to insider employees subject to certain modifications by separate order granted on January 31, 2017 [Docket No. 286].

5. Customer Program Motion [Docket No. 13]

The Bankruptcy Court authorized the Debtors to honor certain prepetition obligations to customers and to otherwise continue certain prepetition customer practices and programs that the Debtors offer in the ordinary course by a final order granted on January 17, 2017 [Docket No. 199].

6. Insurance Motion [Docket No. 8]

The Bankruptcy Court authorized the Debtors to pay and maintain various insurance policies, including, among other things, general liability, workers' compensation liability, directors and officers liability, umbrella liability, and property liability by a final order granted on January 19, 2017 [Docket No. 224].

7. Taxes Motion [Docket No. 9]

The Bankruptcy Court authorized the Debtors to pay certain prepetition fees and taxes to various federal, state, county, and city taxing and licensing authorities by a final order granted on January 17, 2017 [Docket No. 197].

8. Utilities Motion [Docket No. 10]

The Bankruptcy Court established procedures for determining adequate assurance of payment for future utility services by a final order granted on January 17, 2017 [Docket No. 198].

9. Shippers' Motion [Docket No. 11]

The Bankruptcy Court authorized the Debtors to pay certain prepetition claims of common carriers, shippers and truckers in the ordinary course of business by a final order granted on January 19, 2017 [Docket No. 225].

10. Reclamation Procedures Motion [Docket No. 12]

The Bankruptcy Court established exclusive procedures for asserting, processing, and satisfying any claims against the Debtors arising under section 546(c) of the Bankruptcy Code by a final order granted on January 17, 2017 [Docket No. 201].

11. Applications for Retention of Debtors' Professionals

The Bankruptcy Court has approved the Debtors' retention of certain Professionals to represent and assist the Debtors in connection with the Chapter 11 Cases. These Professionals include, among others: (a) Greenberg Traurig, LLP as counsel for the Debtors (order granted January 17, 2017) [Docket No. 191]; (b) Ernst & Young LLP as auditor and restructuring advisor (order granted January 17, 2017) [Docket No. 192]; (c) Miller Buckfire & Co., LLC and Stifel, Nicolaus & Co., Inc. as investment banker (order granted January 26, 2017) [Docket No. 274]; and (d) Conway MacKenzie Management Services, LLC as turnaround manager and Michael S. Correra as Chief Restructuring Officer (order granted February 21, 2017) [Docket No.343].

The Bankruptcy Court has also authorized the Debtors to retain certain professionals utilized by the Debtors in the ordinary course of business prior to the Petition Date (order granted January 17, 2017) [Docket No. 200]. Further, the Bankruptcy Court has authorized the interim compensation and reimbursement of professional expenses during these cases (order granted January 17, 2017) [Docket No. 190].

12. Administrative Motions: Motion for Joint Administration [Docket No. 3], Motion to File Consolidated List of Creditors [Docket No. 5], and Application to Retain Claims and Noticing Agent [Docket No. 15]

To facilitate a smooth and efficient administration of the Chapter 11 Cases and to reduce the administrative burden associated therewith, by an order granted on December 19, 2016, the Bankruptcy Court authorized joint administration of the Debtors' cases for procedural purposes only [Docket No. 48]. By an order granted on December 19, 2016, the Bankruptcy Court authorized the Debtors to file consolidated lists of creditors for the Debtors [Docket No. 49]. The Court further authorized the retention of Garden City Group, LLC as claims and noticing agent by an order granted on December 19, 2016 [Docket No. 53].

B. Creditors' Committee

On January 4, 2017, the U.S. Trustee appointed an Official Committee of Unsecured Creditors (the "**Creditors' Committee**") [Docket No. 120]. Subsequently, the Bankruptcy Court authorized the retention of Squire Patton Boggs (US) LLP as the Creditors' Committee's bankruptcy counsel [Docket No. 314], Whiteford, Taylor & Preston LLC as the Creditors' Committee's Delaware counsel [Docket No. 315], and FTI Consulting, Inc. as the Creditors' Committee's financial advisor [Docket No. 363].

C. DIP Financing

On January 9, 2017, the Debtors filed the *Motion for the Entry of Interim and Final Orders Pursuant to 11 U.S.C. §§ 105, 361, 362, 363, 364, 503 and 507 (I) Authorizing the Debtors to Obtain Non-Priming Senior Secured Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying The Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief* [Docket No. 147] (the "**First DIP Motion**"). Pursuant to the First DIP Motion, the Debtors' sought approval for a $40 million non-priming junior secured debtor-in-possession financing facility from OA. The First DIP Motion was opposed by an ad hoc group of unaffiliated holders of a majority in amount of the Secured Notes and by DDJ Capital Management, LLC ("**DDJ**"), including, *inter alia*, whether the proposed financing was non-priming and junior to the Secured Notes. In addition, a limited objection to the First DIP motion, dated January 16, 2017 [Docket No. 187], was filed by Steel Dynamics Sales North America, Inc. and Roanoke Electric Steel Corporation d/b/a Steel Dynamics Roanoke Bar Division.

On January 17, 2017, the Debtors filed the *Motion for the Entry of Interim and Final Orders (I) Authorizing Postpetition Secured Financing Pursuant to 11 U.S.C. §§ 105(a), 361 362, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1) And 364(e), (II) Authorizing the Debtors' Use of Cash Collateral Pursuant to 11 U.S.C. § 363, (III) Granting Adequate Protection Pursuant to 11 U.S.C. §§ 361, 363 and 364, and (IV) Scheduling a Final Hearing Pursuant to Bankruptcy Rules 4001(B) and 4001(C)* [Docket No.202] (the "**Second DIP Motion**"). The Second DIP Motion sought approval for a $50 million DIP New Money Loan and an approximately $161.7 million (in principal amount) DIP Replacement Loan provided by DDJ

and other lenders from time to time party to the DIP Credit Agreement. In light of the filing of the Second DIP Motion, the Debtors adjourned further proceedings on the First DIP Motion.

The Creditors' Committee objected to the Second DIP Motion by the filing of a preliminary objection, dated January 19, 2017 [Docket No. 229], a supplemental objection, dated January 22, 2017 [Docket No. 245], and a final objection, dated February 21, 2017 [Docket No. 344]. Additional objections to the Second DIP motion were made as follows: (i) an objection, dated January 19, 2017 [Docket No. 222], by ArcelorMittal International America LLC and ArcelorMittal USA LLC (the "**ArcelorMittal Objection**"); (ii) a joinder in the ArcelorMittal Objection, dated January 20, 2017 [Docket No. 234], by Steel Dynamics Sales North America, Inc. and Roanoke Electric Steel Corporation d/b/a Steel Dynamics Roanoke Bar Division; (iii) a joinder to the ArcelorMittal Objection, dated January 20, 2017 [Docket No. 236], filed by Tata Steel International (Americas) Inc.; and (iv) a joinder to the ArcelorMittal Objection, dated January 21, 2017 [Docket No. 239], by Sterling Steel Company, LLC.

The Bankruptcy Court granted the Second DIP Motion and approved the DIP Facility on an interim basis in an order, dated January 24, 2017 [Docket No. 257], and on a final basis in an order, dated February 28, 2017 [Docket No. 366] (such interim and final orders, the "**DIP Orders**").

D. Filing of the Schedules and Establishment of the Claims Bar Date

Section 521 of the Bankruptcy Code and Bankruptcy Rule 1007 direct that, unless otherwise ordered by the court, debtors must prepare and file certain schedules of claims, executory contracts, and unexpired leases and related information (the "**Schedules**"), as well as statements of financial affairs (the "**Statements**," and together with the Schedules, the "**Schedules and Statements**") within 15 days of the commencement of a chapter 11 case. The purpose of this requirement is to provide a debtor's creditors, equity security holders, and other interested parties with sufficient information to make informed decisions with respect to the Debtors' reorganization. In appropriate circumstances, however, a bankruptcy court may modify or dispense with the filing of the Schedules and the Statement pursuant to section 521 of the Bankruptcy Code. On February 7, 2017, the Bankruptcy Court entered an order extending the Debtors' deadline to file their Schedules and Statements to February 17, 2017 [Docket No. 293]. The Debtors filed their Schedules and Statements on February 17, 2017 [Docket Nos. 333-342]. The Debtors filed amendments to their Schedules E and F on March 12 and 13, 2017 [Docket Nos. 384, 386-389].

On March 10, 2017, the Bankruptcy Court entered an order [Docket No. 382] (the "**Bar Date Order**") establishing April 14, 2017 at 5:00 p.m. (Prevailing Eastern Time) (the "**General Bar Date**") as the last deadline for filing Proofs of Claims against the Debtors in these Chapter 11 Cases for Claims arising before the Petition Date, and establishing June 14, 2017 at 5:00 p.m. (Prevailing Eastern Time) (the "**Governmental Bar Date**"; together with the General Bar Date, collectively, the "**Bar Date**") as the deadline for all governmental units, as defined in section 101(27) of the Bankruptcy Code, for filing Proofs of Claim against the Debtors in these Chapter 11 Cases for all Claims arising before the Petition Date.

In the event that the Debtors reject any Executory Contract or Unexpired Lease under section 365 of the Bankruptcy Code, the Bar Date Order provides that each person or entity holding a claim against the Debtors arising from such rejection must file a Proof of Claim by the later of (a) 30 days after the effective date of rejection of such executory contract or unexpired lease as provided by an order of the Bankruptcy Court or pursuant to a notice under procedures approved by the Bankruptcy Court; (b) any date set by another order of the Bankruptcy Court; or (c) the General Bar Date (the "**Rejection Bar Date**").

In the event that the Debtors amend or supplement the Schedules and Statements, the Bar Date Order provides that the Debtors shall give notice of any amendment or supplement to the Holders of Claims affected thereby, and such Holders shall be given until the later of (a) the applicable Bar Date or (b) thirty (30) days from the date such notice is given to file Proofs of Claim with respect to such affected Claim, if necessary, or be barred from filing such Claim (the "**Amended Schedule Bar Date**").

As of the date of filing of this Disclosure Statement, the Claims Agent has received over 500 Proofs of Claim. The Debtors have commenced the process of reviewing and reconciling their books and records to determine whether Proofs of Claims are invalid, untimely, duplicative, or overstated, but such process has not yet been completed. The Debtors intend to file subsequent objections to claims on both substantive and non-substantive grounds, and the outcome of such future objections could affect the amount of Allowed Claims in each Class.

E. Non-Core Asset Sale

By order dated April 10, 2017 [Docket No. 567], the Bankruptcy Court authorized the private sale of certain real property and related assets located in Buffalo, New York, free and clear of liens and interests, and approved the lease back to the Debtors of approximately 25,000 square feet of dedicated storage space and certain office space for a term of ten years for no rent.

F. Exclusive Period for Filing a Plan and Soliciting Votes

On April 14, 2017, the Debtors filed a motion with the Bankruptcy Court, pursuant to section 1121 of the Bankruptcy Code, requesting an extension of the exclusive period within which only the Debtors may file a chapter 11 plan through and including July 13, 2017, and the exclusive period within which only the Debtors may solicit acceptances of a chapter 11 plan through and including September 11, 2017. On May 12, 2017, the Bankruptcy Court entered an order granting the motion, and extending the exclusive period within which only the Debtors may file a chapter 11 plan through and including July 13, 2017, and of the exclusive period within which only the Debtors may solicit acceptances of a chapter 11 plan through and including August 31, 2017 [Docket No. 742].

G. Motion to Approve Plan Support Agreement

On April 20, 2017, the Debtors filed a motion with the Bankruptcy Court, pursuant to sections 105(a), 363(b), 503(b), 507(a)(2), and 1125 of the Bankruptcy Code, requesting authority for the Debtors to enter into, undertake and perform their obligations under the Plan Support Agreement between the Debtors and the Plan Sponsor, including approval of the OA Expense Reimbursement, as defined therein, and granting the OA Expense Reimbursement administrative expense priority status, as described by the Plan Support Agreement. As more fully set forth in the motion and the Plan Support Agreement itself, the Plan Support Agreement provides for a comprehensive reorganization of the Debtors pursuant to the Plan described by this Disclosure Statement. On May 10, 2017, the Bankruptcy Court held a hearing on approval of the Plan Support Agreement and entered an order approving it and the OA Expense Reimbursement.

H. Payment of Good Faith Deposits by OA

On April 25, 2017, OA delivered to the Debtors an initial $10 million Good Faith Deposit (as defined in the Plan Support Agreement) in accordance with the terms of the Plan Support Agreement. Thereafter, following the filing of the Plan and proposed Disclosure Statement, OA delivered an additional $5 million Good Faith Deposit on May 2, 2017; following Bankruptcy Court approval of the Plan Support Agreement, OA delivered an additional $5 million Good Faith Deposit on May 19, 2017; and following Bankruptcy Court approval of this Disclosure Statement, OA shall deliver an additional $5 million Good Faith Deposit by June 1, 2017. Accordingly, as of June 1, 2017, OA will have deposited with the Debtors a total of $25 million in Good Faith Deposits as agreed in the Plan Support Agreement.

V. THE PLAN

A. Administrative Expenses and Priority Claims

1. Administrative Claims. Except to the extent that the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, and a Holder of an Allowed Administrative Claim agree to a less favorable treatment, a Holder of an Allowed Administrative Claim (other than a DIP Claim, which shall be subject to Article 2.2 of the Plan, or a Professional Claim, which shall be subject to Article 2.3 of the Plan) shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim (and, in the case of Section 503(b)(9) Claims, post-Petition Date interest (if any) on terms and in an amount equal to post-Petition Date interest (if any) paid to General Unsecured Claims under Article 4.4(b) of the Plan) either (a) on the later of (x) the Initial Distribution Date; or (y) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when an Administrative Claim becomes an Allowed Administrative Claim or (ii) 30 days after the date when an Administrative Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Administrative Claim; or (b) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, in the ordinary course of business in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative

Claims, without any further action by the Holders of such Allowed Administrative Claims; provided, however, that other than Holders of (i) a DIP Facility Claim, (ii) a Professional Claim, (iii) an Administrative Claim Allowed by an order of the Bankruptcy Court on or before the Effective Date, or (iv) an Administrative Claim that is not Disputed and arose in the ordinary course of business and was paid or is to be paid in accordance with the terms and conditions of the particular transaction giving rise to such Administrative Claim, the Holder of any Administrative Claim shall have filed a proof of Claim form no later than the Administrative Claims Bar Date and such Claim shall have become an Allowed Claim. Except as otherwise provided herein and as set forth in Articles 2.2 or 2.3 of the Plan, all requests for payment of an Administrative Claim must be filed, in substantially the form of the Administrative Claim Request Form contained in the Plan Supplement, with the Claims Agent and served on counsel for the Debtors or the Reorganized Debtors, as applicable, no later than the Administrative Claims Bar Date. Any request for payment of an Administrative Claim pursuant to Article 2.1 of the Plan that is not timely filed and served shall be Disallowed automatically without the need for any objection from the Reorganized Debtors. The Reorganized Debtors may settle an Administrative Claim without further Bankruptcy Court approval. In the event that the Reorganized Debtors object to an Administrative Claim and there is no settlement, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim.

2. DIP Claims. Pursuant to the DIP Order, all DIP Claims are Allowed.

(a) DIP Replacement Loan Claims. In full and final satisfaction, settlement, release, and discharge of and in exchange for each and every DIP Replacement Loan Claim, on the Effective Date, each Holder of a DIP Replacement Loan Claim shall be paid in full in Cash from the proceeds of the Exit Facilities and Plan Sponsor Contribution, with such payments to be distributed to the DIP Agent on the Effective Date for the ratable benefit of the Holders of DIP Replacement Loan Claims.

(b) DIP New Money Loan Claims. In full and final satisfaction, settlement, release, and discharge of and in exchange for each and every DIP New Money Loan Claim, on the Effective Date, each Holder of DIP New Money Loan Claims shall be paid in full in Cash from the proceeds of the Exit Facilities and Plan Sponsor Contribution (after satisfying the DIP Replacement Loan Claims), with such payments to be distributed to the DIP Agent on the Effective Date for the ratable benefit of the Holders of DIP New Money Loan Claims.

Upon the Effective Date, and upon receipt by the DIP Agent of Cash in the full amount of the DIP Claims, all Liens and security interests granted to secure the DIP Facility shall be deemed discharged, cancelled, and released and shall be of no further force and effect. To the extent that the DIP Lenders or the DIP Agent have filed or recorded publicly any Liens and/or security interests to secure the Debtors' obligations under the DIP Facility, the DIP Lenders or the DIP Agent, as the case may be, shall take any commercially reasonable steps requested by the Debtors or the Reorganized Debtors, at the expense of the Reorganized Debtors, that are necessary to cancel and/or extinguish such publicly-filed Liens and/or security interests.

3. Professional Claims.

(a) Final Fee Applications. All final requests for payment of Professional Claims and requests for reimbursement of expenses of members of the Creditors' Committee must be filed no later than forty-five (45) days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code, the Bankruptcy Rules and prior orders of the Bankruptcy Court, the Allowed amounts of such Professional Claims shall be determined by the Bankruptcy Court.

(b) Payment of Interim Amounts. Subject to the Holdback Escrow Amount, on the Effective Date, the Reorganized Debtors shall pay all amounts owing to Professionals for all outstanding amounts billed relating to prior periods through the Effective Date as to which no objection has been filed. No later than five (5) Business Days prior to the Effective Date, the Professionals shall estimate fees and expenses due for periods that have not or will not have been billed as of the Effective Date and shall deliver such estimate to counsel for the Debtors and such estimate shall be included in the Holdback Escrow Amount. For the avoidance of doubt, no such estimate shall be deemed to limit the amount of the fees and expenses that are the subject of a professional's final request for payment of professional claims filed with the Bankruptcy Court. As soon as reasonably practicable after the Effective Date, a Professional seeking payment for estimated amounts as of the Effective Date shall submit a detailed invoice covering such period. Upon receipt of such invoice, the Debtors shall pay from the Holdback Escrow Account 80% of the invoiced fees and 100% of the invoiced expenses.

(c) Holdback Escrow Account. On the Effective Date, the Reorganized Debtors shall fund the Holdback Escrow Account with Cash equal to the aggregate Holdback Escrow Amount for all Professionals. The Distribution Agent shall maintain the Holdback Escrow Account in trust for the Professionals with respect to whom fees have been held back pursuant to the Professional Fee Order. Such funds shall not be considered property of the Debtors, the Reorganized Debtors, or the Estates. Following any payments from the Holdback Escrow Account as set forth in Article 2.3(b) of the Plan, the remaining amount of Professional Claims owing to the Professionals shall be paid to such Professionals by the Distribution Agent from the Holdback Escrow Account when such claims are finally Allowed by the Bankruptcy Court. When all Professional Claims have been paid in full, amounts remaining in the Holdback Escrow Account, if any, shall be paid to the Reorganized Debtors.

(d) Post-Effective Date Retention. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors shall employ and pay Professionals in the ordinary course of business (including the reasonable fees and expenses incurred by Professionals in preparing, reviewing, prosecuting, defending, or addressing any issues with respect to final fee applications).

4. Priority Tax Claims. On the later of (a) the Initial Distribution Date or (b) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Priority Tax Claim becomes an Allowed Priority Tax Claim or (ii) 30 days after the date when a Priority Tax Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Priority Tax Claim, except to the extent that the

Debtors (or Reorganized Debtors) and a Holder of an Allowed Priority Tax Claim agree to a less favorable treatment, each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive one of the following treatments on account of such Claim: (a) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, (b) Cash in an amount agreed to by the Debtors (or the Reorganized Debtors) and such Holder, provided, however, that such parties may further agree for the payment of such Allowed Priority Tax Claim to occur at a later date, or (c) at the sole option of the Debtors, Cash in the aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of not more than five (5) years after the Petition Date pursuant to section 1129(a)(9)(C) of the Bankruptcy Code. To the extent any Allowed Priority Tax Claim is not due and owing on the Effective Date, such Claim shall be paid in full in Cash in accordance with the terms of any agreement between the Debtors and the Holder of such Claim, or as may be due and payable under applicable non-bankruptcy law or in the ordinary course of business.

B. Classification, Treatment, and Voting of Claims and Interests

1. Classification of Claims and Interests.

(a) The Plan is a single plan of reorganization for the jointly administered Chapter 11 Cases, but does not constitute a substantive consolidation of the Debtors' Estates except for the limited purpose set forth in Article 6.1 of the Plan. The Plan, though proposed jointly, constitutes a separate plan for each of the Debtors for all other purposes. Therefore, all Claims against and Interests in a particular Debtor are placed in the Classes set forth below with respect to such Debtor. Classes that are not applicable as to a particular Debtor or group of Debtors shall be eliminated as set forth more fully in Article 5.2 of the Plan. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been classified and their treatment is set forth in Article II of the Plan.

(b) Pursuant to sections 1122 and 1123 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Interests in the Debtors. A Claim or Interest is placed in a particular Class for the purposes of, to the extent applicable, receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and such Claim or Interest has not been paid, released, or otherwise settled prior to the Effective Date.

(c) Claims and Interests are divided into numbered Classes as set forth below:

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	Other Secured Claims	Unimpaired	Deemed to Accept
3-A	Unsecured Notes Claims	Unimpaired	Deemed to Accept
3-B	General Unsecured Claims	Unimpaired	Deemed to Accept
4	Intercompany Claims	Unimpaired	Deemed to Accept
5	Intercompany Interests	Unimpaired	Deemed to Accept
6	Interests in Optima	Unimpaired	Deemed to Accept

C. Provisions for Treatment of Claims and Interests

1. Class 1 – Other Priority Claims.

(a) Classification: Class 1 consists of all Other Priority Claims.

(b) Treatment: Except as otherwise provided in and subject to Article 9.5 of the Plan, and except to the extent that a Holder of an Allowed Class 1 Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 1 Claim, each such Holder of an Allowed Class 1 Claim shall be paid in full in Cash on the later of (a) the Initial Distribution Date or (b) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Class 1 Claim becomes an Allowed Class 1 Claim or (ii) 30 days after the date when a Class 1 Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Class 1 Claim; provided, however, that Other Priority Claims that arise in the ordinary course of the Debtors' business and which are not due and payable on or before the Effective Date shall be paid in the ordinary course of business in accordance with the terms thereof.

(c) Voting: Class 1 is Unimpaired, and Holders of Allowed Class 1 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 1 Claims are not entitled to vote to accept or reject the Plan.

2. Class 2 – Other Secured Claims.

(a) Classification: Class 2 consists of all Other Secured Claims.

(b) Treatment: Except as otherwise provided in and subject to Article 9.5 of the Plan, and except to the extent that a Holder of an Allowed Class 2 Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 2 Claim, each such Holder of an Allowed

Class 2 Claim shall, at the election of the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable:

(i) have its Allowed Class 2 Claim Reinstated and rendered Unimpaired on the Effective Date in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the Holder of an Allowed Class 2 Claim to demand or receive payment of such Allowed Class 2 Claim prior to the stated maturity of such Allowed Class 2 Claim from and after the occurrence of a default;

(ii) be paid in full in Cash in an amount equal to such Allowed Class 2 Claim, including postpetition interest, if any, on such Allowed Class 2 Claim required to be paid pursuant to section 506 of the Bankruptcy Code, on the later of (a) the Initial Distribution Date or (b) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Class 2 Claim becomes an Allowed Class 2 Claim or (ii) 30 days after the date when a Class 2 Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Class 2 Claim; or

(iii) receive the collateral securing its Allowed Class 2 Claim.

Nothing in Article 4.2 of the Plan or elsewhere in the Plan shall preclude the Reorganized Debtors, as applicable, from challenging the validity of any alleged Lien or any asset of the Debtors or the value of the property that secures any alleged Lien.

(c) Voting: Class 2 is Unimpaired, and Holders of Allowed Class 2 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 2 Claims are not entitled to vote to accept or reject the Plan.

3. Class 3-A – Unsecured Notes Claims.

(a) Classification: Class 3-A consists of all Unsecured Notes Claims.

(b) Treatment: Except to the extent that a Holder of an Allowed Class 3-A Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 3-A Claim, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 3-A Claim shall receive cash in an amount equal to 100% of such Allowed Claim, plus post-Petition Date interest (if any) for the period between the Petition Date and the Effective Date at the Federal judgment rate or such other rate as minimally necessary (only if payment of interest is required) to leave such Allowed Class 3-A Claim Unimpaired.

(c) Voting: Class 3-A is Unimpaired and Holders of Allowed Class 3-A Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Order. Therefore, Holders of Allowed Class 3-A Claims are not entitled to vote to accept or reject the Plan.

4. Class 3-B – General Unsecured Claims.

(a) Classification: Class 3-B consists of all General Unsecured Claims.

(b) Treatment: Except as otherwise provided in and subject to Article 9.5 of the Plan, and except to the extent that a Holder of an Allowed Class 3-B Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 3-B Claim, each Holder of an Allowed Class 3-B Claim shall receive the following treatment: (a) in the case of Allowed Class 3-B Claims that are not due and payable as of the Effective Date, each such Claim shall be reinstated (in accordance with section 1124(2) of the Bankruptcy Code) and paid in the ordinary course of business pursuant to the respective terms relating to such Claim; or (b) in the case of Allowed Class 3-B Claims that are due and payable as of the Effective Date, each such Claim shall be paid in full in Cash in an amount equal to 100% of the Allowed amount of such Claim, plus post-Petition Date interest at three percent (3%) per annum accrued for the period between the Petition Date and the Effective Date, only if the Creditors' Committee: (i) supports (and does not directly or indirectly oppose, challenge or object to) confirmation of the Plan, approval of the Disclosure Statement, approval of the Plan Support Agreement and approval of related Debtor motions and (ii) does not (directly or indirectly) advocate for or support any alternative plan or plan process, or any formal or informal opposition, challenge or objection to confirmation of the Plan, approval of the Disclosure Statement, approval of the Plan Support Agreement or approval of directly related Debtor motions.

In the event the conditions in the foregoing clauses "(i)" and "(ii)" are not satisfied, then instead of receiving the treatment provided for in the foregoing clause "(b)" each applicable holder of an Allowed Class 3-B Claim shall receive Cash in an amount equal to 100% of the Allowed amount of such Claim, plus post-Petition Date Interest (if any) at the Federal judgment rate or such other rate as necessary to leave such Allowed Claim unimpaired, for the period between the Petition Date and the Effective Date. Notwithstanding the foregoing, the Creditors' Committee shall not be deemed to have violated this provision by providing to the Debtors and/or the Plan Sponsor comments, or requesting changes, to any document, agreement or filing.

All payments and distributions on account of Allowed Class 3-B Claims shall be made as set forth above on the later of (i) the Initial Distribution Date or (ii) if a Class 3-B Claim is a Disputed Claim, the first Periodic Distribution Date occurring after the later of (y) 30 days after the date when a Class 3-B Claim becomes an Allowed Class 3-B Claim or (z) 30 days after the date when a Class 3-B Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Class 3-B Claim.

(c) Voting: Class 3-B is Unimpaired and Holders of Allowed Class 3-B Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Order. Therefore, Holders of Allowed Class 3-B Claims are not entitled to vote to accept or reject the Plan.

5. Class 4 – Intercompany Claims

(a) Classification: Class 4 consists of all Intercompany Claims.

(b) Treatment: On the Effective Date, all net Allowed Class 4 Claims (taking into account any setoffs of Intercompany Claims) held by the Debtors between and among the Debtors and/or any Affiliates of the Debtors shall, at the election of the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, be either (i) Reinstated, or (ii) released, waived, and discharged.

(c) Voting: Class 4 is Unimpaired, and Holders of Allowed Class 4 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 4 Claims are not entitled to vote to accept or reject the Plan.

6. Class 5 – Intercompany Interests

(a) Classification: Class 5 consists of all Intercompany Interests.

(b) Treatment: On the Effective Date, all Class 5 Interests held by the Debtors shall be Reinstated. The foregoing treatment of Intercompany Interests are not being received by Holders of such Intercompany Interests on account of their Intercompany Interests but for the purposes of administrative convenience, for the ultimate benefit of the Holders of Existing Optima Common Stock, and in exchange for the Debtors' and Reorganized Debtors' agreement under the Plan to make certain distributions to the Holders of Allowed Claims. For the avoidance of doubt, any Interest in any non-Debtor subsidiary owned by a Debtor (if any) shall continue to be owned by the applicable Reorganized Debtor.

(c) Voting: Class 5 is Unimpaired, and Holders of Class 5 Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5 Interests are not entitled to vote to accept or reject the Plan.

7. Class 6 – Existing Optima Equity Interests.

(a) Classification: Class 6 consists of all Existing Optima Equity Interests.

(b) Treatment: On the Effective Date, Allowed Class 6 Existing Optima Equity Interests shall be Reinstated and Unimpaired and shall not be discharged, canceled, released, extinguished or otherwise altered as a result of or by the Plan Support Agreement or the Plan, and the Plan Sponsor as Holder of all Existing Optima Equity Interests shall continue on the Effective Date to hold all Existing Optima Equity Interests without interruption.

(c) Voting: Class 6 is Unimpaired, and Holders of Allowed Class 6 Existing Optima Equity Interests are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 6 Optima Equity Interests are not entitled to vote to accept or reject the Plan.

D. Acceptance

1. No Classes Entitled to Vote. No Classes are entitled to vote to accept or reject the Plan. By operation of law, Classes 1, 2, 3-A, 3-B, 4, 5 and 6 are Unimpaired and are deemed to have accepted the Plan and, therefore, are not entitled to vote.

2. Elimination of Classes. To the extent applicable, any Class that does not contain any Allowed Claims as of the date of commencement of the Confirmation Hearing, for all Debtors or with respect to any particular Debtor, shall be deemed to have been deleted from the Plan for all Debtors or for such particular Debtor, as applicable, for purposes of (a) deemed acceptance or rejection of the Plan in accordance with Article 5.1 of the Plan and (b) determining whether it has accepted or rejected the Plan under section 1129(a)(8) of the Bankruptcy Code. In particular, Class 6 shall exist only with respect to Optima, Class 3-A shall exist only with respect to Debtors that are obligors or guarantors under the Unsecured Notes Documents, and Class 3-B shall only exist with respect to Debtors that are obligated to one or more Holders of an Allowed General Unsecured Claim.

3. Cramdown. To the extent necessary, the Debtors shall request confirmation of the Plan, as it may be modified from time to time in accordance with the terms hereof, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to modify, amend, or withdraw the Plan, with respect to all Debtors or any individual Debtor or group of Debtors, with the consent of the Plan Sponsor, to the extent, if any, that confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

E. Means for Implementation of The Plan

1. Substantive Consolidation. The Plan contemplates and is predicated upon deemed substantive consolidation of the Debtors' Estates and Chapter 11 Cases for distribution purposes only. On the Effective Date, each Claim Filed or to be Filed against any Debtor shall be deemed Filed only against Optima and shall be deemed a single Claim against and a single obligation of Optima, for distribution purposes only and the claims register shall be updated accordingly. This limited substantive consolidation effected pursuant to Article 6.1 of the Plan shall not otherwise affect the rights of any Holder of any Claim, or affect the obligations of any Debtor with respect to such Claim.

2. General Settlement of Claims and Interests. Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration of the Plan Sponsor Contribution and for the classification, treatment, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of the Plan shall constitute a good-faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan.

3. Plan Funding. Distributions under the Plan, and the Reorganized Debtors' operations post-Effective Date will be funded from the following sources:

(a) Exit Revolver Facility. On the Effective Date, the Reorganized Debtors shall enter into the Exit Revolver Facility, the final form and substance of which shall be acceptable to the Reorganized Debtors and the Plan Sponsor, provided, however, that this

provision shall not diminish the Plan Sponsor's obligations under section 3(a)(1) of the Plan Support Agreement to act in a commercially reasonable manner. The entry of the Confirmation Order shall be deemed approval of the Exit Revolver Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Revolver Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Revolver Facility and such other documents as the Exit Revolver Lenders may reasonably require to effectuate the treatment afforded to such lenders pursuant to the Exit Revolver Facility, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such Exit Revolver Facility.

(b) Exit Term Loan Facility. On the Effective Date, the Reorganized Debtors shall enter into the Exit Term Loan Facility, the final form and substance of which shall be acceptable to the Reorganized Debtors and the Plan Sponsor, provided, however, that this provision shall not diminish the Plan Sponsor's obligations under section 3(a)(1) of the Plan Support Agreement to act in a commercially reasonable manner. The entry of the Confirmation Order shall be deemed approval of the Exit Term Loan Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Term Loan Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Term Loan Facility and such other documents as the Exit Term Loan Lenders may reasonably require to effectuate the treatment afforded to such lenders pursuant to the Exit Term Loan Facility, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such Exit Term Loan Facility.

(c) Plan Sponsor Contribution. On the Effective Date, the Plan Sponsor shall fulfill its funding obligations under the Plan Support Agreement by contributing the Plan Sponsor Contribution to Reorganized Optima as a contribution to capital in respect of the Plan Sponsor's outstanding and Unimpaired Existing Optima Common Stock. The Plan Sponsor Contribution shall be used as needed to pay Allowed DIP Claims, Allowed General Unsecured Claims, Allowed Unsecured Notes Claims and other Allowed Claims against and obligations of the Debtors payable under the Plan.

(d) Other Plan Funding. Other than as set forth in Articles 6.3(a), 6.3(b) and 6.3(c) of the Plan, all Cash necessary for the Reorganized Debtors to make payments required by the Plan shall be obtained from the Debtors' and Reorganized Debtors' Cash balances then on hand, after giving effect to the transactions contemplated herein.

4. Existing Optima Common Stock Unimpaired.

(a) On the Effective Date, the Existing Optima Common Stock shall be shall be Reinstated and Unimpaired. The Reinstatement of Existing Optima Common Stock by Reorganized Optima shall be authorized without the need for any further corporate action or without any further action by the Debtors or the Reorganized Debtors, as applicable.

(b) On the Effective Date, none of the Existing Optima Common Stock will be registered under the Securities Act or listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Exchange Act, the Reorganized Debtors shall not be required to and will not file reports with the Securities and Exchange Commission or any other entity or party, and the Reorganized Debtors shall not be required to file monthly operating reports with the Bankruptcy Court after the Effective Date.

5. Exemptions from Securities Act Registration Requirements. The Reinstatement of Existing Optima Common Stock pursuant to the Plan will be exempt from the registration requirements of section 5 of the Securities Act pursuant to section 1145 of the Bankruptcy Code, section 4(a)(2) of the Securities Act, or any other available exemption from registration under the Securities Act, as applicable. Section 4(a)(2) of the Securities Act exempts transactions not involving a public offering, and section 506 of Regulation D of the Securities Act provides a safe harbor under section 4(a)(2) for transactions that meet certain requirements. In addition, under section 1145 of the Bankruptcy Code, if applicable, the Reinstated Existing Optima Common Stock will be freely transferable under the Securities Act by the recipients thereof, subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with any applicable state or foreign securities laws, if any, and the rules and regulations of the United States Securities and Exchange Commission, if any, applicable at the time of any future transfer of such Existing Optima Common Stock, (2) the restrictions, if any, in the documents governing Existing Optima Common Stock, and (3) any other applicable regulatory approval. In reliance upon these exemptions, the Reinstated Existing Optima Common Stock will not be registered under the Securities Act or any applicable state Blue Sky Laws, and may not be transferred, encumbered or otherwise disposed of in the absence of such registration or an exemption therefrom under the Securities Act or under such laws and regulations thereunder.

6. Cancellation of Old Optima Securities and Agreements. On the Effective Date, except as otherwise specifically provided for in the Plan (a) the Old Optima Securities and any other note, bond, indenture, Certificate, or other instrument or document evidencing or creating any funded-debt indebtedness or debt obligation of the Debtors (including the Unsecured Notes Indenture and the Secured Notes Indenture), shall be deemed to be automatically cancelled without further action by any person and (b) the obligations of and Claims against Optima and/or any of the Debtors under, relating, or pertaining to any agreements, indentures or similar documents governing the Old Optima Securities, and any other note, bond, indenture, Certificate, or other instrument or document evidencing or creating any funded-debt indebtedness or obligation of the Debtors, as the case may be, shall be deemed to be automatically released and discharged and cancelled without further action by any person; provided, however, that any agreement (including the Unsecured Notes Indenture and the Secured Notes Documents) that governs the rights of a Holder of a Claim and that is administered by a Servicer shall continue in effect solely for the purposes of allowing such Servicer to (w) make the distributions on account of such Claims under this Plan and perform such other necessary functions with respect thereto, if any, as provided for in Article 9.4 of the Plan, (x) maintain and exercise its Charging Lien or other right to priority payment against distributions under the Plan on account of such Servicer's reasonable fees, expenses, and indemnities owed to such Servicer under the terms of the Unsecured Notes Indenture, (y) prepare, execute, and/or make any documents or other filings evidencing the release of the

Secured Notes Indenture Trustee's Liens in the Collateral (as defined in the Secured Notes Documents) and effectuate the transfer of any Collateral (as defined in the Secured Notes Documents) in each case in accordance with the Secured Notes Documents, and (z) enforce any indemnification obligations in accordance with Article 10.9. For the avoidance of doubt, reasonable fees and expenses owed to any Servicer for any distributions made to Holders of Class 3-A Claims shall remain subject to any Charging Lien maintained by any Servicer under the Unsecured Notes Documents. On and after the Effective Date, all duties and responsibilities of the DIP Agent under the DIP Facility, the Unsecured Notes Indenture Trustee under the Unsecured Notes Documents, and the Secured Notes Indenture Trustee under the Secured Notes Documents shall be discharged and deemed satisfied except to the extent required in order to make distributions to Holders of DIP Claims and Unsecured Noteholders, as applicable, and to otherwise effectuate the Plan. For the avoidance of doubt, nothing contained in the Plan or the Confirmation Order shall in any way limit or affect the standing of the DIP Agent, the Unsecured Notes Indenture Trustee, or the Secured Notes Indenture Trustee to appear and be heard in the Chapter 11 Cases on and after the Effective Date.

7. Issuance of New Securities; Execution of Plan Documents. Except as otherwise provided in the Plan, on or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall issue all Securities, notes, instruments, Certificates, and other documents (including Exit Facility Documents) required to be issued pursuant to the Plan and Exit Facilities.

8. Continued Corporate Existence. As provided in the Plan, including Article 6.9 of the Plan, the Debtors shall continue to exist after the Effective Date as separate entities, the Reorganized Debtors, with all the powers of corporations or other entities under applicable law in the jurisdictions in which the Debtors have been incorporated or formed, as applicable, and pursuant to their certificate of incorporation and bylaws (or in each case, the functional equivalent thereof, as applicable) or other organizational documents in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or in each case, the functional equivalent thereof, as applicable) or other organization documents are amended and restated by the Plan without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date. To the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan without any further notice to or action, order, or approval of the Bankruptcy Court or any other court of competent jurisdiction (other than the requisite filings required under applicable state, provincial, or federal law).

9. Restructuring Transactions.

(a) On or following the Confirmation Date, the Debtors, with the consent of the Plan Sponsor, or Reorganized Debtors, as the case may be, shall take such actions as may be necessary or appropriate to effect the relevant restructuring transactions as set forth in the Plan and the Plan Transaction Documents, and may take other actions on or after the Effective Date. The anticipated post-Effective Date structure of the Reorganized Debtors shall be provided with the Plan Supplement.

(b) Prior to, on, or after the Effective Date, and pursuant to the Plan, the Reorganized Debtors shall enter into the restructuring transactions described herein and in the Disclosure Statement and the Plan Transaction Documents. Subject to the Plan Support Agreement, the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, shall take any actions as may be necessary or appropriate to effect a restructuring of the Debtors' businesses or the overall organization structure of the Reorganized Debtors. The restructuring transactions may include one or more restructurings, conversions, or transfers as may be determined by the Debtors, with the consent of the Plan Sponsor, to be necessary or appropriate. The actions taken by the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, to effect the restructuring transactions may include: (i) the execution, delivery, adoption, and/or amendment of appropriate agreements or other documents of restructuring, conversion, disposition, or transfer containing terms that are consistent with the terms of the Plan, the Disclosure Statement, the Plan Transaction Documents, and any ancillary documents and that satisfy the applicable requirements of applicable state law and any other terms to which the applicable parties may agree; (ii) the execution, delivery, adoption, and/or amendment of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan, the Disclosure Statement, the Plan Transaction Documents, and any ancillary documents and having other terms for which the applicable parties may agree; (iii) the filing of appropriate certificates or articles of incorporation, reincorporation, or conversion (or, in each case, the functional equivalent thereof) pursuant to applicable state law, including but not limited to an amended certificate of incorporation and by-laws (or, in each case, the functional equivalent thereof, as applicable); and (iv) all other actions that the Debtors or the Reorganized Debtors, with the consent of the Plan Sponsor, as applicable, determine to be necessary, desirable, or appropriate to implement, effectuate, and consummate the Plan or the restructuring transactions contemplated hereby, including making filings or recordings that may be required by applicable state law in connection with the restructuring transactions.

10. Directors and Officers of the Reorganized Debtors. On the Effective Date, the term of the current members of the board of directors of Optima shall expire, and the New Board, as determined by the Plan Sponsor, shall be appointed. On the Effective Date, the term of the current members of the boards of directors of the Subsidiary Debtors shall expire, and the New Subsidiary Debtor Boards as selected by the Plan Sponsor, shall be appointed. On and after the Effective Date, each director or officer of the Reorganized Debtors shall serve pursuant to the terms of the New Corporate Governance Documents and applicable state corporation law or alternative comparable law, as applicable.

11. Corporate Action. Each of the matters provided for under the Plan involving the corporate structure of the Debtors or the Reorganized Debtors or corporate action to be taken by or required of the Debtors or the Reorganized Debtors shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized, approved, and to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors, or directors of the Debtors or the Reorganized Debtors. Such actions may include (a) the adoption and filing of the New Corporate Governance Documents, if any, (b) the appointment of the New Board and the New Subsidiary Debtor Boards, (c) the Reinstatement of Existing Optima Common Stock, and (d) entry into the Exit Facilities.

12. Effectuating Documents; Further Transactions. On and after the Effective Date, the Reorganized Debtors, and the officers thereof and members of the New Board and the New Subsidiary Debtor Boards, shall be authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, or to otherwise comply with applicable law, in the name of and on behalf of the Reorganized Debtors, without the need for any approvals, authorizations, or consents except for those expressly required pursuant to the Plan.

13. Employment, Retirement, and Other Agreements and Employee Compensation Plans.

(a) Employment Agreements. The Debtors (with the consent of the Plan Sponsor) may assume or reject employment, severance (change in control), retirement, indemnification or other agreements with their pre-Effective Date directors, officers, managing members and employees in accordance with the provisions of Article VII of the Plan. The Reorganized Debtors may enter into new employment arrangements and/or change in control agreements with the Debtors' officers who continue to be employed after the Effective Date. On the Effective Date, the Reorganized Debtors may (with the consent of the Plan Sponsor) adopt, approve, and authorize new employment arrangements and/or change in control agreements with respect to such officers of the Reorganized Debtors without further action, order, or approval of the New Board or the New Subsidiary Debtor Boards.

(b) Other Incentive Plans and Employee Benefits. Unless otherwise specified in the Plan, and except in connection and not inconsistent with Article 6.13(a) of the Plan, on and after the Effective Date, the Reorganized Debtors shall have the sole discretion to (i) amend, adopt, assume, and/or honor, in the ordinary course of business or as otherwise provided herein, any contracts, agreements, policies, programs, and plans for, among other things, compensation, pursuant to the terms thereof or hereof, including any incentive plan, 401(k) plan, health care benefits, disability benefits, deferred compensation benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation benefits, life insurance, and accidental death and dismemberment insurance for the directors, officers and employees of the Debtors who served in such capacity from and after the Petition Date, and (ii) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising prior to the Petition Date.

Notwithstanding the foregoing or anything in the Plan to the contrary, on the Effective Date, subject to the Reorganized Debtors' rights, if any, under applicable non-bankruptcy law, unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtors shall assume the Debtors' obligations under the Multi-Employer Plan, the Single Employer Plan and the Niagara LaSalle Corporation Supplemental Executive Retirement Plan, and shall honor and perform all obligations thereunder in the ordinary course of business.

On the Effective Date, Niagara LaSalle Corporation shall assume and continue the Single Employer Plan and shall pay in cash any aggregate unpaid (i) minimum required funding contributions under 29 U.S.C. §§ 412 and 430 and 29 U.S.C. §§ 1082 and 1083 and (ii)

delinquent PBGC premiums under 29 U.S.C. §§ 1306 and 1307, in each case with interest, for the Single Employer Plan under ERISA or the Internal Revenue Code.

No provision contained in the Disclosure Statement, the Plan, the Order confirming the Plan, or section 1141 of the Bankruptcy Code, shall be construed as discharging, releasing, or relieving any party, in any capacity, from any liability with respect to the Mult-Employer Plan or the Single Employer Plan under any law, government policy, or regulatory provision. PBGC, the Multi-Employer Plan and the Single Employer Plan shall not be enjoined or precluded from enforcing such liability against any party as a result of the Plan's provisions for satisfaction, release, and discharge of claims.

14. Preservation of Causes of Action. In accordance with section 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtors shall retain and may (but are not required to) enforce all rights to commence and pursue any and all Causes of Action that are not released pursuant to Articles 10.4 and 10.6 of the Plan or an order of the Bankruptcy Court, whether arising before or after the Petition Date, including but not limited to any actions or categories of actions specifically enumerated in a list of retained Causes of Action contained in the Plan Supplement, and such Causes of Action shall vest in the Reorganized Debtors as of the Effective Date. The Reorganized Debtors, in their sole and absolute discretion, shall determine whether to bring, settle, release, compromise, or enforce such Causes of Action (or decline to do any of the foregoing), and shall not be required to seek further approval of the Bankruptcy Court for such action. The Reorganized Debtors or any successors may pursue such litigation claims in accordance with the best interests of the Reorganized Debtors or any successor holding such rights of action. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against them. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise provided in the Plan.** Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or an order of the Bankruptcy Court, the Reorganized Debtors expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of Confirmation or consummation of the Plan; provided, however, that all Avoidance Actions shall be waived and released as of the Effective Date.

15. Reservation of Rights. With respect to any Avoidance Actions that the Debtors release in accordance with Article 6.14 of the Plan, the Debtors and the Reorganized Debtors, as applicable, reserve all rights, including the right under section 502(d) of the Bankruptcy Code, with the consent of the Plan Sponsor, to use defensively (by recoupment or otherwise) the released avoidance cause of action (and facts giving rise to such action) as a basis to object to all or any part of a Claim against any Estates asserted by a creditor which remains in possession of, or otherwise obtains the benefit of, the avoidable transfer; provided, however, that this reservation of rights does not extend to, and no objection to any Claim may be based upon, the holder of any such Claims having received a potentially avoidable preferential transfer under section 547 of the Bankruptcy Code, or being potentially liable on any Avoidance Action to the

extent a transferee who is liable under such Avoidance Action would retain an Allowed Claim against the Debtors' Estates for the amount avoided or recovered.

16. Exemption from Certain Transfer Taxes and Recording Fees. Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment to the fullest extent contemplated by section 1146(a) of the Bankruptcy Code, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

17. Insured Claims. Notwithstanding anything to the contrary contained herein, to the extent the Debtors have insurance with respect to any Allowed General Unsecured Claim, the Holder of such Allowed Claim shall (a) be paid any amount from the proceeds of insurance to the extent that the Claim is insured, and (b) receive the treatment provided for in the Plan for Allowed General Unsecured Claims to the extent the applicable insurance policy does not provide coverage with respect to any portion of the Claim.

F. Unexpired Leases and Executory Contracts

1. Rejection of Executory Contracts and Unexpired Leases.

(a) Rejection. Except as otherwise provided herein, each Executory Contract and Unexpired Lease listed on the Schedule of Rejected Executory Contracts and Unexpired Leases shall be deemed automatically rejected pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. Counterparties to Executory Contracts or Unexpired Leases that are deemed rejected as of the Effective Date shall have the right to assert any Claim on account of the rejection of such Executory Contracts or Unexpired Leases subject to compliance with the requirements herein.

(b) Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases. Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of pre-existing obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any non-bankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or the Reorganized Debtors, as applicable, from counterparties to rejected or repudiated Executory Contracts.

(c) Claims Procedures Related to Rejection of Executory Contracts or Unexpired Leases. Unless otherwise provided by a Bankruptcy Court order, any proofs of Claim asserting Claims arising from the rejection of the Executory Contracts and Unexpired Leases pursuant to the Plan or otherwise must be filed with the Claims Agent no later than 30 days after

the later of the Effective Date or the effective date of rejection. Any proofs of Claim arising from the rejection of the Executory Contracts or Unexpired Leases that are not timely filed shall be disallowed automatically and forever barred, estopped, and enjoined from assertion and shall not be enforceable against the Debtors or the Reorganized Debtors, without the need for any objection by the Reorganized Debtors or any further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Executory Contracts and Unexpired Leases shall be classified as General Unsecured Claims.

(d) Reservation of Rights. Notwithstanding anything to the contrary herein, prior to the Effective Date, the Debtors, with the consent of the Plan Sponsor, may amend their decision with respect to the rejection of any Executory Contract or Unexpired Lease.

2. Assumption of Executory Contracts and Unexpired Leases.

(a) Automatic Assumption. Except as otherwise provided herein, each Executory Contract and Unexpired Lease not listed on the Schedule of Rejected Executory Contracts and Unexpired Leases shall automatically be assumed, or assumed and assigned, as applicable, and shall vest in and be fully enforceable by the Reorganized Debtors or its assignee in accordance with its terms, except as modified by the provisions of the Plan or any order of the Bankruptcy Court authorizing or providing for its assumption or applicable federal law.

The Confirmation Order will constitute an order of the Bankruptcy Court approving such assumptions pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. To the extent any provision in any Executory Contract or Unexpired Lease assumed pursuant to the Plan (including any "change of control" provision) restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the Reorganized Debtors' assumption of such Executory Contract or Unexpired Lease, then such provision shall be deemed modified such that the transactions contemplated by the Plan will not entitle the non-Debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto. Each Executory Contract and Unexpired Lease assumed pursuant to the Plan will revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable law.

(b) Modifications, Amendments, Supplements, Restatements, or Other Agreements. Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated pursuant hereunder.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11 Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

(c) Proofs of Claim Based on Executory Contracts or Unexpired Leases that Have Been Assumed. Any and all proofs of Claims based upon Executory Contracts or Unexpired Leases that have been assumed in the Chapter 11 Cases, including hereunder, except proofs of Claims asserting Cure amounts, pursuant to the order approving such assumption, including the Confirmation Order, shall be deemed disallowed and expunged from the claims register as of the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court.

(d) Cure Procedures and Payments Related to Assumption of Executory Contracts and Unexpired Leases. With respect to each of the Executory Contracts or Unexpired Leases assumed hereunder, the Debtors shall designate a proposed Cure, with the consent of the Plan Sponsor, and the assumption of such Executory Contract or Unexpired Lease shall be conditioned upon the disposition of all issues with respect to Cure. Except as otherwise set forth in the Plan Supplement, the Cure amount with respect to each of the Executory Contracts or Unexpired Leases assumed hereunder is designated by the Debtors as zero dollars ($0), subject to the determination of a different Cure amount pursuant to the procedures set forth herein and in the Cure Notices. Except with respect to Executory Contracts and Unexpired Leases for which the Cure is $0, the Cure shall be satisfied by the Reorganized Debtors or their assignee, if any, by payment of the Cure in Cash within 30 days following the occurrence of the Effective Date or as soon as reasonably practicable thereafter, or on such other terms as may be ordered by the Bankruptcy Court or agreed upon by the parties to the applicable Executory Contract or Unexpired Lease without any further notice to or action, order, or approval of the Bankruptcy Court.

Any provisions or terms of the Executory Contracts or Unexpired Leases to be assumed pursuant to the Plan that are, or may be, alleged to be in default, shall be satisfied solely by Cure, or by an agreed-upon waiver of Cure. If there is a dispute regarding such Cure, the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" within the meaning of section 365 of the Bankruptcy Code, or any other matter pertaining to assumption, then payment of Cure shall occur as soon as reasonably practicable after entry of a Final Order resolving such dispute, approving such assumption (and, if applicable, assignment), or as may be agreed upon by the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, and the counterparty to the Executory Contract or Unexpired Lease. The Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, reserve the right either to reject or nullify the assumption of any Executory Contract or Unexpired Lease after a Final Order determining the Cure or any request for adequate assurance of future performance required to assume such Executory Contract or Unexpired Lease is made.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Cures, Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in

control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption.

(e) Cure Notices. No later than 14 days before the Confirmation Hearing, the Debtors shall serve upon counterparties to such Executory Contracts and Unexpired Leases a Cure Notice, which shall be in form and substance acceptable to the Plan Sponsor, that will (i) notify the counterparty of the proposed assumption, (ii) list the applicable Cure, if any, (iii) describe the procedures for filing objections to the proposed assumption or assumption and assignment of the applicable Executory Contract or Unexpired Lease, (iv) describe the procedures for filing objections to the proposed Cure of the applicable Executory Contract or Unexpired Lease, and (v) explain the process by which related disputes will be resolved by the Bankruptcy Court. If no objection is timely received, (x) the non-Debtor party to the Assumed Contract shall be deemed to have consented to the assumption of the applicable Executory Contract or Unexpired Lease and shall be forever barred from asserting any objection with regard to such assumption, and (y) the proposed Cure shall be controlling, notwithstanding anything to the contrary in any applicable Executory Contract or Unexpired Lease or other document as of the date of the filing of the Plan, and the non-Debtor party to an applicable Executory Contract or Unexpired Lease shall be deemed to have consented to the Cure amount and shall be forever barred from asserting, collecting, or seeking to collect any additional amounts relating thereto against the Debtors or the Reorganized Debtors, or the property of any of them. For the avoidance of doubt, all proposed Cures shall be acceptable to the Plan Sponsor.

(f) Cure Objections. If a proper and timely objection to the Cure Notice or proposed Cure was filed by the Cure Objection Deadline, the Cure shall be equal to (i) the amount agreed to between the Debtors, with the consent of the Plan Sponsor, or Reorganized Debtors, as applicable, and the applicable counterparty, or, (ii) to the extent the Debtors or Reorganized Debtors and counterparty do not reach an agreement regarding any Cure or any other matter related to assumption, the Bankruptcy Court shall determine the Allowed amount of such Cure and any related issues. Objections, if any, to the proposed assumption and/or Cure must be in writing, filed with the Bankruptcy Court and served in hard-copy form on the parties identified in the Cure Notice so that they are actually received by the Cure Objection Deadline.

(g) Hearing with Respect to Objections. If an objection to the proposed assumption and/or to the Cure is timely filed and received in accordance with the procedures set forth in Article 7.2(f) of the Plan, and the parties do not reach a consensual resolution of such objection, a hearing with respect to such objection shall be held at such time scheduled by the Bankruptcy Court or the Debtors or Reorganized Debtors. Objections to the proposed Cure or assumption of an Executory Contract or Unexpired Lease will not be treated as objections to Confirmation of the Plan.

(h) Reservation of Rights. Notwithstanding anything to the contrary herein, prior to the Effective Date, the Debtors, with the consent of the Plan Sponsor, may amend their decision with respect to the assumption of any Executory Contract or Unexpired Lease and provide a new notice amending the information provided in the applicable notice. In the case of an Executory Contract or Unexpired Lease designated for assumption that is the subject of a Cure Objection which has not been resolved prior to the Effective Date, the Debtors, with the

consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, may designate such Executory Contract or Unexpired Lease for rejection at any time prior to the payment of the Cure.

(i) Collective Bargaining Agreements and Other Employee Benefit and Incentive Plans. Notwithstanding anything in Article 7.1, Article 7.2(h) or any other provision in the Plan to the contrary, as of the Effective Date, the Debtors as Reorganized Debtors shall assume and be deemed to have assumed (i) the Collective Bargaining Agreements, (ii) the Single Employer Plan and the Multi-Employer Plan, and (iii) the Niagara LaSalle Corporation Supplemental Executive Retirement Plan.

3. Insurance Policies.

(a) Notwithstanding anything to the contrary in the Disclosure Statement, the Plan, the Plan Documents, the Plan Supplement, the Confirmation Order, any other document related to any of the foregoing or any other order of the Bankruptcy Court (including any other provision that purports to be preemptory or supervening or grants an injunction or release, including, but not limited to, those set forth in Article IX of the Plan): (i) on the Effective Date, the Reorganized Debtors shall assume all insurance policies, as amended or modified, issued or providing coverage at any time to the Debtors, their Affiliates or predecessors of any of the foregoing and all agreements related thereto, as amended or modified (such policies and agreements, collectively, the "**Insurance Contracts**"); (ii) nothing in the Disclosure Statement, the Plan, the Plan Documents, the Plan Supplement or the Confirmation Order alters, modifies or otherwise amends the terms and conditions of (or the coverage provided by) any of the Insurance Contracts or releases or discharges the security interest and/or liens insurers and third party administrators have on any collateral and/or security, except that as of the Effective Date, the Reorganized Debtors shall become and remain liable for all of the Debtors' obligations and liabilities thereunder regardless of whether such obligations and liabilities arise before or after the Effective Date, provided, however that the Debtors or Reorganized Debtors, as applicable, shall retain the right to challenge any amounts owed under the Insurance Contracts in accordance with their terms, and the rights and obligations under the Insurance Contracts shall remain fully enforceable after the Effective Date of the Plan; (iii) nothing in the Disclosure Statement, the Plan, the Plan Documents, Plan Supplement, the Confirmation Order, any prepetition or administrative claim bar date order (or notice) or claim objection order alters or modifies the duty, if any, that the insurers and/or third party administrators have to pay claims covered by the Insurance Contracts and their right to seek payment or reimbursement from the Debtors (or after the Effective Date, the Reorganized Debtors) or draw on any collateral or security therefor in accordance with the terms of the Insurance Contracts; (iv) insurers and third party administrators shall not need to nor be required to file or serve a Cure Dispute or a request, application, claim, proof of claim or motion for payment and shall not be subject to any Bar Date or similar deadline governing Cure amounts or Claims; (v) the claims of insurers and/or third party administrators (whether arising before or after the Effective Date) under Insurance Contracts shall be paid in full in the ordinary course by the Debtors (or, after the Effective Date, the Reorganized Debtors), whether as an Allowed Administrative Claim or otherwise regardless of when such amounts are or shall become liquidated, due or paid and shall not be released or discharged by the Plan or the Confirmation Order; and (vi) the automatic stay of Bankruptcy Code section 362(a) and the injunctions set

forth in Article 10.10 of the Plan, if and to the extent applicable, shall be deemed lifted without further order of the Bankruptcy Court, solely to permit: (A) claimants with valid claims covered by any of the Insurance Contracts ("**Insured Claims**") to proceed with their claims; (B) insurers and/or third party administrators to administer, handle, defend, settle, and/or pay, in the ordinary course of business and subject to the terms of the Insurance Contracts, without further order of the Bankruptcy Court, (i) all Insured Claims, and (ii) all costs in relation to each of the foregoing; (C) the insurers and/or third party administrators to draw against any or all of any collateral or security provided by or on behalf of the Debtors (or the Reorganized Debtors, as applicable) at any time and to hold the proceeds thereof as security for the obligations of the Debtors (and the Reorganized Debtors, as applicable) to the applicable insurers and/or third party administrators and/or apply such proceeds to the obligations of the Debtors (and the Reorganized Debtors, as applicable) in accordance with the terms of the Insurance Contracts, and (D) the insurers and/or third party administrators to (i) cancel any policies under the Insurance Contracts, and (ii) take other actions relating thereto, to the extent permissible under applicable non-bankruptcy law, each in accordance with the terms of the Insurance Contracts.

(b) The Debtors or the Reorganized Debtors, as the case may be, shall maintain D&O Insurance providing coverage for those indemnitees currently covered by such policies for the remaining term of such policy and may, at the discretion of the Debtors or Reorganized Debtors (and with the approval of the Plan Sponsor), maintain runoff policies or tail coverage under policies in existence as of the Effective Date for a period of six years after the Effective Date, to the fullest extent permitted by such provisions, in each case insuring such parties in respect of any claims, demands, suits, Causes of Action, or proceedings against such indemnitees based upon any act or omission related to such indemnitee's service with, for, or on behalf of the Debtors in at least the scope and amount as currently maintained by the Debtors.

4. Contracts and Leases Entered into After the Petition Date. Contracts and leases entered into after the Petition Date by the Debtors, and any Executory Contracts and Unexpired Leases assumed by the Debtors, may be performed by the Reorganized Debtors in the ordinary course of business and in accordance with the terms thereof.

5. General Reservation of Rights. Neither the exclusion nor inclusion of any contract or lease on the Schedule of Rejected Executory Contracts and Unexpired Leases, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Reorganized Debtors, or any of their Affiliates, has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, shall have 45 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

G. Procedures for Resolving Disputed Claims and Interests

1. Determination of Claims and Interests. Notwithstanding anything to the contrary in the Plan, after the Effective Date, the Reorganized Debtors shall have and retain any and all rights and defenses the Debtors had with respect to any Claim or Interest immediately prior to the Effective Date, including the Causes of Action retained pursuant to Article 6.14 of

the Plan and the reservation of rights pursuant to Article 6.15 of the Plan, except with respect to any Claim or Interest deemed Allowed under the Plan.

Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim or Interest shall become an Allowed Claim or Interest unless and until such Claim or Interest is deemed Allowed or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Cases allowing such Claim or Interest. All settled Claims approved prior to the Effective Date pursuant to a Final Order of the Bankruptcy Court, pursuant to Bankruptcy Rule 9019 or otherwise shall be binding on all parties. For the avoidance of doubt, any Claim determined and liquidated pursuant to (a) an order of the Bankruptcy Court or (b) applicable non-bankruptcy law (which determination has not been stayed, reversed, or amended and as to which determination or any revision, modification, or amendment thereof as to which the time to appeal or seek review or rehearing has expired and no appeal or petition for review or rehearing was filed or, if filed, remains pending) shall be deemed an Allowed Claim in such liquidated amount and satisfied in accordance with the Plan.

Nothing contained in Article 8.1 of the Plan shall constitute or be deemed a waiver of any claim, right, or Cause of Action that the Debtors or the Reorganized Debtors may have against any Entity in connection with or arising out of any Claim, including any rights under section 157(b) of title 28 of the United States Code.

2. Claims Administration Responsibility. Except as otherwise specifically provided for in the Plan, after the Effective Date, the Reorganized Debtors shall retain responsibility for (a) administering, disputing, objecting to, compromising, or otherwise resolving all Claims against, and Interests in, the Debtors, including (i) filing, withdrawing, or litigating to judgment objections to Claims or Interests, (ii) settling or compromising any Disputed Claim without any further notice to or action, order, or approval by the Bankruptcy Court, and (iii) administering and adjusting the claims register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Bankruptcy Court, and (b) making distributions (if any) with respect to all Claims and Interests.

3. Objections to Claims. Unless otherwise extended by the Bankruptcy Court, any objections to Claims (other than Administrative Claims) shall be served and filed on or before the Claims Objection Deadline (or such later date as may be established by the Bankruptcy Court upon request of the Reorganized Debtors without further notice to parties-in-interest). Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Holder of the Claim if the Debtors or the Reorganized Debtors effect service in any of the following manners: (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004, (b) to the extent counsel for a Holder of a Claim or Interest is unknown, by first class mail, postage prepaid, on the signatory on the proof of Claim or other representative identified on the proof of Claim or any attachment thereto (or at the last known addresses of such Holders of Claims if no proof of Claim is filed or if the Debtors have been notified in writing of a change of address), or (c) by first class mail, postage prepaid, on any counsel that has appeared on behalf of the Holder of the Claim in the Chapter 11 Cases and has not withdrawn such appearance.

4. Disallowance of Claims. EXCEPT AS OTHERWISE AGREED, ANY AND ALL PROOFS OF CLAIM OR ADMINISTRATIVE CLAIM FILED AFTER THE APPLICABLE DEADLINE FOR FILING SUCH PROOFS OF CLAIM OR ADMINISTRATIVE CLAIM SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO, OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM IS DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT.

Nothing herein shall in any way alter, impair, or abridge the legal effect of the Bar Date Order, or the rights of the Debtors, the Plan Sponsor, the Reorganized Debtors, the Creditors' Committee before the Effective Date, or other parties-in-interest to object to Claims on the grounds that they are time barred or otherwise subject to disallowance or modification. Nothing in the Plan shall preclude amendments to timely filed proofs of Claim to the extent permitted by applicable law.

5. Estimation of Claims. Before or after the Effective Date, the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate a Disputed Claim pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Disputed Claim, including during the litigation of any objection to any Disputed Claim or during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions), without prejudice to the Holder of such Claim's right to request that estimation should be for the purpose of determining the Allowed amount of such Claim, and the Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. All estimation procedures set forth in the Plan shall be applied in accordance with section 502(c) of the Bankruptcy Code. Disputed Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Plan or the Bankruptcy Court.

All Claims of any Entity from which property is sought by the Debtors under section 542, 543, 550, or 553 of the Bankruptcy Code or that the Debtors or the Reorganized Debtors allege is a transferee of a transfer that is avoidable under section 522(f), 522(h), 544, 545, 548, 549, or 724(a) of the Bankruptcy Code shall be disallowed if (a) the Entity, on the one hand, and the Debtors or the Reorganized Debtors, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turn over any property or monies under any of the aforementioned sections of the Bankruptcy Code and (b) such Entity or transferee has failed to turn over such property by the date set forth in such agreement or Final Order; provided, however, that the foregoing does not extend to, and no objection to any Claim may be based upon, the holder of any such Claims having received a

potentially avoidable preferential transfer under section 547 of the Bankruptcy Code, or being potentially liable on any Avoidance Action to the extent a transferee who is liable under such Avoidance Action would retain an Allowed Claim against the Debtors' Estates for the amount avoided or recovered.

6. No Interest on Disputed Claims. Except to the extent specifically provided for in the Plan or as otherwise required by section 506(b) of the Bankruptcy Code, postpetition interest shall not accrue or be paid on Claims or Interests, and no Holder of a Claim or Interest shall be entitled to interest accruing on or after the Petition Date on any Claim or Interest. Additionally, and without limiting the foregoing, unless otherwise specifically provided for in the Plan or as otherwise required by section 506(b) of the Bankruptcy Code, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final distribution is made, when and if such Disputed Claim becomes an Allowed Claim.

7. Amendments to Claims. On or after the Effective Date, except as otherwise provided herein, a Claim may not be filed or amended without the authorization of the Bankruptcy Court or the Reorganized Debtors, and, to the extent such authorization is not received, any such new or amended Claim filed shall be deemed Disallowed in full and expunged without any further notice to or action, order, or approval of the Bankruptcy Court.

H. Provisions Governing Distributions

1. Time of Distributions. Except as otherwise provided for herein or ordered by the Bankruptcy Court, distributions under the Plan shall be made on the later of (a) Initial Distribution Date or (b) on the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Claim is Allowed or (ii) 30 days after the date when a Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Claim; provided, however, that the Reorganized Debtors may, in their sole discretion, make one-time distributions on a date that is not a Periodic Distribution Date; provided, further, that the timing of distributions made on account of the DIP New Money Loan Claims and the DIP Replacement Loan Claims shall be as set forth in Article 2.2 and Article 13.3 of the Plan.

2. Currency. Except as otherwise Provided in the Plan or Bankruptcy Court order, as of the Effective Date, any Claim asserted in currency other than U.S. dollars shall be automatically deemed converted to the equivalent U.S. dollar value using the exchange rate as of Effective Date at 4:00 p.m. prevailing Eastern Time, mid-range spot rate of exchange for the applicable currency as published in the next *The Wall Street Journal, National Edition* following the Effective Date.

3. Distribution Agent. Except as otherwise provided herein, all distributions under the Plan shall be made by the Reorganized Debtors as Distribution Agent, or by such other Entity designated by the Reorganized Debtors as a Distribution Agent on or after the Effective Date. The Distribution Agent shall not be required to give any bond or surety or other security for the performance of the Reorganized Debtors' duties as Distribution Agent unless otherwise ordered by the Bankruptcy Court. The Distribution Agent shall be empowered

to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof. If the Distribution Agent is an entity other than the Reorganized Debtors, such entity shall be paid its reasonable fees and expenses, including the reasonable fees and expenses of its attorneys or other professionals.

4. Distribution on Account of Claims Administered by Servicers; Delivery of Distributions to Servicers. In the case of Holders of Claims whose Claims are governed by an agreement and administered by a Servicer, the respective Servicer shall be deemed to be the Holder of such Claims for purposes of distributions to be made hereunder. The Distribution Agent shall make all distributions on account of such Claims to the Servicers or as directed by the Servicers, in the Servicers' sole discretion. Each Servicer shall, at its option, hold or direct such distributions for the beneficial Holders of such Allowed Claims, as applicable; provided, however, the Servicer shall retain all rights under its respective agreement in connection with delivery of distributions to the beneficial Holders of such Allowed Claim, including rights on account of the Charging Lien; and provided further, however, that the Debtors' and the Reorganized Debtors' obligations to make distributions pursuant to the Plan shall be deemed satisfied upon delivery of distributions to each Servicer or the entity or entities designated by the Servicers. The Servicers shall not be required to give any bond, surety, or other security for the performance of their duties with respect to such distributions. For the avoidance of doubt, the Unsecured Notes Indenture Trustee Fees may be satisfied from the Unsecured Notes Indenture Trustee's Charging Lien.

5. Distributions on Account of Claims Allowed After the Effective Date.

(a) No Distributions Pending Allowance. No payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order of the Bankruptcy Court, and the Disputed Claim has become an Allowed Claim; provided, however, that to the extent the holder of a Disputed Claim is also the holder of a separate Allowed Claim that is not a Disputed Claim on the Effective Date, the Debtors shall pay the amount of such Allowed Claim (that is not a Disputed Claim on the Effective Date) in full in Cash on the Initial Distribution Date.

(b) Special Rules for Distributions to Holders of Disputed Claims. Notwithstanding any provision otherwise in the Plan and except as otherwise agreed by the relevant parties, no partial payments and no partial distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order. All distributions made pursuant to the Plan on account of a Disputed Claim that is later deemed an Allowed Claim by the Bankruptcy Court shall be made together with any dividends, payments, or other distributions made on account of, as well as any obligations arising from, the distributed property as if such Allowed Claim had been an Allowed Claim on the dates distributions were previously made to Holders of Allowed Claims included in

the applicable Class; provided, however, that no interest shall be paid on account to such Allowed Claims unless required under applicable bankruptcy law.

6. Delivery of Distributions.

(a) Record Date for Distributions. On the Distribution Record Date, the claims register shall be closed and the Distribution Agent shall be authorized and entitled to recognize only those record Holders listed on the claims register as of the close of business on the Distribution Record Date. Further, the Unsecured Notes Indenture Trustee shall have no obligation to recognize any transfer of any Unsecured Notes Claims occurring after the close of business on the Distribution Record Date and shall instead be entitled to recognize and deal for all purposes under the Plan with only those Holders of record as of the close of business on the Distribution Record Date.

(b) Cash Distributions. Distributions of Cash may be made either by check drawn on a domestic bank or wire transfer from a domestic bank, at the option of the Reorganized Debtors, except that Cash payments made to foreign creditors may be made in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

(c) Address for Distributions. Distributions to Holders of Allowed Claims shall be made by the Distribution Agent or the appropriate Servicer (i) at the addresses set forth on the proofs of Claim filed by such Holders of Claims (or at the last known addresses of such Holders of Claims if no proof of Claim is filed or if the Debtors or the Distribution Agent have been notified in writing of a change of address), (ii) at the addresses set forth in any written notices of address changes delivered to the Distribution Agent after the date of any related proof of Claim, (iii) at the addresses reflected in the Schedules if no proof of Claim has been filed and the Distribution Agent has not received a written notice of a change of address, or (iv) in the case of a Holder of a Claim whose Claim is governed by an agreement and administered by a Servicer, at the addresses contained in the official records of such Servicer. The Debtors, the Reorganized Debtors, and the Distribution Agent shall not incur any liability whatsoever on account of any distributions under the Plan.

(d) Undeliverable Distributions. If any distribution to a Holder of a Claim is returned as undeliverable, no further distributions to such Holder of such Claim shall be made unless and until the Distribution Agent or the appropriate Servicer is notified of then-current address of such Holder of the Claim, at which time all missed distributions shall be made to such Holder of the Claim without interest, dividends, or accruals of any kind on the next Periodic Distribution Date. Amounts in respect of undeliverable distributions shall be returned to the Reorganized Debtors until such distributions are claimed.

(e) Reversion. Any distribution under the Plan that is an Unclaimed Distribution for a period of six months after such distribution shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and such Unclaimed Distribution shall revert to and vest in the Reorganized Debtors free of any restrictions thereon. Upon such vesting, the Claim of any Holder or successor to such Holder with respect to such property shall be cancelled, discharged and forever barred, notwithstanding federal or state escheat, abandoned, or unclaimed property laws to the contrary. The provisions of the Plan regarding undeliverable

distributions and Unclaimed Distributions shall apply with equal force to distributions that are issued by the Reorganized Debtors or the Distribution Agent made pursuant to any indenture or Certificate (but only with respect to the initial distribution by the Servicer to Holders that are entitled to be recognized under the relevant indenture or Certificate and not with respect to Entities to whom those recognized Holders distribute), notwithstanding any provision in such indenture or Certificate to the contrary and notwithstanding any otherwise applicable federal or state escheat, abandoned, or unclaimed property law.

(f) De Minimis Distributions. Notwithstanding any other provision of the Plan to the contrary, the Reorganized Debtors, the Distribution Agent, and any Servicer shall not be required to make a distribution on account of an Allowed Claim if (i) the aggregate amount of all distributions authorized to be made on the Periodic Distribution Date in question is or has a value less than $25,000; provided that the Reorganized Debtors shall make, or cause to be made, a distribution on a Periodic Distribution Date of less than $25,000 if the Reorganized Debtors expect that such Periodic Distribution Date shall be the final Periodic Distribution Date; or (ii) the amount to be distributed to the specific Holder of the Allowed Claim on the particular Periodic Distribution Date does not both (x) constitute a final distribution to such Holder and (y) have a value of at least $50.00.

(g) Fractional Distributions. Notwithstanding any other provision of the Plan to the contrary, the Reorganized Debtors, the Distribution Agent, and any Servicer shall not be required to make partial distributions or distributions or payments of fractions of dollars (except with respect to distributions to Holders of DIP Claims or Unsecured Noteholders). Whenever any payment of Cash of a fraction of a dollar pursuant to the Plan would otherwise be required, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down.

7. Surrender of Securities or Instruments. As soon as practicable after the Effective Date, each DIP Lender and Unsecured Noteholder shall surrender its note(s) to the relevant DIP Agent or Unsecured Notes Indenture Trustee (as applicable), or in the event such Unsecured Note(s) are held in the name of, or by a nominee of, the DTC, the Reorganized Debtors shall seek the cooperation of the DTC to provide appropriate instructions to the Unsecured Notes Indenture Trustee and the Unsecured Noteholder(s), and each Unsecured Noteholder shall be deemed to have surrendered each such Unsecured Note, note, debenture, or other evidence of indebtedness upon surrender of such global security by DTC or such other securities depository or custodian thereof. No distributions under the Plan shall be made for or on behalf of such Holder unless and until such note(s) is received by Unsecured Notes Indenture Trustee or DIP Agent (as applicable), or the loss, theft or destruction of such note(s) is established to the reasonable satisfaction of the Unsecured Notes Indenture Trustee or DIP Agent (as applicable), which satisfaction may require such Holder to submit (a) a lost instrument affidavit and (b) an indemnity bond holding the Debtors, the Reorganized Debtors, and the Unsecured Notes Indenture Trustee or DIP Agent (as applicable), harmless in respect of such note and distributions made thereof. Upon compliance with Article 9.7 of the Plan by a DIP Lender or Unsecured Noteholder, such DIP Lender or Holder shall, for all purposes under the Plan, be deemed to have surrendered such Claim. Any Holder that fails to surrender such DIP Claim or Unsecured Note or satisfactorily explain its non-availability to the DIP Lender or Unsecured Notes Indenture Trustee (as applicable) within one (1) year of the Effective Date shall

be deemed to have no further Claim against the Debtors, the Reorganized Debtors (or their property), the DIP Agent or the Unsecured Notes Indenture Trustee (as applicable) in respect of such Claim and shall not participate in any distribution under the Plan. All property in respect of such forfeited distributions, including interest thereon, shall be promptly returned to the Reorganized Debtors by the DIP Lender or Unsecured Notes Indenture Trustee (as applicable), and any such security shall be cancelled. Notwithstanding the foregoing, if the record Holder of an Unsecured Notes Claim is the DTC or its nominee or such other securities depository or custodian thereof, or if an Unsecured Notes Claim is held in book-entry or electronic form pursuant to a global security held by the DTC or such other securities depository or custodian thereof, then the beneficial Holder of such an Allowed Unsecured Notes Claim shall be deemed to have surrendered such Holder's security, note, debenture or other evidence of indebtedness upon surrender of such global security by the DTC or such other securities depository or custodian thereof.

8. Compliance Matters. In connection with the Plan, to the extent applicable, the Reorganized Debtors and the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, Liens, and encumbrances.

9. Claims Paid or Payable by Third Parties.

(a) Claims Paid by Third Parties. The Claims Agent shall reduce in full a Claim to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not the Debtors or the Reorganized Debtors without any further notice to or action, order, or approval of the Bankruptcy Court. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not the Debtors or the Reorganized Debtors on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution under the Plan to the Reorganized Debtors, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan.

(b) Claims Payable by Insurance Carriers. No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agree to satisfy in full a Claim (if and to the extent adjudicated by a court of competent jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged to

the extent of any agreed upon satisfaction on the claims register by the Claims Agent without a Claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) Applicability of Insurance Policies. Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

10. Setoffs. Except as otherwise expressly provided for in the Plan and except with respect to any DIP Claims, Unsecured Notes Claim, and any distribution on account thereof, the Reorganized Debtors pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim, may set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim, any Claims, rights, and Causes of Action of any nature that the Debtors or the Reorganized Debtors, as applicable, may hold against the Holder of such Allowed Claim, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by the Reorganized Debtors of any such Claims, rights, and Causes of Action that the Reorganized Debtors may possess against such Holder. In no event shall any Holder of Claims be entitled to set off any Claim against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless such Holder has filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 or otherwise.

11. Recoupment. In no event shall any Holder of Claims or Interests be entitled to recoup any Claim or Interest against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless (i) such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date or (ii) such Holder's right to recoupment is preserved by applicable bankruptcy law.

12. Allocation of Plan Distributions Between Principal and Interest. To the extent that any Allowed Claim entitled to a distribution under the Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for federal income tax purposes to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

I. Effect of the Plan on Claims and Interests

1. Vesting of Assets. Except as otherwise explicitly provided in the Plan, on the Effective Date, all property comprising the Estate (including Causes of Action, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall vest in the Reorganized Debtors which, as Debtors, owned such property or interest in property as of the Effective Date, free and clear of all Claims, Liens, charges, encumbrances, rights, and Interests. As of and following the Effective Date, the Reorganized Debtors may operate their business and use, acquire, and dispose of property and settle and compromise Claims, Interests, or Causes of Action without supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by the Plan or the Confirmation Order.

2. Discharge of the Debtors. Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in the Plan or the Confirmation Order, and effective as of the Effective Date: (a) the distributions and rights that are provided in the Plan, if any, and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Causes of Action, whether known or unknown, including any interest accrued on such Claims from and after the Petition Date, against, liabilities of, Liens on, obligations of, and rights against the Debtors or any of their assets or properties (except for the Excluded DIP Obligations), regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims, and rights, including, but not limited to, Claims that arose before the Effective Date and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not (i) a proof of Claim or interest based upon such Claim, debt, or right is filed or deemed filed under section 501 of the Bankruptcy Code, (ii) a Claim based upon such Claim, debt or right is Allowed under section 502 of the Bankruptcy Code, or (iii) the Holder of such a Claim, or right accepted the Plan; (b) the Plan shall bind all Holders of Claims and Interests; (c) all Claims shall be satisfied, discharged, and released in full (except for the Excluded DIP Obligations), and the Debtors' liability with respect thereto shall be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (d) all Entities shall be precluded from asserting against the Debtors, the Estates, the Reorganized Debtors, their successors and assigns, and their assets and properties any other Claims based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date (except for the Excluded DIP Obligations). The Confirmation Order shall be a judicial determination of the discharge of all Claims against the Debtors, subject to the occurrence of the Effective Date.

3. Compromises and Settlements. The Plan is intended to incorporate, pursuant to Bankruptcy Rule 9019(a), a global compromise, settlement and resolution of all Claims against and Interests in the Debtors pursuant to the terms of the Plan, and the agreements reached in the Plan Support Agreement. Pursuant to Bankruptcy Rule 9019(a), the Debtors may compromise and settle various (a) Claims and (b) Causes of Action that the Debtors have against other Entities up to the Effective Date. After the Effective Date, any such right shall pass to the Reorganized Debtors as contemplated in Article 10.1 of the Plan, without the need for further approval of the Bankruptcy Court. Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided

pursuant to the Plan or any distribution to be made on account of an Allowed Claim, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Allowed Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that any such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests, and is fair, equitable, and reasonable.

4. Release by Debtors. Pursuant to section 1123(b) of the Bankruptcy Code, as of the Effective Date, the Debtors and their Estates, and the Reorganized Debtors shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Released Parties from any and all Claims, obligations, rights, suits, damages, Avoidance Actions, remedies, and liabilities whatsoever, including any derivative Claims, asserted or assertable by or on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the DIP Facility, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, the Exit Revolver Facility, the Exit Term Loan Facility, any other Plan Transaction Document, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by final non-appealable order to constitute willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan. For the avoidance of doubt, nothing in this paragraph shall in any way affect the operation of Article 10.2 of the Plan, pursuant to section 1141(d) of the Bankruptcy Code.

5. Release by Holders of Claims and Interests. As of the Effective Date, the Releasing Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Debtors, the Reorganized Debtors, their Estates, and the Released Parties from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted or assertable by or on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the DIP Facility

(except for the Excluded DIP Obligations), the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, the Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, the Exit Revolver Facility, the Exit Term Loan Facility any other Plan Transaction Document, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by final non-appealable order to constitute willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not: (i) release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan; or (ii) release or Impair any Allowed Claim, any Indemnification Obligations owed to any Indemnittee, or any Interest Reinstated under the terms of the Plan.

For the avoidance of doubt, except as expressly provided in the Plan, nothing in Article 10.5 of the Plan shall in any way affect the operation of Article 10.2 of the Plan, pursuant to section 1141(d) of the Bankruptcy Code.

6. General Release of Plan Sponsor by Debtors, the Debtors' Estates and Reorganized Debtors. In consideration for the Plan Sponsor Contribution, and pursuant to Bankruptcy Rule 9019(a) and Article 10.3 of the Plan, upon the occurrence of the Effective Date, (a) the Debtors, (b) the Debtors' estates, (c) the Reorganized Debtors, and (d) with respect to each of the foregoing Entities in subparts (a) through (c), their respective current and former officers, directors, managers, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals (all of the foregoing in their respective capacities as such), shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Plan Sponsor and each of the Plan Sponsor's Affiliates, and each of their respective predecessors, successors and assigns, and current and former direct and indirect stockholders, members, limited partners, general partners, equity holders, principals, partners, managed funds, parents, equity holders, members, employees, agents, officers, directors, managers, trustees, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants (the foregoing including without limitation (x) Mordechai Korf, (y) Gennadiy Bogolyubov, and (z) Igor Kolomoyskyy), from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, owned, held asserted or assertable by or on behalf of the Debtors, the Debtors' Estates or the Reorganized Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that any such Entity would have been legally or equitably entitled to assert (whether individually or collectively) based upon, or in any way relating to, or in any manner arising from, in whole or in part, any act, omission, transaction, agreement, event, or other occurrence taking place on or before the

Effective Date of the Plan. For the avoidance of doubt, the releases provided for by Article 10.6 of the Plan are, and are intended to be, general releases. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

For the avoidance of doubt, except as expressly provided in the plan, nothing in Article 10.6 of the Plan shall in any way affect the operation of Article 10.2 of the Plan, pursuant to section 1141(d) of the Bankruptcy Code.

7. Exculpation and Limitation of Liability. The Exculpated Parties shall neither have nor incur any liability to any Entity for any Exculpated Claim; provided, however, that the foregoing "exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct.

The Exculpated Parties have, and upon Confirmation shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and, therefore, are not and shall not be liable at any time for the violations of any applicable, law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

8. Indemnification Obligations. From and after the Effective Date, the Reorganized Debtors will indemnify each Indemnitee to the same extent of any Indemnification Obligation in effect immediately prior to the Effective Date. The Reorganized Debtors' indemnification obligation shall remain in full force and effect, shall not be modified, reduced, discharged, impaired, or otherwise affected in any way. The treatment of Indemnification Obligations in Article 10.7 of the Plan shall be in complete satisfaction, discharge, and release of any Claim on account of such Indemnification Obligation of the Debtors, except that any Indemnitee may assert a Claim in the Chapter 11 Cases for any prepetition Indemnification Obligation that is not satisfied because of the limitation contained in the prior sentence.

. Notwithstanding the occurrence of the Effective Date or any provision of the Plan to the contrary, the Debtors or the Reorganized Debtors (as applicable) shall pay and reimburse and be liable to the Secured Notes Indenture Trustee and its directors, officers, agents and employees (the "**Indenture Indemnified Parties**") on demand for, and indemnify and hold harmless the Indenture Indemnified Parties from and against all losses, claims, damages, liabilities or expenses in any way, directly or indirectly, arising out of, or related to, or connected with the implementation of the Plan, in each case in accordance with the terms of the in Secured Notes Documents.

10. Injunction. The satisfaction, release, and discharge pursuant to this Article X of the Plan shall act as an injunction, from and after the Effective Date, against any Entity (a) commencing or continuing in any manner or in any place, any action, employment of process, or other proceeding; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting, or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation, or

recoupment of any kind against any debt, liability, or obligation due to the Debtors, except as set forth in Article 9.10 or 9.11 of the Plan, in each case with respect to any Claim or Cause of Action satisfied, released or to be released, exculpated or to be exculpated, or discharged under the Plan or pursuant to the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including to the extent provided for or authorized by sections 524 and 1141 thereof; provided, however, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order; and provided further, however, that nothing contained herein shall preclude the DIP Agent or the DIP Lenders from exercising any appropriate remedies against the Reorganized Debtors in connection with any Excluded DIP Obligations.

11. Subordination Rights.

(a) Except as otherwise provided in the Plan, the allowance, classification and treatment of all Allowed Claims and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. All Claims and all rights and claims between or among Holders of Claims relating in any manner whatsoever to distributions on account of Claims or Interests, based upon any claimed subordination rights, whether asserted or unasserted, legal or equitable, shall be deemed satisfied by the distributions under the Plan to Holders of Claims having such subordination rights, and such subordination rights shall be deemed waived, released, discharged, and terminated as of the Effective Date. Except as otherwise specifically provided for in the Plan, distributions to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment, or like legal process by any Holder of a Claim by reason of any subordination rights or otherwise, so that each Holder of a Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan.

(b) Except as otherwise provided in the Plan, the right of the Debtors or the Reorganized Debtors to seek subordination of any Claim pursuant to section 510 of the Bankruptcy Code is fully reserved, and the treatment afforded any Claim or Interest that becomes a subordinated Claim or Interest at any time shall be modified to reflect such subordination. Unless the Plan or the Confirmation Order otherwise provide, no distributions shall be made on account of a Claim subordinated pursuant to Article 10.9(b) of the Plan unless ordered by the Bankruptcy Court.

12. Protection Against Discriminatory Treatment. Consistent with section 525 of the Bankruptcy Code and paragraph 2 of Article VI of the United States Constitution, no Governmental Unit shall discriminate against the Reorganized Debtors or deny, revoke, suspend, or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, discriminate with respect to such a grant against, the Reorganized Debtors, or another entity with whom the Reorganized Debtors have been associated, solely because the Debtors have been debtors under chapter 11, have been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before the Debtors are granted or denied a discharge), or have not paid a debt that is dischargeable in the Chapter 11 Cases.

13. Release of Liens. Except as otherwise provided in the Plan, including Article 4.2 of the Plan, or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns. Notwithstanding the above, nothing in the Plan or the Confirmation Order shall release any deed restriction, easements, or institutional control that runs with the land under environmental law.

14. Reimbursement or Contribution. If the Bankruptcy Court disallows a Claim for reimbursement or contribution of an entity pursuant to section 502(e)(1)(B) of the Bankruptcy Code, then to the extent that such Claim is contingent as of the Effective Date, such Claim shall be forever Disallowed notwithstanding section 502(j) of the Bankruptcy Code, unless prior to the Effective Date (1) such Claim has been adjudicated as noncontingent or (2) the relevant Holder of a Claim has filed a noncontingent proof of Claim on account of such Claim and a Final Order has been entered determining such Claim as no longer contingent.

J. Conditions Precedent

1. Conditions to the Effective Date of the Plan. The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Article 11.2 of the Plan, and each of which must be acceptable to the Plan Sponsor:

(a) the Plan and Plan Transaction Documents shall be in a form and substance consistent in all material respects with the Plan Support Agreement;

(b) the Bankruptcy Court shall have entered the Disclosure Statement Order, and such order shall be a Final Order;

(c) the Bankruptcy Court shall have entered the Confirmation Order in form and substance consistent in all material respects with the Plan Support Agreement, and such order shall be a Final Order;

(d) the Bankruptcy Court shall have entered the Plan Support Agreement Approval Order and the Plan Support Agreement shall not have been terminated by any of the parties thereto, and no defaults or termination events thereunder shall exist;

(e) Optima (i) shall have obtained the Exit Facilities, (ii) shall have executed and delivered the documentation governing the Exit Facilities, which Exit Facilities shall close substantially contemporaneously with the Effective Date, and (iii) all conditions to effectiveness of the Exit Facilities (other than any required receipt of the Plan Sponsor Contribution) shall have been satisfied or waived (or will be satisfied and waived substantially concurrently with the occurrence of the Effective Date);

(f) the New Corporate Governance Documents shall have been adopted and (where required by applicable law) filed with the applicable authorities of the

relevant jurisdictions of organization and shall have become effective in accordance with such jurisdiction's corporation, limited liability company, or alternative comparable laws, as applicable;

(g) all authorizations, consents, certifications, approvals, rulings, no action letters, opinions or other documents or actions required by any law, regulation or order to be received or to occur in order to implement the Plan on the Effective Date shall have been obtained or shall have occurred unless failure to do so will not have a material adverse effect on the Reorganized Debtors;

(h) all statutory fees and obligations then due and payable to the Office of the United States Trustee shall have been paid and satisfied in full; and

(i) the Plan Sponsor will have demonstrated, in a manner reasonably satisfactory to the Debtors, the availability of the Plan Sponsor Contribution in accordance with the terms of the Plan Support Agreement and the Plan.

2. Waiver of Conditions Precedent. The conditions set forth in Article 11.1 of the Plan, except for conditions "(e)" and "(i)", may be waived, in whole or in part, by the Debtors and the Plan Sponsor, each with the consent of the other, in their sole discretion, without any notice to any other parties-in-interest or the Bankruptcy Court and without a hearing.

3. Notice of Effective Date. The Reorganized Debtors shall file with the Bankruptcy Court a notice of the occurrence of the Effective Date within a reasonable period of time after the conditions in Article 11.1 of the Plan have been satisfied or waived pursuant to Article 11.2 of the Plan.

4. Effect of Non-Occurrence of Conditions to Consummation. If prior to consummation of the Plan, the Confirmation Order is vacated pursuant to a Final Order, then except as provided in any order of the Bankruptcy Court vacating the Confirmation Order, the Plan will be null and void in all respects, and nothing contained in the Plan or Disclosure Statement shall (a) constitute a waiver or release of any Claims, Interests, or Causes of Action, (b) prejudice in any manner the rights of the Debtors or any other Entity, or (c) constitute an admission, acknowledgment, offer, or undertaking of any sort by the Debtors or any other Entity.

K. Retention of Jurisdiction

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall have jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and the Plan, including jurisdiction to:

(a) resolve any matters related to Executory Contracts and Unexpired Leases, including: (i) the assumption, assumption and assignment, or rejection of Executory Contracts or Unexpired Leases to which the Debtors are a party or with respect to which the Debtors may be liable, and to hear and determine the allowance of Claims resulting therefrom including the amount of Cure, if any, required to be paid; (ii) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (iii) the Reorganized

Debtors' amendment, modification, or supplement after the Effective Date, pursuant to Article VII of the Plan, of the lists of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (iv) any dispute regarding whether a contract or lease is or was executory or expired;

(b) adjudicate any and all adversary proceedings, applications, and contested matters that may be commenced or maintained pursuant to the Chapter 11 Cases, the Plan, or that were the subject of proceedings before the Bankruptcy Court, prior to the Effective Date, proceedings to adjudicate the allowance of Disputed Claims and Disputed Interests, and all controversies and issues arising from or relating to any of the foregoing;

(c) ensure that distributions to Holders of Allowed Claims are accomplished as provided herein and adjudicate any and all disputes arising from or relating to distributions under the Plan;

(d) allow in whole or in part, disallow in whole or in part, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including hearing and determining any and all objections to the allowance or estimation of Claims or Interests filed, both before and after the Confirmation Date, including any objections to the classification of any Claim or Interest, and the resolution of request for payment of any Administrative Claim;

(e) hear and determine or resolve any and all matters related to Causes of Action;

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

(g) issue and implement orders in aid of execution, implementation, or consummation of the Plan;

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

(i) hear and determine all applications for allowance of compensation and reimbursement of Professional Claims under the Plan or under sections 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code;

(j) determine requests for the payment of Claims entitled to priority under section 507(a)(1) of the Bankruptcy Code, including compensation and reimbursement of expenses of parties entitled thereto;

(k) adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

(l) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of the Plan or the Confirmation Order, including

disputes arising under agreements, documents, or instruments executed in connection with the Plan and disputes arising in connection with any Entity's obligations incurred in connection with the Plan;

(m) hear and determine all suits or adversary proceedings to recover assets of the Debtors and property of their Estates, wherever located;

(n) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(o) resolve any matters relating to pre- or post-confirmation sales of the Debtors' assets;

(p) grant any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code;

(q) hear any other matter not inconsistent with the Bankruptcy Code;

(r) hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge;

(s) enter a Final Decree closing the Chapter 11 Cases;

(t) enforce all orders previously entered by the Bankruptcy Court;

(u) hear and determine all matters relating to any Section 510(b) Claim; and

(v) hear and determine all matters arising in connection with the interpretation, implementation, or enforcement of the Backstop Commitment Letter.

From the Confirmation Date through the Effective Date, the Bankruptcy Court shall retain jurisdiction with respect to each of the foregoing items and all other matters that were subject to its jurisdiction prior to the Confirmation Date; provided, however, that the Bankruptcy Court shall not have nor retain exclusive jurisdiction over any post-Effective Date agreement, including but not limited to any of the Exit Facility Documents. Nothing contained herein shall be construed to increase, decrease or otherwise modify the independence, sovereignty or jurisdiction of the Bankruptcy Court.

L. Miscellaneous Provisions

1. Binding Effect. Upon the Effective Date, the Plan shall be binding upon and inure to the benefit of the Debtors, the Reorganized Debtors, all current and former Holders of Claims, all current and former Holders of Interests, and all other parties-in-interest and their respective heirs, successors, and assigns.

2. Payment of Statutory Fees. All fees payable pursuant to section 1930 of title 28 of the United States Code, as of the entry of the Confirmation Order as determined by the

Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date. The Reorganized Debtors shall continue to pay fees pursuant to section 1930 of title 28 of the United States Code until the Chapter 11 Cases are closed by entry of the Final Decree. Furthermore, following entry of the Confirmation Order, the Reorganized Debtors shall continue to file quarterly reports in compliance with Bankruptcy Rule 2015(a)(5); however, such reports shall not purport to be prepared in accordance with GAAP, may not be construed as reports filed under the Securities Exchange Act, and may not be relied upon by any party for any purpose except as set forth in Bankruptcy Rule 2015(a)(5).

3. Payment of Certain Additional Fees and Expenses. Notwithstanding any provision in the Plan to the contrary, on the Effective Date, all unpaid fees and expenses of the DIP Agent and the DIP Professionals, including the reasonably estimated fees and expenses to be incurred through the Effective Date, shall be paid in full in Cash by the Debtors or Reorganized Debtors (as applicable); provided, that following the Effective Date, any such amounts paid to the DIP Agent and the DIP Professionals in excess of such fees and expenses actually and reasonably incurred through the Effective Date shall be returned to the Reorganized Debtors. In addition, to the extent the DIP Agent or DIP Lenders incurs any costs, fees or expenses related to the period after the Effective Date in connection with distributions made pursuant to the Plan or to otherwise effectuate the Plan, such costs, fees and expenses reasonably incurred shall be promptly paid in full in cash by the Debtors or Reorganized Debtors (as applicable). On or as soon as practicable following the Effective Date, the Reorganized Debtors shall reimburse and pay to the Plan Sponsor all reasonable and documented legal professional fees and expenses incurred by the Plan Sponsor in connection with the Chapter 11 Cases.

4. Payment of Fees and Expenses of the Unsecured Notes Indenture Trustee. Notwithstanding any provision in the Plan to the contrary, the Debtors or Reorganized Debtors (as applicable) shall promptly pay in full in Cash any outstanding reasonable and documented Unsecured Notes Indenture Trustee Fees incurred by the Unsecured Notes Indenture Trustee without the need for such parties to file fee applications with the Bankruptcy Court; provided, however, that, to receive payment on the Effective Date, the Unsecured Notes Indenture Trustee and their respective counsel shall provide the Debtors and the Plan Sponsor with the invoices, as applicable, for which it seeks payment within ten (10) Business Days prior to the Effective Date; provided, further, that if the Debtors and the Plan Sponsor, as applicable, have previously agreed to or have no objection to such reasonable fees, such reasonable fees shall be paid on or as soon as practicable after the Effective Date. To the extent that the Debtors and/or the Plan Sponsor, as applicable, object in writing prior to the expiration of the ten (10) Business Day payment period to any of the Unsecured Notes Indenture Trustee Fees not previously agreed to, the Debtors shall not be required to pay any disputed portion of such amounts until a resolution of such objection is agreed to by the Debtors and/or the Plan Sponsor, as applicable, or a further order of the Bankruptcy Court upon a motion by the Unsecured Notes Indenture Trustee. Nothing herein shall be deemed to impair, waive, discharge, or negatively impact the Charging Lien of the Unsecured Notes Indenture Trustee. The Debtors and Reorganized Debtors shall have no obligation to pay Unsecured Notes Indenture Trustee Fees that may be incurred after the Effective Date.

. Notwithstanding any provision in the Plan to the contrary, the Debtors or Reorganized Debtors (as applicable) shall promptly pay in full in Cash any outstanding

reasonable and documented Secured Notes Indenture Trustee Fees incurred by the Secured Notes Indenture Trustee without the need for such parties to file fee applications with the Bankruptcy Court; provided, however, that, to receive payment on the Effective Date, the Secured Notes Indenture Trustee and their respective counsel shall provide the Debtors and the Plan Sponsor with the invoices, as applicable, for which it seeks payment within ten (10) Business Days prior to the Effective Date; provided, further, that if the Debtors and the Plan Sponsor, as applicable, have previously agreed to or have no objection to such reasonable fees, such reasonable fees shall be paid on or as soon as practicable after the Effective Date. To the extent that the Debtors and/or the Plan Sponsor, as applicable, object in writing prior to the expiration of the ten (10) Business Day payment period to any of the Secured Notes Indenture Trustee Fees not previously agreed to, the Debtors shall not be required to pay any disputed portion of such amounts until a resolution of such objection is agreed to by the Debtors and/or the Plan Sponsor, as applicable, or a further order of the Bankruptcy Court upon a motion by the Secured Notes Indenture Trustee.

6. Modification and Amendments. Subject to the terms and conditions of the Plan Support Agreement, the Debtors, with consent of the Plan Sponsor, may alter, amend, or modify the Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Confirmation Date and prior to substantial consummation of the Plan as defined in section 1101(2) of the Bankruptcy Code, the Debtors may, with the consent of the Plan Sponsor, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of the Plan.

7. Confirmation of the Plan. The Debtors request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Debtors reserve the right to amend the Plan to any extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

8. Additional Documents. On or before the Effective Date, in each case subject to the terms of the Plan Support Agreement, the Debtors may file with the Bankruptcy Court such agreements or other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or the Reorganized Debtors, as applicable, and Holders of Claims receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provision and intent of the Plan.

9. Dissolution of Creditors' Committee. Effective on the Effective Date, the Creditors' Committee shall dissolve automatically, whereupon their members, professionals, and agents shall be released from any further duties, responsibilities, and liabilities in the Chapter 11 Cases and under the Bankruptcy Code, provided that obligations arising under confidentiality agreements, joint interest agreements, and protective orders entered during the Chapter 11 Cases shall remain in full force and effect according to their terms. The Creditors' Committee may make applications for Professional Claims. The Professionals retained by the Creditors' Committee and jointly by the Creditors' Committee and the Debtors and the respective members

of the Creditors' Committee shall not be entitled to compensation and reimbursement of expenses for services rendered after the Effective Date, provided, however, notwithstanding the foregoing, the Professionals retained by the Creditors' Committee shall be entitled to submit invoices for compensation and reimbursement of expenses for time spent with respect to applications for the allowance of compensation and reimbursement of expenses filed after the Effective Date, and have such allowed amounts paid from the Holdback Escrow Account.

10. Revocation, Withdrawal, or Non-Consummation.

(a) Right to Revoke or Withdraw. Subject to the terms and conditions of the Plan Support Agreement, the Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Effective Date and file subsequent chapter 11 plans.

(b) Effect of Withdrawal, Revocation, or Non-Consummation. If the Debtors revoke or withdraw the Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, then the Plan, any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims or the allocation of the distributions to be made hereunder), the assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be null and void in all respects. In such event, nothing contained herein or in the Disclosure Statement, and no acts taken in preparation for consummation of the Plan, shall be deemed to constitute a waiver or release of any Claims or Causes of Action by or against the Debtors or any other Entity, to prejudice in any manner the rights and defenses of the Debtors, the Holder of a Claim or Interest, or any Entity in any further proceedings involving the Debtors, or to constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Entity.

11. Notices. After the Effective Date, any pleading, notice, or other document required by the Plan to be served on or delivered on the Parties below shall be served as follows:

If to the Reorganized Debtors:

Optima Specialty Steel, Inc.
200 S. Biscayne Blvd.
Suite 5500
Miami, FL 33131-2310
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Paul J. Keenan Jr.
Greenberg Traurig, LLP
333 S.E. 2nd Avenue
Suite 4400
Miami, FL 33131

If to the Plan Sponsor:

Optima Acquisitions, LLC
200 S. Biscayne Blvd.
Suite 5500
Miami, FL 33131-2310
Attention: Mordechai Korf

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
P.O. Box 636
Wilmington, DE 19899
Attention: Mark S. Chehi
Jason M. Liberi

If to the Office of the United States Trustee:

Office of the United States Trustee for the District of Delaware
Room 2207, Lockbox 35
844 North King Street
Wilmington, DE 19801
Attention: Jane M. Leamy

12. Term of Injunctions or Stays. Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and existing on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

13. Governing Law. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware shall govern the construction and implementation of the Plan, any agreements, documents, and instruments executed in connection with the Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreements shall control). Corporate governance matters shall be governed by the laws of the state of incorporation, formation, or functional equivalent thereof, as applicable, of the applicable Reorganized Debtor.

14. Entire Agreement. Except as otherwise indicated, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings,

and representations on such subjects, all of which have become merged and integrated into the Plan.

15. Severability. If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall 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 shall then be applicable as altered or interpreted; provided, however, that any such revision, amendment, or modification must be consistent with the Plan Support Agreement. 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 shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is (a) valid and enforceable pursuant to its terms, (b) integral to the Plan and may not be deleted or modified without the Debtors' consent, and (c) nonseverable and mutually dependent.

16. No Waiver or Estoppel. Upon the Effective Date, each Holder of a Claim or Interest shall be deemed to have waived any right to assert that its Claim or Interest should be Allowed in a certain amount, in a certain priority, be secured, or not be subordinated by virtue of an agreement made with the Debtors and/or their counsel, the Creditors' Committee and/or its counsel, or any other party, if such agreement was not disclosed in the Plan, the Disclosure Statement, or papers filed with the Bankruptcy Court.

17. Conflicts. In the event that the provisions of the Disclosure Statement and the provisions of the Plan conflict, the terms of the Plan shall govern.

18. Waiver of Limitations on Releases of Unknown Claims. Each of the Releasing Parties and Released Parties agree and acknowledge, or shall be deemed to agree and acknowledge, that the releases contained in Articles 10.4, 10.5 and 10.6 of the Plan extend to Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities that the parties do not know or expect to exist at the time of the release, which, if known, might have affected the decision to enter into the release and which each of the Releasing Parties and Released Parties shall be deemed to waive, and shall waive and relinquish to the fullest extent permitted by law, any and all provisions, rights, and benefits conferred by any law of the United States or any state or territory thereof, or principle of common law, which governs or limits a person's release of unknown claims; further, with respect to any and all such Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities, including any and all unknown claims that the Releasing Parties and Released Parties shall be deemed to waive, and shall waive and relinquish, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM

OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Releasing Parties and Released Parties also shall be deemed to waive any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code § 1542. The Releasing Parties and Released Parties also acknowledge, or shall be deemed to acknowledge, that they may discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this release, but that it is the intention of the parties to fully, finally, and forever settle and release with prejudice any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities conceivably within the scope of the releases contained in Articles 10.4, 10.5 and 10.6, including any and all unknown claims, without regard to the subsequent discovery or existence of additional or different facts. Such parties expressly agree, or shall be deemed to expressly agree, that any fraudulent inducement or similar claims that could be premised on unknown facts or facts that are subsequently discovered are included within the definition of unknown claims.

VI. EXEMPTION FROM SECURITIES LAWS

The Debtors are relying on section 1145(a) of the Bankruptcy Code and section 4(2) of the Securities Act, and Regulation D promulgated thereunder, to exempt from the registration requirements of the Securities Act and applicable state securities and "blue sky" laws the Reinstatement or offering, issuance, and distribution, if any, of any Securities pursuant to the Plan and any and all settlement agreements incorporated therein, to the extent that any such laws are applicable.

The Plan contemplates the Reinstatement of the Class 6 Existing Optima Equity Interests in Optima to Holders of such Interests in exchange, or principally in exchange, for the Plan Sponsor Contribution. In reliance upon section 1145 of the Bankruptcy Code, the Reinstatement of Existing Optima Common Stock to such Holders (the "**1145 Securities**"), will be exempt from the registration requirements of the Securities Act and equivalent provisions in state securities laws, to the extent that any such laws are applicable. Section 1145(a) of the Bankruptcy Code generally exempts the offer or sale of securities pursuant to a plan of reorganization from the registration requirements of the Securities Act and from registration under state securities laws if the following conditions are satisfied: (i) the securities are issued or sold under a chapter 11 plan by (a) a debtor, (b) one of its affiliates participating in a joint plan with the debtor, or (c) a successor to a debtor under the plan and (ii) the securities are issued entirely in exchange for a claim against or interest in the debtor or such affiliate, or are issued principally in such exchange and partly for cash or property. The Debtors believe that the Reinstatement of 1145 Securities for the Plan Sponsor Contribution under the circumstances provided in the Plan will satisfy the requirements of section 1145(a) of the Bankruptcy Code.

VII. FINANCIAL INFORMATION, PROJECTIONS AND REORGANIZATION VALUE

A. Historical Financial Information

Attached hereto as **Exhibit B** are the audited consolidated balance sheets of the Debtors as of December 31, 2016, 2015, 2014, 2013 and 2012, the related consolidated statements of operations and cash flows for the years ending December 31, 2016, 2015, 2014, 2013 and 2012, and the accompanying report of Ernst & Young LLP. This financial information is provided as a resource to permit the Holders of Claims and Interests to better understand the Debtors' historical business performance and the impact of the Chapter 11 Cases on their businesses.

B. Projected Financial Information

The Debtors' management has prepared the financial projections, which are attached to this Disclosure Statement as **Exhibit B** (the "**Financial Projections**"). The principal assumptions that are part of the business plan and that underlie the Financial Projections are set forth in **Exhibit B**.

After the date of the Disclosure Statement, the Reorganized Debtors do not intend to update or otherwise revise the Financial Projections to reflect circumstances existing since their preparation or to reflect the occurrence of unanticipated events.

THE FINANCIAL PROJECTIONS ATTACHED TO THIS DISCLOSURE STATEMENT AS EXHIBIT B WERE NOT PREPARED TO COMPLY WITH THE GUIDELINES FOR PROSPECTIVE FINANCIAL STATEMENTS PUBLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. THE DEBTORS' INDEPENDENT ACCOUNTANTS HAVE NOT EXAMINED OR COMPILED THE ACCOMPANYING PROJECTIONS AND ACCORDINGLY DO NOT EXPRESS AN OPINION OR ANY OTHER FORM OF ASSURANCE WITH RESPECT TO THE PROJECTIONS, ASSUME NO RESPONSIBILITY FOR THE PROJECTIONS AND DISCLAIM ANY ASSOCIATION WITH THE PROJECTIONS. EXCEPT FOR PURPOSES OF THIS DISCLOSURE STATEMENT, THE DEBTORS DO NOT PUBLISH PROJECTIONS OF ITS ANTICIPATED FINANCIAL POSITION OR RESULTS OF OPERATIONS. NONE OF THE DEBTORS, THEIR PROFESSIONALS AND THE REORGANIZED DEBTORS INTEND TO UPDATE OR OTHERWISE REVISE THESE PROJECTIONS TO REFLECT EVENTS OR CIRCUMSTANCES EXISTING OR ARISING AFTER THE DATE OF THIS DISCLOSURE STATEMENT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS.

THE ESTIMATES AND ASSUMPTIONS ON WHICH THE FINANCIAL PROJECTIONS ARE BASED MAY NOT BE REALIZED, AND ARE INHERENTLY SUBJECT TO SIGNIFICANT BUSINESS, ECONOMIC AND COMPETITIVE UNCERTAINTIES AND CONTINGENCIES, MANY OF WHICH ARE BEYOND THE COMPANY'S CONTROL. NO REPRESENTATIONS CAN BE OR ARE MADE AS TO WHETHER THE ACTUAL RESULTS WILL BE WITHIN THE RANGE SET FORTH IN ITS PROJECTIONS. SOME ASSUMPTIONS INEVITABLY WILL NOT MATERIALIZE, AND EVENTS AND CIRCUMSTANCES OCCURRING SUBSEQUENT TO THE DATE ON WHICH THE PROJECTIONS WERE PREPARED MAY BE DIFFERENT FROM THOSE ASSUMED, OR MAY BE UNANTICIPATED, AND THEREFORE MAY AFFECT FINANCIAL RESULTS IN A MATERIAL AND POSSIBLY ADVERSE MANNER. THE

PROJECTIONS, THEREFORE, MAY NOT BE RELIED UPON AS A GUARANTEE OR OTHER ASSURANCE OF THE ACTUAL RESULTS THAT WILL OCCUR. SEE SECTION VIII-"CERTAIN FACTORS TO BE CONSIDERED" AND OTHER QUALIFICATIONS SET FORTH IN EXHIBIT B.

C. Reorganization Value

The Debtors have been advised by Miller Buckfire, its investment banker, with respect to the enterprise value for the Reorganized Debtors implied by the transactions contemplated by the Plan. Miller Buckfire has estimated the enterprise value implied by the transaction for the purpose of determining the implied value available for distribution to Holders of Allowed Claims and Interests pursuant to the Plan.

The Plan contemplates that the Plan Sponsor will contribute the Plan Sponsor Contribution in the amount of $200 million as a cash equity contribution to Reorganized Optima in respect of the Plan Sponsor's outstanding and Unimpaired Existing Optima Common Stock, implying an equity value of approximately $200 (the "**Implied Equity Value**"). Based upon the anticipated net debt on the Effective Date of $99.8 million, the implied enterprise value for the Reorganized Debtors for purposes of distributions to Holders of Allowed Claims and Interests under the Plan (the "**Reorganization Value**") is approximately $299.8 million.

THE FOREGOING ANALYSIS IS BASED SOLELY UPON THE TRANSACTIONS CONTEMPLATED BY THE PLAN AND ASSUMES THAT SUCH TRANSACTIONS CLOSE. ACCORDINGLY, THERE CAN BE NO ASSURANCE THAT THE REORGANIZATION VALUE REFLECTED ABOVE WOULD BE REALIZED IF THE TRANSACTIONS CONTEMPLATED UNDER THE PLAN DO NOT CLOSE AND ACTUAL RESULTS COULD VARY MATERIALLY FROM THOSE SHOWN HERE.

Miller Buckfire's analysis addresses the Reorganization Value for the Reorganized Debtors, as reflected by the Implied Equity Value, assuming the Plan is approved and becomes effective. It does not address other aspects of the proposed reorganization, the Plan or any other transactions and does not address the Debtors' underlying business decision to effect the reorganization set forth in the Plan. Miller Buckfire's Implied Equity Value and Reorganization Value do not constitute a recommendation to any Holder of Allowed Claims or Interests. Miller Buckfire has not been asked to, nor did Miller Buckfire, express any view as to what value the Existing Optima Common Stock is or will be on the Effective Date of the Plan when the Class 6 Interests are left Unimpaired and Reinstated pursuant to the Plan, or the prices at which the Existing Optima Common Stock may trade in the future. The Implied Equity Value and Reorganization Value set forth herein do not constitute an opinion as to fairness from a financial point of view to any person of the consideration to be received by such person under the Plan or of the terms and provisions of the Plan.

THE REORGANIZATION VALUE REFLECTS WORK PERFORMED BY MILLER BUCKFIRE ON THE BASIS OF INFORMATION AVAILABLE TO MILLER BUCKFIRE CURRENT AS OF THE DATE OF THIS DISCLOSURE STATEMENT. ALTHOUGH SUBSEQUENT DEVELOPMENTS MAY AFFECT MILLER BUCKFIRE'S CONCLUSIONS,

NEITHER MILLER BUCKFIRE NOR THE DEBTORS HAVE ANY OBLIGATION OR INTENT TO UPDATE, REVISE OR REAFFIRM ITS ESTIMATE.

The estimates of value herein do not purport to reflect or constitute appraisals, liquidation values or estimates of the actual market value that may be realized through the sale of Existing Optima Common Stock following on the Effective Date of the Plan and Reinstatement of the Class 6 Interests pursuant to the Plan, which may be significantly higher or lower than the amounts set forth herein. In addition, the valuation of the Existing Optima Common Stock is subject to additional uncertainties and contingencies, all of which are difficult to predict. Actual market prices at issuance will depend upon, among other things, the operating performance of the Debtors, prevailing interest rates, conditions in the financial markets, the anticipated holding period of securities received by prepetition constituents, and other factors which generally influence the prices of securities such as supply/demand imbalances and levels of liquidity in the secondary market.

THE CALCULATIONS OF VALUE SET FORTH HEREIN REPRESENT IMPLIED VALUES AND DO NOT REFLECT VALUES THAT COULD BE ATTAINABLE IN PUBLIC OR PRIVATE MARKETS. THE IMPLIED EQUITY VALUE FOR THE REORGANIZED DEBTORS ASCRIBED IN THE ANALYSIS DOES NOT PURPORT TO BE AN ESTIMATE OF THE POST-REORGANIZATION MARKET TRADING VALUE. ANY SUCH TRADING VALUE MAY BE MATERIALLY DIFFERENT FROM THE IMPLIED EQUITY VALUE FOR THE REORGANIZED DEBTORS.

VIII. CERTAIN FACTORS TO BE CONSIDERED

Holders of Claims against and Interests in the Debtors should consider the risks and uncertainties below in evaluating the Plan. The risks and uncertainties described below are not the only ones the Debtors face. Additional risks and uncertainties not presently known to the Debtors or that they currently deem immaterial may also harm their businesses.

A. General

The Plan sets forth the means for satisfying the Claims against and Interests in each of the Debtors. Allowed Claims are expected to be paid in full in Cash on the Effective Date or following their Allowance in accordance with the payment terms of the Plan. Certain Allowed Claims will be Reinstated and paid in full in accordance with their terms. Nevertheless, there are some risks to consummation of the Plan. The Plan has been proposed after a careful consideration of all reasonable restructuring alternatives. Despite the risks inherent in the Plan, as described herein, the Debtors believe that the Plan is in the best interests of Creditors and Holders of Interests when compared to all reasonable alternatives.

B. Industry-Specific Risk Factors

The following are risk factors pertaining to the Debtor's operations and industry that could affect the Debtors' ability to consummate the Plan:

1. The Debtors' future profitability may fluctuate significantly due to changes in demand in the end markets the Debtors target due to, among other factors, general economic conditions.

Changes in general economic conditions have affected, and may in the future impact, the demand for the Debtors' products, which creates uncertainty regarding the Debtors' ability to consistently grow sales and profitability, including as a result of excess manufacturing capacity and lower average selling prices. The Debtors may be affected by changes in conditions in specific industries where the Debtors' products are used.

2. The Debtors operate in markets that are highly competitive and their results of operations could be adversely impacted by competitors' and their customers' actions.

The Debtors operate in highly competitive markets. The Debtors face several types of risk, including the following:

- The Debtors' competitors and customers vary in size and the breadth of their product offerings. The Debtors compete against both domestic and international manufacturers. Some of the Debtors' competitors have greater financial, technological and other resources than the Debtors and have lower raw material costs and costs of production. Actions by the Debtors' competitors and the Debtors' customers could lead to downward pressure on prices and a decline in market share in any or all of their markets. The Debtors' business faces risk that certain events, such as a new product and technological development by competitors or customers, changing customer needs, production advances for competing products or price changes in raw materials, could cause customers to switch to competitors' products or reduce their purchases of the Debtors' products.

- Although many of the Debtors' products are expensive to ship and historically imports have accounted for a small portion of the markets in which they operate, international competitors may overcome this hurdle. Foreign competitors may have lower labor costs, and some are owned, controlled or subsidized by their governments, which may allow their production and pricing decisions to be influenced by political and economic policy considerations as well as prevailing market conditions. In addition, the relative strength of the U.S. Dollar reduces the cost of imports relative to domestically produced steel.

- Some of the Debtors' existing customers may move offshore where the Debtors may not be able to economically meet their customers' needs when faced with competition from offshore competitors, particularly given the high transportation cost of the Debtors' products. Sales of some of their most significant products represent a high percentage of the market demand for these products and could be targeted by their competitors.

- Because many of the Debtors' production processes require high labor input, the Debtors may be vulnerable to competition that possesses lower labor costs. To the extent a competitor is able to provide similar products at a lower price to the Debtors' customers; they may be required to reduce the margins for their products to compete. In addition, the Debtors may not be able to compete at such lower prices.

- In many applications, steel competes with other materials, such as aluminum, composites and plastic. Increased use of these materials in substitution for steel could have a material adverse effect on prices and demand for the Debtors' products. For example, as automobile producers strive to comply with increasingly stringent Corporate Average Fuel Economy mileage requirements for new cars and light trucks they may reduce the amount of steel in cars and trucks to improve fuel economy, thereby reducing demand for steel and resulting in further over-supply of steel in North America.

3. The loss of significant volume from key customers would likely adversely affect the Debtors.

The Debtors' largest customer in 2015 represented approximately 10% of their net sales and the Debtors' ten largest customers represented approximately 32% of their net sales. Even though the Debtors have a diverse and unconcentrated customer base, a significant loss of, or decrease in, business from any of the Debtors' largest customers or in an important end-use sector would likely have a material adverse effect on the Debtors' sales and financial results if the Debtors cannot obtain replacement business. Many of the Debtors customers are distributors who re-sell the Debtors' products to end market users.

4. Offshore relocation by the Debtors' customers of their manufacturing operations could adversely affect their business.

Many of the Debtors' customers have moved manufacturing operations offshore. Some customers have also chosen to source material from suppliers that are closer to their manufacturing facilities to improve shipping efficiency and decrease costs. It may be impossible or too costly for the Debtors to continue to supply such customers and maintain the same margins. The Debtors may experience a significant loss of, or decrease in, business from the Debtors' customers due to the relocation of manufacturing facilities to offshore locations where the Debtors do not currently conduct business and replace them with suppliers whose production facilities are perceived to be more territorially advantageous. If the Debtors cannot obtain replacement business or their current business shifts from the North American market to other regions, their business could suffer and their financial results could be adversely affected.

5. Price fluctuations in raw materials could adversely affect the Debtors' manufacturing costs.

Special bar quality ("**SBQ**") steel bars compromise the single largest component of the raw material costs of the businesses of MST, Niagara and Corey. The price of SBQ steel has been, and will likely remain, subject to cyclical price fluctuations and volatility. KES

currently uses steel billets purchased from third parties to produce HRSB. Like SBQ steel, steel billet pricing has been, and will likely remain, subject to cyclical price fluctuations and volatility. It has been the Debtors' practice to pass through changes in steel prices to the Debtors' customers through the Debtors' pricing arrangements and policies. While the Debtors have generally been able to adjust the Debtors' selling prices to take account of changing market prices for steel, the Debtors' relative cost of steel sold depends on when and how quickly the Debtors turn over such inventory.

6. The costs of manufacturing the Debtors products and the ability to supply the Debtors customers could be negatively affected if the Debtors experience interruptions in deliveries of needed raw materials or supplies.

If, for any reason, the Debtors' supply of steel is curtailed or they are otherwise unable to obtain the quantities they need at competitive prices, their business could suffer and their financial results could be adversely affected. Such interruptions might result from a number of factors beyond the Debtors' control, including events such as a shortage of capacity in the supplier base or of the raw materials, energy or the inputs needed to make steel, failure of suppliers to fulfill their supply obligations, financial difficulties of suppliers resulting in the closing or idling of supplier facilities, other significant events affecting supplier facilities, significant weather events, general economic conditions, domestic and worldwide demand, competition, import duties, tariffs, currency exchange rates and other factors beyond the Debtors' control.

7. Disruptions to the Debtors' operations or the operations of the Debtors' customers or suppliers, could adversely impact the Debtors' operations and financial results.

Business disruptions, including increased costs for or interruptions in the supply of energy or raw materials or equipment outages and failures, resulting from shortages of supply or transportation, severe weather events (such as hurricanes, earthquakes, floods and blizzards), casualty events (such as explosions, fires or material equipment breakdown), acts of terrorism, pandemic disease, labor disruptions or other events (such as required maintenance shutdowns), could cause interruptions to the Debtors' operations as well as the operations of the their customers and suppliers. Losses from business disruptions could have a material adverse effect on the Debtors' operations and financial results, particularly to the extent any such losses are not covered by insurance. Even if such losses are covered by insurance, the Debtors may be unable to recover insurance proceeds due them or there may be delays in the receipt of such reimbursements, each of which could have a material adverse effect on the Debtors' business, financial condition and results of operations.

8. The Debtors are subject to operational risks relating to, among other things, equipment failure, production curtailment and shutdowns, including to their automated manufacturing and information processing systems.

The Debtors manufacturing processes depend on the uninterrupted operation of their production equipment. This equipment may, on occasion, be out of service as a result of unanticipated failures. The Debtors' manufacturing processes may experience shut-downs,

down-time or periods of reduced production as a result of unanticipated equipment malfunction, failure, defect, human error or other circumstances. In the event of unanticipated equipment failure, the Debtors may experience loss of net sales due to reduced production, and the Debtors may be required to make unplanned and potentially significant expenditures to repair or replace faulty equipment. A sustained disruption to the Debtors' production capabilities could result in reputational damage and have a material adverse effect on the Debtors' business, financial condition and results of operations.

9. The Debtors may incur additional costs related to environmental matters.

The Debtors are subject to a variety of laws relating to pollution and protection of the environment, including laws governing hazardous substances and their discharge or release into the environment. These laws expose the Debtors to liability related to their ongoing operations, the environmental condition of their current or former facilities and sites to which they have sent hazardous substances for disposal.

The costs of complying with future, more stringent environmental laws could have a material adverse impact on the Debtors' financial condition and operations. The Debtors may incur significant capital or compliance costs in future years for environmental compliance, including in connection with obtaining, modifying and renewing their environmental permits for ongoing or expanding operations. If the Debtors fail to comply with environmental permits or other environmental requirements, they could face fines and other penalties and curtailment of their operations, which could have a material adverse effect on the Debtors' business or financial condition.

Environmental requirements are complex, change frequently and often become more stringent over time. Future changes in, or modified interpretations of, existing laws or enforcement policies, newly discovered information concerning conditions at the Debtors' facilities or the Debtors' business activities or products may give rise to additional environmental costs that could have a material adverse effect on their financial condition or operations.

Additionally, environmental requirements could affect the market for the Debtors' products. For instance, new laws proposing tax increases on, or reduction of, carbon emissions may result in higher prices for the Debtors' raw materials, energy sources, transport fuels and other adverse effects. The Debtors may not be able to fully pass the cost of new environmental requirements on to their customers without a resulting decline in sales and an adverse impact on their profits. Likewise, increased environmental costs could adversely affect the Debtors' ability to compete against foreign operations.

10. The Debtors are currently required to comply with a number of quality assurance standards, and the Debtors' failure to comply with such standards may result in the loss of existing customers or may hamper the Debtors' ability to attract new customers.

The Debtors facilities' quality management systems have earned the Debtors' facilities various industry certifications and accreditations including TS-16949 and ISO

9001:2008 through the International Organization for Standardization, meeting ASTM/ASME, AMS, SAE, DIN, JIS, military specifications and having NCA-3800 nuclear capabilities. The Debtors also have various customer quality certifications which authorize the Debtors to supply products to specific customers. A failure to renew these various quality certifications in future audits may cause the Debtors to lose existing customers and threaten their ability to attract new customers, which could have a material adverse effect on their business, financial condition or results of operations.

C. Certain Bankruptcy Considerations

Even though all Classes of Claims and Interests are Unimpaired, the Bankruptcy Court, which, as a court of equity, has substantial discretion concerning Plan confirmation, and may choose not to confirm the Plan. Bankruptcy Code section 1129 requires, among other things, a showing that confirmation of the Plan will not be followed by liquidation or the need for further financial reorganization of the Debtors, and that the value of distributions to dissenting Holders of Claims and Interests will not be less than the value such Holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code, see, *infra*, Article VIII.H – "Liquidation under Chapter 7". Although the Debtors believe that the Plan will meet such tests, there can be no assurance that the Bankruptcy Court will reach the same conclusion.

D. Bankruptcy-Specific Risk Factors That Could Negatively Impact the Debtors' Business

1. The Debtors are subject to the risks and uncertainties associated with the Chapter 11 Cases.

For the duration of the Chapter 11 Cases, the Debtors' operations and its ability to execute its business strategy will be subject to risks and uncertainties associated with bankruptcy. These risks include:

(a) the Debtors' ability to continue as a going concern;

(b) the Debtors' ability to obtain Bankruptcy Court approval with respect to motions filed in the Chapter 11 Cases;

(c) the Debtors' ability to develop, prosecute, confirm, and consummate the proposed Plan or any other plan of reorganization with respect to the Chapter 11 Cases;

(d) the ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for the Debtors to propose and confirm a plan of reorganization, to appoint a chapter 11 trustee, or to convert the Chapter 11 Cases to chapter 7 cases;

(e) the Debtors' ability to retain key vendors or secure alternative supply sources;

(f) the Debtors' ability to obtain and maintain normal payment and other terms with vendors and service providers;

(g) the Debtors' ability to maintain contracts that are critical to its operations;

(h) the Debtors' ability to attract, motivate, and retain management and other key employees;

(i) the Debtors' ability to fund and execute their business plan; and

(j) the Debtors' ability to obtain Exit Financing and the Plan Sponsor Contribution.

2. The Debtors' business could suffer from a long and protracted restructuring.

Although the Debtors will seek to make their stay in chapter 11 as brief as possible and to obtain relief from the Bankruptcy Court so as to minimize any potential disruption to their business operations, it is possible that the commencement and pendency of the Chapter 11 Cases could materially adversely affect the relationship among the Debtors, customers, employees, vendors, and service providers.

The Debtors' future results are dependent upon the successful confirmation and implementation of a plan of reorganization. Failure to obtain this approval in a timely manner could adversely affect the Debtors' operating results, as their ability to obtain financing to fund operations may be harmed. Accordingly, if the Plan is not confirmed and implemented within a timely manner, there is a significant risk that the value of the Debtors' enterprise would be substantially eroded to the detriment of all stakeholders.

Furthermore, the Debtors cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even once a plan of reorganization is approved and implemented, the Debtors' operating results may be adversely affected by the possible reluctance of prospective lenders, customers, or vendors to do business with a company that recently emerged from bankruptcy proceedings.

E. Classification and Treatment of Claims and Interests

Bankruptcy Code section 1122 requires that the Plan classify Claims against, and Interests in, the Debtors. The Bankruptcy Code also provides that the Plan may place a Claim or Interest in a particular Class only if such Claim or Interest is substantially similar to the other Claims or Interests of such Class. The Debtors believe that all Claims and Interests have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtors would seek to modify the Plan to provide for whatever classification might be required for confirmation. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a

reclassification, would approve the Plan based upon such reclassification, without requiring the Debtors to solicit Holders of Claims against or Interests in the Debtors. The Debtors believe that under the Bankruptcy Rules, they would be required to solicit votes for or against the Plan only when a modification adversely affects the treatment of a Claim or an Interest and renders the Class of such Claim or Interest Impaired.

The Bankruptcy Code also requires that the Plan provide the same treatment for each Claim or Interest of a particular Class unless the Holder of a particular Claim or Interest agrees to a less favorable treatment of its Claim or Interest. The Debtors believe that the Plan complies with the requirement of equal treatment. To the extent that the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court could deny confirmation of the Plan.

Issues or disputes relating to classification and/or treatment could result in a delay in the confirmation and consummation of the Plan and could increase the risk that the Plan will not be consummated.

F. Conditions Precedent to Consummation of the Plan

Article XI of the Plan provides for certain conditions that must be satisfied (or waived) prior to the Effective Date. As of the date of this Disclosure Statement, there can be no assurance that any or all of the conditions in the Plan will be satisfied (or waived). Accordingly, even if the Plan is confirmed by the Bankruptcy Court, there can be no assurance that the Plan will be consummated and the restructuring completed.

G. Funding Necessary for the Consummation of the Plan

The Debtors require additional capital to fund their future operations. Although the Debtors have made substantial progress toward securing the capital necessary to consummate the Plan, there can be no assurance that the contemplated financing transactions will be successfully and timely completed.

More specifically, the occurrence of the Effective Date is predicated on, among other things, (i) entry into the Exit Facilities; and (ii) consummation of the Plan Sponsor Contribution. The Plan Sponsor's agreement to make the Plan Sponsor Contribution is conditioned upon certain events and actions to be taken by the Debtors, and there can be no assurance that the Debtors will be able to satisfy the applicable conditions necessary to consummate the Plan Sponsor Contribution. Similarly, while the Debtors are engaged in negotiations with a large financial institution concerning the terms of a new, reserve-based credit facility, there is no guarantee that the Debtors will receive exit financing on favorable terms. If the Debtors do not receive the necessary backstop commitments or exit financing, the Debtors will not be able to effectuate the transactions necessary for consummation on the Effective Date.

H. Liquidation under Chapter 7

If no plan can be confirmed, the Chapter 11 Cases may be converted to a case under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the assets of the Debtors for distribution in accordance with the priorities

established by the Bankruptcy Code. A discussion of the effects that chapter 7 liquidation would have on the recoveries of Holders of Claims and the Debtors' Liquidation Analysis is described herein and attached hereto as **Exhibit D**.

I. Certain Tax Consequences of the Plan

Some of the material consequences of the Plan regarding United States federal income taxes will be summarized in Article IX – "Certain Federal Income Tax Consequences of the Plan" pursuant to a subsequent amendment or supplement to this Disclosure Statement. You are urged to consider such analysis carefully when it becomes available.

IX. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

The following discussion summarizes certain anticipated U.S. federal income tax consequences of the Plan to the Debtors and Holders of DIP Claims or Holders of Claims against and Interests in Classes 1, 2, 3-A, 3-B, 4, 5, and 6. This summary is provided for information purposes only and is based on the Internal Revenue Code of 1986, as amended (the "**Tax Code**"), Treasury regulations promulgated thereunder, judicial authorities, and current administrative rulings and practice, all as in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect, that could adversely affect the U.S. federal income tax consequences described below.

This summary does not address all aspects of U.S. federal income taxation that may be relevant to a particular Holder of a Claim against or Interest in the Debtors in light of its particular facts and circumstances or to certain types of Holders of Claims subject to special treatment under the Tax Code (for example, non-U.S. taxpayers, financial institutions, broker-dealers, life insurance companies, tax-exempt organizations, real estate investment trusts, regulated investment companies, grantor trusts, persons holding a Claim as part of a "hedging," "integrated," or "constructive" sale or straddle transaction, persons holding Claims through a partnership or other pass through entity, persons that have a "functional currency" other than the U.S. dollar, and persons who acquired or expect to acquire either an equity interest or other security in a Debtor or a Claim in connection with the performance of services). In addition, this summary does not discuss any aspects of state, local, estate and gift or non-U.S. taxation.

For purposes of this summary, a "U.S. Holder" means a Holder of a Claim or Interest that, in any case, is, for U.S. federal income tax purposes: (i) an individual that is a citizen or resident of the U.S.; (ii) a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S., any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of the substantial decisions of such trust, or (b) it has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "Non-U.S. Holder" means a Holder of a Claim or Interest that is not a U.S. Holder and is, for U.S. federal income tax purposes, an individual, corporation (or other entity treated as a corporation for U.S. federal income tax purposes), estate or trust.

If an entity taxable as a partnership for U.S. federal income tax purposes holds a Claim, the U.S. federal income tax treatment of a partner (or other owner) of the entity generally will depend on the status of the partner (or other owner) and the activities of the entity. Such partner (or other owner) should consult its tax advisor as to the tax consequences of the Plan.

A substantial amount of time may elapse between the date of this Disclosure Statement and the Distribution Date, which includes both initial distribution and periodic distributions under the Plan. Events occurring after the date of this Disclosure Statement, such as additional or new tax legislation, court decisions, or administrative changes, could affect the U.S. federal income tax consequences of the Plan and the transactions contemplated thereunder. There can be no assurance that the Internal Revenue Service (the "**IRS**") will not take a contrary view with respect to one or more of the issues discussed below. No ruling will be sought from the IRS with respect to any of the tax aspects of the Plan, and no opinion of counsel has been or will be obtained by the Debtors with respect thereto.

Accordingly, the following summary of certain U.S. federal income tax consequences is for informational purposes only and is not a substitute for careful tax planning and advice based upon the individual circumstances pertaining to a Holder of a Claim against or Interest in the Debtors. All Holders of Claims against or Interests in the Debtors are urged to consult their own tax advisors for the federal, state, local and other tax consequences applicable to them under the Plan.

EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN OR THE PLAN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. U.S. Federal Income Tax Consequences to the Debtors

1. Taxation of the Reorganized Debtors in General

Optima is currently organized as a corporation, is taxed as a corporation for U.S. federal income tax purposes, and is the parent of a consolidated group for U.S. federal income tax purposes that includes some of the Debtor entities that are United States entities. The Reorganized Optima will be taxed as a corporation for U.S. federal income tax purposes and is expected to remain the parent of a consolidated group for U.S. federal income tax purposes.

In general, if as a result of implementing the Plan, the Debtors satisfy any Claims with collateral securing such Claims or sell any collateral, the Debtors will recognize gain or loss in an amount equal to the difference, if any, between the fair market value of the collateral

transferred and the Debtors' adjusted tax basis in such collateral. In general, if any of the Debtors have net operating loss ("**NOL**") carryforwards, those carryforwards may be used to offset any taxable gains.

2. Net Operating Losses and other Losses; Section 382

The Debtors' balance sheet currently reflects NOLs, including NOL carryforwards. However, under Tax Code section 382, if a "loss corporation" (generally, a corporation with NOLs and/or built-in losses) undergoes an "ownership change," the amount of its pre-change losses (including NOLs and certain losses or deductions which are "built-in," i.e., economically accrued but unrecognized as of the date of the ownership change) that may be utilized to offset future taxable income generally are subject to an annual limitation. Similar rules apply to a corporation's capital loss carryforwards and tax credits.

Notwithstanding the general rule, if the loss corporation (or the consolidated group) does not continue its historic business or use a significant portion of its historic assets in a new business during the two-year period beginning on the date of the ownership change, the annual limitation resulting from the ownership change is zero, which will prevent any utilization of the corporation's pre-change losses (absent any increases due to any recognized built-in gains) or tax credits.

The Debtor is wholly owned by the Plan Sponsor, which in turn is equally owned, directly, indirectly or beneficially, by Mordechai Korf, Igor Kolomoysky, and Gennadiy Bogolyubov. Because the ownership of Optima is exactly the same after the adoption of the Plan as before the bankruptcy filing there should be no "ownership change" and accordingly Optima should be able to use all of its NOLs on a going forward basis.

3. Cancellation of Debt Income

Under the Tax Code, a U.S. taxpayer generally must include in gross income the amount of any cancellation of debt ("**COD**") income realized during the taxable year. COD income generally equals the excess of the adjusted issue price of the indebtedness discharged over the sum of (i) the amount of cash, (ii) the fair market value of any property (including equity interests), and (iii) the issue price of any new indebtedness of the Debtors, in each case, transferred or issued by the Debtors in satisfaction of such discharged indebtedness. COD income also includes any interest that has been previously accrued and deducted but remains unpaid at the time the indebtedness is discharged. Any settlement of a guarantee should not give rise to any COD income.

A corporation will not, however, be required to include any amount of COD income in gross income if the corporation is a debtor under the jurisdiction of a court in a case under chapter 11 of the Bankruptcy Code and the discharge of debt occurs pursuant to that proceeding (the "**Section 108(a) Bankruptcy Exception**"). Instead under Tax Code section 108(b), as a consequence of such exclusion, the debtor must reduce its tax attributes by the amount of COD income excluded from gross income. In general, tax attributes are reduced in the following order: (a) NOLs and NOL carryforwards, (b) general business and minimum tax credit carryforwards, (c) capital loss carryforwards, (d) basis of the debtor's assets, and (e) foreign tax

credit carryforwards. A debtor's tax basis in its assets generally may not be reduced below the amount of liabilities remaining immediately after the discharge of indebtedness. NOLs for the taxable year of the discharge and NOL carryovers to such year generally are the first attributes subject to reduction. However, a debtor may elect under Tax Code section 108(b)(5) (the "**Section 108(b)(5) Election**") to reduce its basis in its depreciable property first. If a debtor makes a Section 108(b)(5) Election, the limitation on reducing a debtor's basis in its assets below the amount of its remaining liabilities does not apply.

COD income is determined on a company-by-company basis. If a debtor with excluded COD income is a member of a consolidated group (as is the case with certain of the United States entities in the Debtor group), Treasury regulations address the application of the rules for the reduction of tax attributes (the "**Consolidated Attribute Reduction Rules**"). If the debtor is a member of a consolidated group and is required to reduce its basis in the stock of another group member, a "look-through rule" generally requires a corresponding reduction in the tax attributes of the lower-tier member. If the amount of a debtor's excluded COD income exceeds the amount of attribute reduction resulting from the application of the foregoing rules, certain other tax attributes of the consolidated group may also be subject to reduction. If a debtor is a member of a consolidated group, the debtor may treat stock in another group member as depreciable property for purposes of the Section 108(b)(5) Election, provided the lower-tier member consents to a corresponding reduction in its basis in its depreciable property. Finally, if the attribute reduction is less than the amount of COD income and a member of the consolidated group has an excess loss account (an "**ELA**") (i.e., negative basis in the stock of another member of the consolidated group), the consolidated group will recognize taxable income to the extent of the lesser of such ELA or the amount of the COD income that was not offset by tax attributes.

The Debtors do not expect to realize a significant amount of COD income as a result of the Plan. The amount of COD income will depend upon, among other things, the fair market value the property transferred in satisfaction of the Debtors' indebtedness. In any event, pursuant to the Section 108(a) Bankruptcy Exception, the Debtors will not include this COD income in gross income. Instead, the Debtors will be required to reduce their tax attributes in accordance with the Consolidated Attribute Reduction Rules after determining the taxable income (or loss) of the Debtors' consolidated group for the taxable year of discharge. Accordingly, the tax attributes (and, in particular, NOLs) are available to offset taxable income that accrues between the Effective Date and the end of the Debtors' taxable year. Basis reduction applies to assets owned by the Debtors at the beginning of the tax year following the discharge.

Under the Consolidated Attribute Reduction Rules, the Debtors' excluded COD income will be applied to reduce their NOLs and, if necessary, other tax attributes, including the Debtors' tax basis in their assets. The extent to which NOLs and other tax attributes remain following the application of the Consolidated Attribute Reduction Rules will depend upon a number of factors, including the amount of COD income that is actually incurred and whether the Debtors make the Section 108(b)(5) Election. The Debtors have not yet determined whether or not they will make a Section 108(b)(5) Election.

B. U.S. Federal Income Tax Consequences to U.S. Holders of Claims and Interests

1. In General

Generally, the U.S. federal income tax consequences to Holders of Allowed Claims against and Interests in the Debtors arising from the Distributions to be made in satisfaction of their Claims pursuant to the Plan may vary, depending upon, among other things: (a) the type of consideration received by the Holder of a Claim against or Interest in the Debtors in exchange for such Claim or Interest; (b) the taxable year in which the Holder receives distributions under the Plan; (c) the nature of such Claim or Interest; (d) whether the Holder has previously claimed a bad debt or worthless security deduction in respect of such Claim or Interest; (e) whether such Claim constitutes a security; (f) whether the Holder of such Claim or Interest in the Debtors is a citizen or resident of the United States for tax purposes, or otherwise subject to U.S. federal income tax on a net income basis, or falls into any special class of taxpayers, as mentioned above; (g) whether the Holder of such Claim against or Interests in the Debtors reports income on the accrual or cash basis; (h) the manner in which the Holder acquired the Claim and whether the Claim was acquired at a discount; (i) the length of time that the Claim has been held; (j) whether the Holder has previously included in income accrued but unpaid interest with respect to the Claim; and (k) whether the Holder of such Claim against or Interests in the Debtors receives Distributions under the Plan in more than one taxable year. For tax purposes, if a Claim is reinstated yet subject to a modification, the reinstatement may be treated as a taxable exchange of the Claim for a new Claim, even though no actual transfer takes place.

In addition, where gain or loss is recognized by a Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, whether the Claim or Interest constitutes a capital asset in the hands of the Holder and how long it has been held or is treated as having been held, whether the Claim was acquired at a market discount, and whether and to what extent the Holder previously claimed a bad debt deduction with respect to the underlying Claim or Interest. In general, for purposes of the discussion below, subject to other matters discussed herein such as the market discount rules, if the asset giving rise to a Holder's Claim, or a Holder's Interest, was held as a capital asset, gain or loss recognized by a Holder upon exchange of that Claim or Interest generally would be long-term capital gain or loss if the U.S. Holder held such asset or Interest for more than one year at the time of the exchange. The deductibility of capital losses is subject to certain limitations. If property is received by a Holder upon an exchange, a Holder's tax basis in the property received should equal the fair market value of such property. A U.S. Holder's holding period for the property received on the Effective Date would begin on the day following the Effective Date.

2. Satisfaction of Claims or Interests

In general, subject to the other discussions below, the satisfaction of Claims or Interests by the Debtors is expected to result in the following U.S. federal income tax consequences for U.S. Holders.

(a) <u>DIP Claims</u>

Under the Plan, Holders of Allowed DIP Claims shall be treated as follows:

(i) *DIP Replacement Loan Claims*. In full and final satisfaction, settlement, release, and discharge of and in exchange for each and every DIP Replacement Loan Claim, on the Effective Date, each Holder of a DIP Replacement Loan Claim shall be paid in full in Cash from the proceeds of the Exit Facilities and Plan Sponsor Contribution, with such payments to be distributed to the DIP Agent on the Effective Date for the ratable benefit of the Holders of DIP Replacement Loan Claims.

(ii) *DIP New Money Loan Claims*. In full and final satisfaction, settlement, release, and discharge of and in exchange for each and every DIP New Money Loan Claim, on the Effective Date, each Holder of DIP New Money Loan Claims shall be paid in full in Cash from the proceeds of the Exit Facilities and Plan Sponsor Contribution (after satisfying the DIP Replacement Loan Claims), with such payments to be distributed to the DIP Agent on the Effective Date for the ratable benefit of the Holders of DIP New Money Loan Claims.

(iii) *DIP Liens, etc*. Upon the Effective Date, and upon receipt by the DIP Agent of Cash in the full amount of the DIP Claims, all Liens and security interests granted to secure the DIP Facility shall be deemed discharged, cancelled, and released and shall be of no further force and effect. To the extent that the DIP Lenders or the DIP Agent have filed or recorded publicly any Liens and/or security interests to secure the Debtors' obligations under the DIP Facility, the DIP Lenders or the DIP Agent, as the case may be, shall take any commercially reasonable steps requested by the Debtors or the Reorganized Debtors, at the expense of the Reorganized Debtors, that are necessary to cancel and/or extinguish such publicly-filed Liens and/or security interests.

A U.S. Holder of a DIP Claim who receives cash should recognize taxable gain or loss equal to the difference between (a) amount of cash received and (b) such Holder's adjusted tax basis in its DIP Facility Claim surrendered.

The execution of the applicable New Corporate Governance Documents should not result in any adverse U.S. Federal income tax implications.

(b) <u>Class 1 – Other Priority Claims</u>

Under the Plan, Holders of Allowed Class 1 Claims will receive (a) payment of the Allowed Class 1 Claim in full in cash or (b) such other treatment permitted by section 1129(a)(9) of the Bankruptcy Code. A U.S. Holder of a Class 1 Claim who receives cash should recognize taxable gain or loss (which capital gain or loss would be long-term capital gain or loss to the extent that the Holder has held the debt instrument underlying its Claim for more than one year) equal to the difference between (a) the amount of cash received (other than amounts attributable to interest, discussed below) and (b) such Holder's adjusted tax basis in its holdings of the Class 1 Claim surrendered. To the extent that a portion of the cash received represents accrued but unpaid interest that the Holder has not already taken into income, the Holder should recognize ordinary interest income. See "Accrued but Unpaid Interest" below.

(c) Class 2 – Other Secured Claims

Under the Plan, Holders of Class 2 Claims will receive, at the election of the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable: (i) payment in full in cash, including the payment of interest allowable under section 506(b) of the Bankruptcy Code, if any; (ii) reinstatement pursuant to section 1124(2) of the Bankruptcy Code; or (iii) the collateral securing any such Allowed Other Secured Claim.

In general, a U.S. Holder of a Class 2 Claim who receives cash should recognize taxable gain or loss (which capital gain or loss would be long-term capital gain or loss to the extent that the Holder has held the debt instrument underlying its Claim for more than one year) equal to the difference between (a) the amount of cash received (other than amounts attributable to interest, discussed below) and (b) such Holder's adjusted tax basis in its Class 2 Claim surrendered. To the extent that a portion of the Cash received represents accrued but unpaid interest that the Holder has not already taken into income, the Holder should recognize ordinary interest income. See "Accrued but Unpaid Interest" below.

If the Claim is reinstated, the Holder of such Claim should not recognize gain or loss except if such Claim is modified (including, for example, a modification regarding the collateral securing such Claim, if any), and the modification constitutes a "significant modification" of Class 2 Claim within the meaning of the Treasury Regulations promulgated under Tax Code section 1001.

A U.S. Holder who exchanges its Claim for the collateral securing such Claim, the exchange should be treated as a taxable exchange under Section 1001 of the Tax Code. The Holder should recognize capital gain or loss (which capital gain or loss would be long-term capital gain or loss if the Holder has held the debt instrument underlying its Claim for more than one year) equal to the difference between (i) the fair market value of the collateral received (or, as the case may be, other property of Debtors), and (ii) the Holder's adjusted tax basis in the debt instrument constituting its Claim. To the extent that a portion of the collateral received (or, as the case may be, other property of Debtors) in the exchange is allocable to accrued interest that has not already been taken into income by the Holder, the Holder should recognize ordinary interest income. See "Accrued but Unpaid Interest" below. If, on the Effective Date, the Holder receives the collateral (rather than Cash) in exchange for its Claim, the Holder's tax basis in the collateral should be equal to the fair market value of the collateral on the Effective Date, and the Holder's holding period in the collateral should begin on the day following the Effective Date.

(d) Class 3-A – Unsecured Notes Claims

Except to the extent that a Holder of an Allowed Class 3-A Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 3-A Claim, or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 3-A Claim shall receive cash in an amount equal to 100% of such Allowed Claim, plus post-Petition Date interest (if any) for the period between the Petition Date and the Effective Date at the Federal judgment rate or such other rate as minimally necessary (only if payment of interest is required) to leave such Allowed Class 3-A Claim Unimpaired.

A U.S. Holder of a Class 3-A Claim who receives cash and post-Petition Date interest (if any) should recognize taxable gain or loss (which capital gain or loss would be long-term capital gain or loss to the extent that the Holder has held the debt instrument underlying its Claim for more than one year equal to (a) the amount of cash received and (b) such Holder's adjusted tax basis in its Class 3-A Claim surrendered. To the extent that a portion of the cash received represents accrued but unpaid interest that the Holder has not already taken into income, the Holder should recognize ordinary interest income. See "Accrued but Unpaid Interest" below.

(e) Class 3-B – General Unsecured Claims

Except as otherwise provided in and subject to Article 9.5 of the Plan, and except to the extent that a Holder of an Allowed Class 3-B Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 3-B Claim, each Holder of an Allowed Class 3-B Claim shall receive the following treatment: (a) in the case of Allowed Class 3-B Claims that are not due and payable as of the Effective Date, each such Claim shall be reinstated (in accordance with section 1124(2) of the Bankruptcy Code) and paid in the ordinary course of business pursuant to the respective terms relating to such Claim; or (b) in the case of Allowed Class 3-B Claims that are due and payable as of the Effective Date, each such Claim shall be paid in full in Cash in an amount equal to 100% of the Allowed amount of such Claim, plus post-Petition Date interest at three percent (3%) per annum accrued for the period between the Petition Date and the Effective Date, only if the Creditors' Committee: (i) supports (and does not directly or indirectly oppose, challenge or object to) confirmation of the Plan, approval of the Disclosure Statement, approval of the Plan Support Agreement and approval of related Debtor motions and (ii) does not (directly or indirectly) advocate for or support any alternative plan or plan process, or any formal or informal opposition, challenge or objection to confirmation of the Plan, approval of the Disclosure Statement, approval of the Plan Support Agreement or approval of directly related Debtor motions.

In the event the conditions in the foregoing clauses "(i)" and "(ii)" are not satisfied, then instead of receiving the treatment provided for in the foregoing clause "(b)" each applicable holder of an allowed Class 3-B Claim shall receive Cash in an amount equal to 100% of the Allowed amount of such Claim, plus post-Petition Date Interest (if any) at the Federal judgment rate or such other rate as necessary to leave such Allowed Claim unimpaired, for the period between the Petition Date and the Effective Date. Notwithstanding the foregoing, the Creditors' Committee shall not be deemed to have violated this provision by providing to the Debtors and/or the Plan Sponsor comments, or requesting changes, to any document, agreement or filing.

All payments and distributions on account of Allowed Class 3-B Claims shall be made as set forth above on the later of (i) the Initial Distribution Date or (ii) if a Class 3-B Claim is a Disputed Claim, the first Periodic Distribution Date occurring after the later of (y) 30 days after the date when a Class 3-B Claim becomes an Allowed Class 3-B Claim or (z) 30 days after the date when a Class 3-B Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Class 3-B Claim.

If the Class 3-B Claim is reinstated, the Holder of such Claim should not recognize gain or loss except if such Claim is modified (including, for example, a modification regarding the collateral securing such Claim, if any), and the modification constitutes a "significant modification" of Class 3-B Claim within the meaning of the Treasury Regulations promulgated under Tax Code section 1001.

A U.S. Holder of a Class 3-B Claim who receives cash and post-Petition Date interest (if any) should recognize taxable gain or loss (which capital gain or loss would be long-term capital gain or loss to the extent that the Holder has held the debt instrument underlying its Claim for more than one year equal to (a) the amount of cash received and (b) such Holder's adjusted tax basis in its Class 3-B Claim surrendered. To the extent that a portion of the cash received represents accrued but unpaid interest that the Holder has not already taken into income, the Holder should recognize ordinary interest income. See "Accrued but Unpaid Interest" below.

(f) Class 4 – Intercompany Claims

On the Effective Date, all net Allowed Class 4 Claims (taking into account any setoffs of Intercompany Claims) held by the Debtors between and among the Debtors and/or any Affiliates of the Debtors shall, at the election of the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, be either (i) Reinstated, or (ii) released, waived, and discharged.

If the Class 4 Claim is reinstated, the Holder of such Claim should not recognize gain or loss except if such Claim is modified (including, for example, a modification regarding the collateral securing such Claim, if any), and the modification constitutes a "significant modification" of Class 4 Claim within the meaning of the Treasury Regulations promulgated under Tax Code section 1001.

If Class 4 Claim is released, waived, or discharged, in general and subject to any applicable rules regarding consolidated groups and other rules, Holders should recognize a taxable loss equal to the amount of their adjusted tax basis in such Claim. Generally, the cancellation of Intercompany claims should not result in net income as any COD for one member of the consolidated group should be equal to a worthless debt for another member of the consolidated group.

(g) Class 5 – Intercompany Interests

On the Effective Date, all Class 5 Interests held by the Debtors shall be reinstated.

The Holder of Class 5 Claims should not recognize gain or loss except if such Claim is modified (including, for example, a modification regarding the collateral securing such Claim, if any), and the modification constitutes a "significant modification" of Class 5 Claim within the meaning of the Treasury Regulations promulgated under Tax Code section 1001.

(h) Class 6 – Existing Optima Equity Interests

On the Effective Date, Allowed Class 6 Existing Optima Equity Interests shall be Reinstated and Unimpaired and shall not be discharged, canceled, released, extinguished or otherwise altered as a result of or by the Plan Support Agreement or the Plan, and the Plan Sponsor as Holder of all Existing Optima Equity Interests shall continue on the Effective Date to hold all Existing Optima Equity Interests without interruption and there shall be no change in ownership percentages amongst the three ultimate owners.

The retention of the equity interest is not a taxable event and because the ownership percentages have not changed there will be no diminution of the NOLs. The execution of the applicable New Corporate Governance Documents should not result in any adverse U.S. Federal income tax implications.

3. Accrued but Unpaid Interest

In general, to the extent a Holder of a Claim or Interest receives consideration in satisfaction of interest accrued during the holding period of such instrument, such amount will be taxable to the Holder as interest income (if not previously included in the Holder's gross income). Conversely, such a Holder should generally recognize a deductible loss to the extent that any accrued interest claimed or amortized OID was previously included in its gross income and is not paid in full.

The extent to which property received by a Holder of a Claim or Interest will be attributable to accrued but unpaid interest is unclear. Pursuant to the Plan, all Distributions in respect of any Allowed Claim will be allocated first to the principal amount of such Allowed Claim, and thereafter to accrued but unpaid interest, if any. Certain legislative history indicates that an allocation of consideration between principal and interest provided for in a chapter 11 plan is binding for U.S. federal income tax purposes. There is no assurance, however, that such allocation will be respected by the IRS for U.S. federal income tax purposes. If a distribution with respect to a Claim is allocated entirely to the principal amount of such Claim, a Holder may be entitled to claim a loss to the extent of any accrued but unpaid interest on the Claim that was previously included in the Holder's gross income.

Each Holder of an Allowed Claim is urged to consult its tax advisor regarding the allocation of consideration and the deductibility of previously included unpaid interest and OID for tax purposes.

4. Market Discount

Holders of Claims who receive consideration in exchange for their Claims may be affected by the "market discount" provisions of Tax Code sections 1276 through 1278. Under these provisions, some or all of the gain realized by a Holder may be treated as ordinary income (instead of capital gain) to the extent of the amount of accrued "market discount" on such Allowed Claims.

In general, a debt obligation with a fixed maturity of more than one year that is acquired by a holder on the secondary market (or, in certain circumstances, upon original

issuance) is considered to be acquired with "market discount" as to that holder if the debt obligation's stated redemption price at maturity (or revised issue price as defined in Tax Code section 1278, in the case of a debt obligation issued with original issue discount) exceeds the tax basis of the debt obligation in the holder's hands immediately after its acquisition. However, a debt obligation is not a "market discount bond" if the excess is less than a statutory de minimis amount (equal to 0.25% of the debt obligation's stated redemption price at maturity or revised issue price, in the case of a debt obligation issued with original issue discount, multiplied by the number of complete years remaining until maturity at the time of the acquisition).

Any gain recognized by a Holder on the taxable disposition of Allowed Claims (determined as described above) that were acquired with market discount should be treated as ordinary income to the extent of the market discount that accrued thereon while the Allowed Claims were considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued).

C. U.S. Federal Income Tax Consequences to Non-U.S. Holders of Claims and Interests

Non-U.S. Holders should consult with their own tax advisors to determine the effect of U.S. federal, state, and local tax laws, as well as any other applicable non-U.S. tax laws and/or treaties, with regard to their participation in the transactions contemplated by the Plan and their ownership of Claims or Interests. Non-U.S. Holders are urged to consult their tax advisors regarding the U.S. federal income consequences of owning and disposing of Litigation Trust Units.

1. Gain Recognition upon Consummation of the Plan

Subject to the assumptions and intentions of the Debtors described above under "U.S. Federal Income Tax Consequences to U.S. Holders of Claims and Interests," any gain realized by a Non-U.S. Holder on the exchange of its Claim or Interest generally will not be subject to U.S. federal income taxation unless (a) the Non-U.S. Holder is an individual who was present in the U.S. for 183 days or more during the taxable year in which the Restructuring Transactions occur and certain other conditions are met or (b) such gain is effectively connected with the conduct by such Non- U.S. Holder of a trade or business in the U.S. (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the U.S.).

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of the exchange.

If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to any gain realized on the exchange if such gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the U.S. in the same manner as a U.S. Holder. In order to claim an exemption from withholding tax, such

Non-U.S. Holder will be required to provide a properly executed IRS Form W-8ECI (or such successor form as the IRS designates). In addition, if such Non-U.S. Holder is a corporation, it may be subject to a branch profits tax ("**BPT**") equal to 30% (or such lower rate provided by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. However, a BPT may not apply if the Non-U.S. Holder qualifies for the "exit exemption" (i.e., after the Exchange, the Holder has no other U.S. business assets and neither the Holder nor a related party reinvests the proceeds in the U.S. for a period of three years following the Exchange).

2. Payments Attributable to Interest

Payments to a Non-U.S. Holder that are attributable to interest (including OID), or to accrued but untaxed interest, generally will not be subject to U.S. federal income or withholding tax, provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, applicable or successor IRS Form W-8) establishing that the Non-U.S. Holder is not a U.S. person. Interest income will also include any gain from the sale, redemption, retirement or other taxable disposition of the Claim that is treated as interest income. Interest income, however, may be subject to U.S. income or withholding tax if:

i. the Non-U.S. Holder actually or constructively owns 10% or more of the total combined voting power of classes of New Common Stock entitled to vote;

ii. the Non-U.S. Holder is a "controlled foreign corporation" that is a "related person" with respect to New Common Stock (each within the meaning of the Tax Code);

iii. the Non-U.S. Holder is a bank receiving interest described in Tax Code section 881(c)(3)(A); or

iv. such interest is effectively connected with the conduct by the Non- U.S. Holder of a trade or business within the U.S. (in which case, provided the Non-U.S. Holder provides a properly executed IRS Form W-8ECI (or successor form) to the withholding agent, the Non-U.S. Holder (x) generally will not be subject to withholding tax, but (y) will be subject to U.S. federal income tax in the same manner as a U.S. Holder (unless an applicable income tax treaty provides otherwise), and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a BPT with respect to such Non-U.S. Holder's effectively connected earnings and profits that are attributable to the accrued but untaxed interest at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty)).

A Non-U.. Holder that does not qualify for exemption from withholding tax with respect to interest (including OID) or accrued but untaxed interest that is not effectively connected income generally will be subject to withholding of U.S. federal income tax at a 30% rate (or at a reduced rate or exemption from tax under an applicable income tax treaty) on

payments that are attributable to such interest or accrued but untaxed interest. For purposes of providing a properly executed any applicable or successor IRS Form W-8, special procedures are provided under applicable Treasury regulations for payments through qualified foreign intermediaries or certain financial institutions that hold customers' securities in the ordinary course of their trade or business.

3. Sale, Redemption, or Repurchase of Existing Optima Common Stock

Non-U.S. Holder generally will not be subject to U.S. federal income tax with respect to any gain realized on the sale or other taxable disposition (including a cash redemption) of any Existing Optima Common Stock, unless:

i. such Non-U.S. Holder is an individual who is present in the U.S. for 183 days or more in the taxable year of disposition or who is subject to special rules applicable to former citizens and residents of the U.S.;

ii. such gain is effectively connected with such Non-U.S. Holder's conduct of a U.S. trade or business (and if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the U.S.); or

iii. Reorganized Optima is or has been during a specified testing period a U.S. real property holding corporation ("**USRPHC**"), whose real estate assets exceed 50% of the sum of its (A) U.S. real property interest, (B) interest in real property located outside the U.S. and (C) other assets other than (A) and (B) that are used or held for use in its trade or business.

If the first exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of any Existing Optima Common Stock. If the second exception applies, the Non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such gain in the same manner as a U.S. Holder, and a Non-U.S. Holder that is a corporation for U.S. federal income tax purposes may also be subject to a BPT with respect to earnings and profits effectively connected with a U.S. trade or business that are attributable to such gains at a rate of 30% (or at a reduced rate or exemption from tax under an applicable income tax treaty). However, a BPT may not apply if the Non-U.S. Holder qualifies for the "exit exemption" (i.e., after the Exchange, the Holder has no other U.S. business assets and neither the Holder nor a related party reinvests the proceeds in the U.S. for a period of three years following the Exchange). Reorganized Optima does not believe that it is a USRPHC.

4. FATCA

Under the Foreign Account Tax Compliance Act ("**FATCA**"), foreign financial institutions and certain other foreign entities must report certain information with respect to their U.S. account holders and investors or be subject to withholding on the receipt of "withholdable payments." For this purpose, "withholdable payments" are generally U.S.-source payments of

fixed or determinable, annual or periodical income (including dividends, if any, on Common Stock and interest on the Claim), and also include gross proceeds from the sale of any property of a type which can produce U.S. source interest or dividends (which would include Common Stock and the Claim).

FATCA withholding will apply even if the applicable payment would not otherwise be subject to U.S. federal nonresident withholding tax. FATCA withholding rules apply to U.S.-source payments on obligations issued after July 1, 2014, and to payments of gross proceeds from the sale or other disposition of property of a type that can produce U.S.-source interest or dividends that occurs after December 31, 2018. Although administrative guidance and Treasury regulations have been issued, the exact scope of these rules remains unclear and potentially subject to material changes. A Non-U.S. Holder can avoid FATCA withholding if it adheres to certain procedures and requirements imposed by the Code and applicable IRS rules and certifies such compliance to payers of pass-through payments. These rules vary dramatically depending upon whether the non-U.S. person is characterized as an FFI or a non-financial foreign entity. In addition, certain non-U.S. persons are "deemed compliant" with FATCA if they meet certain criteria and certify certain facts to the IRS. Each Non-U.S. Holder should consult its own tax advisor regarding the possible impact of these rules on such Non-U.S. Holder's ownership of New Common Stock and New Preferred Stock.

FATCA obligations may vary depending on whether the non-U.S. person subject to FATCA regulations is a resident of a country with which the U.S. has signed a bilateral Intergovernmental Agreement ("**IGA**"). IGAs are signed to facilitate implementation of FATCA and enhance broader international tax transparency. Under IGAs, respective countries implement FATCA regulations into their local law, and would require residents of such country to first determine if they are Financial Institutions ("**FIs**"), and the extent to which they need to perform FATCA obligations. General FATCA regulations would apply to residents of countries that have not entered into an IGA with the U.S.

D. Information Reporting and Backup Withholding

Certain payments, including certain payments of Claims pursuant to the Plan, payments of interest, and the proceeds from the sale or other taxable disposition of the Claims and Interests may be subject to information reporting to the IRS. Moreover, such reportable payments may be subject to backup withholding unless the taxpayer: (i) comes within certain exempt categories (which generally include corporations) or (ii) provides a correct taxpayer identification number and otherwise complies with applicable backup withholding provisions. In addition, Treasury regulations generally require disclosure by a taxpayer on its U.S. federal income tax return of certain types of transactions in which the taxpayer participated, including, among other types of transactions, certain transactions that result in the taxpayer's claiming a loss in excess of specified thresholds.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Holder's U.S. federal income tax liability, provided that the required information is furnished to the IRS on a timely basis. Holders are urged to consult their tax advisors regarding these regulations and whether the

transactions contemplated by the Plan would be subject to these regulations and require disclosure on the Holders' tax returns.

E. Importance of Obtaining Your Own Professional Tax Assistance

THE FOREGOING DISCUSSION IS INTENDED ONLY AS A SUMMARY OF CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING WITH A TAX PROFESSIONAL. THE ABOVE DISCUSSION IS FOR INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. THE TAX CONSEQUENCES ASSOCIATED WITH THE PLAN ARE IN MANY CASES UNCERTAIN AND MAY VARY DEPENDING ON A HOLDER'S INDIVIDUAL CIRCUMSTANCES. ACCORDINGLY, HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE PLAN.

X. CONFIRMATION OF THE PLAN

A. Confirmation Hearing

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

Notice of the Confirmation Hearing will be provided to all Holders of Claims against and Interests in the Debtors and other parties in interest (the "**Confirmation Notice**"). The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for an announcement of the adjourned date made at the Confirmation Hearing or any adjournment thereof. Objections to Confirmation of the Plan must be made in writing, specifying in detail the name and address of the person or entity objecting, the grounds for the objection, and the nature and amount of the Claim or Interest held by the objector. Objections must be filed with the Bankruptcy Court, together with proof of service, and served upon the parties so designated in the Confirmation Notice, on or before the time and date designated in the Confirmation Notice as being the last date for serving and filing objections to Confirmation of the Plan. Objections to Confirmation of the Plan are governed by Bankruptcy Rule 9014 and the local rules of the Bankruptcy Court.

The Plan may be modified if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest. The Confirmation Order shall approve all provisions, terms, and conditions of the Plan, unless such provisions, terms or conditions are otherwise satisfied or waived pursuant to the Plan provisions described in Article V – "The Plan."

B. Requirements for Confirmation of the Plan - Consensual Confirmation

In order to confirm the Plan, Section 1129 of the Bankruptcy Code requires that the Bankruptcy Court make a series of determinations concerning the Plan, including, without limitation: (a) that the Plan has classified Claims and Interests in a permissible manner; (b) that

the contents of the Plan comply with the requirements of the Bankruptcy Code; (c) that the Debtors have proposed the Plan in good faith; and (d) that the Debtors have made disclosures concerning the Plan which are adequate and include information concerning all payments made or promised in connection with the Plan and the Chapter 11 Cases. The Debtors believe that all of these conditions have been or will be met.

The Bankruptcy Code requires (unless the "cramdown" provisions of the Bankruptcy Code (as discussed below) are utilized or all Classes of Claims and Interests are Unimpaired), as a condition precedent to Confirmation, that the Plan be accepted by the requisite votes of each Class of Claims and Interests voting as separate Classes. Therefore, the Bankruptcy Court must find, in order to confirm the Plan, that the Plan has been duly accepted. In addition, the Bankruptcy Court must find that the Plan is feasible and that the Plan is in the "best interest" of all Holders of Claims against and Interests in the Debtors. Thus, even if Holders of Claims against or Interests in the Debtors were to accept the Plan by the requisite number of votes or all Classes of such Holders are all Unimpaired, the Bankruptcy Court would be required to make independent findings respecting the Plan's feasibility and whether the Plan is in the best interest of Holders of Claims against and Interests in the Debtors before it can confirm the Plan.

1. The Best Interest Test

Whether or not the Plan is accepted by each Impaired Class of Claims or Interests entitled to vote on the Plan or all Classes of Claims and Interests are Unimpaired, in order to confirm the Plan the Bankruptcy Court must, pursuant to Section 1129(a)(7) of the Bankruptcy Code, independently determine that the Plan is in the best interest of each Holder of an Impaired Claim or Interest that has not accepted the Plan. This requirement is satisfied if the Plan provides each non-accepting Holder of a Claim or Interest in such Impaired Class a recovery on account of such Holder's Claim or Interest that has a value, as of the Effective Date, at least equal to the value of the distribution each such Holder would receive in a liquidation of the Debtors under Chapter 7 of the Bankruptcy Code.

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

The Liquidation Value would be reduced by: (a) the allowed claims of secured creditors to the extent of the value of their collateral, and (b) the costs, fees, and expenses of the liquidation under Chapter 7, which would include: (i) the compensation of a trustee and its counsel and other professionals retained, (ii) disposition expenses, (iii) all unpaid expenses incurred by the Debtors during the Chapter 11 Cases (such as compensation for attorneys, financial advisors, investment bankers, brokers, auctioneers and accountants and the costs and expenses of members of any statutory committee of unsecured creditors appointed by the United

States Trustee pursuant to Section 1102 of the Bankruptcy Code and any other such appointed committee) that are allowed in a Chapter 7 case, (iv) litigation costs, and (v) Claims arising from the operation of the Debtors during the pendency of the Chapter 11 Cases and the Chapter 7 case. The liquidation itself would trigger certain Claims and would accelerate other priority payments which would otherwise be paid in the ordinary course. These Claims would be paid in full out of the liquidation proceeds before the balance would be made available to pay most other Claims or to make any distribution in respect of Interests. Liquidation would also involve the rejection of additional executory contracts and unexpired leases of the Debtors and substantial additional rejection damage Claims.

(a) **Estimated Liquidation Value**

Conway MacKenzie Management Services, LLC performed an assessment of the potential liquidation value of the Debtors as described herein based on information provided by the Debtors, conversations with the management of the Debtors, and an analysis of relevant market factors and conditions. Underlying the liquidation assessment are a number of estimates and assumptions that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Debtors. Accordingly, there can be no assurance that the values assumed in the assessment would be realized if the Debtors were in fact liquidated. A copy of the Debtors' liquidation analysis is annexed hereto as **Exhibit D**.

(b) **Comparison of Liquidation Values with Recoveries under Plan**

It is not possible to predict with certainty the outcome of liquidation of the Debtors' assets or the timing of any distribution to creditors due to various factors as more fully set forth in the liquidation analysis annexed hereto as **Exhibit D**. However, based on such liquidation analysis, the Debtors believe that the expected distributions under Chapter 7 of the Bankruptcy Code would result in lower distributions for Holders of Claims and Interests than that provided for in the Plan, and no Holder of a Claim or Interest would obtain a greater recovery on its Claim or Interest in a Chapter 7 liquidation case than it would obtain under the Plan.

2. Feasibility

Even if the Plan is accepted by each Class of Claims and Interests voting on the Plan, and even if the Bankruptcy Court determines that the Plan satisfies the best interest test, the Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtors, unless such liquidation or reorganization is proposed in the Plan.

The Debtors have analyzed their ability to meet their obligations under the Plan, and believe the Plan is feasible.

C. Requirements for Confirmation of the Plan - Non-Consensual Confirmation

Pursuant to Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm the Plan despite the non-acceptance of the plan by one or more impaired classes. This

procedure is commonly referred to as a "cramdown." Section 1129(b) of the Bankruptcy Code provides that upon request of the proponent of the Plan, the Bankruptcy Court shall confirm the Plan despite the lack of acceptance by an Impaired Class or Classes if the Bankruptcy Court finds that (a) the Plan does not discriminate unfairly with respect to each non-accepting Impaired Class, (b) the Plan is "fair and equitable" with respect to each non-accepting Impaired Class, (c) at least one Impaired Class has accepted the Plan (without counting acceptances by insiders), and (d) the Plan satisfies the requirements set forth in Bankruptcy Code Section 1129(a) other than Section 1129(a)(8).

1. The Plan is Fair and Equitable

The Bankruptcy Code establishes different "fair and equitable" tests for Holders of secured claims, unsecured claims and equity interests. As to a dissenting class, the test sets different standards, depending on the type of claims or interests in such class.

(a) **Secured Claims**

With respect to a Class of Secured Claims that does not accept the Plan, the Debtors must demonstrate to the Bankruptcy Court that either (a) the Holders of such Claims are retaining the liens securing such Claims and that each Holder of a Claim of such Class will receive on account of such Claim deferred cash payments totaling at least the Allowed amount of such Claim, of a value, as of the Effective Date, of at least the value of such Holder's interest in such property, (b) the Holders of such Claims will realize the indubitable equivalent of such Claims under the Plan, or (c) the Holders of such Claims will retain their Liens on the proceeds received by the Debtors with respect to the sale of such property.

(b) **Unsecured Claims**

With respect to a Class of unsecured Claims that does not accept the Plan, the Debtors must demonstrate to the Bankruptcy Court that either (a) each Holder of an unsecured Claim of the dissenting class receives or retains under the Plan property of a value equal to the Allowed amount of its unsecured Claim, or (b) the Holders of Claims or Interests that are junior to the Claims of the Holders of such unsecured Claims will not receive or retain any property under the Plan.

(c) **Equity Interests**

With respect to a class of equity Interests that does not accept the Plan, the Debtors must demonstrate to the Bankruptcy Court that (a) each Holder of an Interest of the dissenting Class receives or retains on account of such Interest property of a value equal to the greatest of the Allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled or the value of such Interest, or (b) the Holders of any equity Interest that is junior to the Interests of the Holders of such Class of equity Interest will not receive or retain any property under the Plan.

The Debtors believe the Plan is fair and equitable with respect to each Class.

2. No Unfair Discrimination

A chapter 11 plan "does not discriminate unfairly" with respect to a nonaccepting class if the value of the cash and/or securities to be distributed to the nonaccepting class is equal or otherwise fair when compared to the value of distributions to other classes whose legal rights are the same as those of the nonaccepting class. The Debtors believe that the Plan does not unfairly discriminate against any Class.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION THE PLAN

A. Alternative Plans

If the Plan is not confirmed, the Debtors (or, if the period during which the Debtors have the exclusive right to file a plan of reorganization has expired or is terminated by the Bankruptcy Court, any other party in interest) could attempt to formulate a different plan of reorganization. Such a plan might involve either a reorganization and continuation of the Debtors' business or an orderly liquidation of its assets.

Although alternative plans of reorganization are possible, the present Plan is the result of a thorough assessment of restructuring alternatives undertaken in consultation with key stakeholders. Accordingly, the Debtors believe the prospect of an alternative plan of reorganization that delivers greater value to economic stakeholders is remote.

B. Liquidation under Chapter 7 or Chapter 11

If the Plan is not confirmed by the Bankruptcy Court and consummated and an alternative plan of reorganization cannot be confirmed, then the alternatives include liquidation of the Debtors' assets under Chapter 7 or 11 of the Bankruptcy Code.

If a plan of reorganization is not confirmed (and in certain other circumstances), the Debtors' Chapter 11 Cases may be converted to cases under Chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to administer the Debtors' estates and to liquidate the assets of the Debtors for distribution to Holders of Claims and Interests in accordance with the priorities established by the Bankruptcy Code. (The Bankruptcy Code generally provides that a senior Class must be paid in full before any Class junior to it may receive any distribution). It is also possible to liquidate a debtor's assets under Chapter 11 of the Bankruptcy Code. A discussion of the potential effects that a liquidation would have on the recovery of Holders of Claims and Interests is set forth in the Liquidation Analysis contained in **Exhibit D**. As set forth therein, the Holders of Unsecured Claims are projected to receive no distribution on account of their claims in the event of a liquidation of the Debtors under Chapter 7.

In a liquidation, the unencumbered assets of the Debtors would be sold in exchange for cash, securities, or other property, which would then be distributed to creditors. However, the Debtors believe that a liquidation under Chapter 7 would result in no distributions other than to secured, priority, and administrative claimants due to, among other things, (i) the limited number and value of the Debtors' unencumbered assets, (ii) failure to realize the greater going concern value of the Debtors' assets and the erosion in value of assets in a Chapter 7 case due to the expeditious liquidation required and the "forced sale" atmosphere that would prevail, (iii) additional administrative expenses involved in the appointment of a trustee and professional

advisors to such trustee, and (iv) additional expenses and Claims, some of which would be entitled to priority, that would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of the Debtors' operations. In addition, liquidation is likely to result in substantial litigation and delays in ultimate distributions to creditors.

XII. THE SOLICITATION AND VOTING PROCEDURES

Pursuant to section 1126(f) of the Bankruptcy Code, Holders of Claims against the Debtors and Holders of Interests in the Debtors in a Class that is Unimpaired are conclusively presumed to have accepted the Plan. The Plan provides that each Class of Claims against the Debtors is Unimpaired, and that each Class of Interests in the Debtors is Unimpaired. Accordingly, all Holders of Claims against the Debtors and all Holders of Interests in the Debtors are not entitled to vote on the Plan. All such Holders are deemed to accept the Plan.

Nonetheless, all parties are encouraged to carefully review the Plan attached as **Exhibit A**, and described in Article V – "The Plan" herein. All descriptions of the Plan set forth in this Disclosure Statement are subject to the terms and conditions of the Plan.

XIII. RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that Confirmation and consummation of the Plan are preferable to all other alternatives. Consequently, the Debtors urge all Holders of Claims against the Debtors and of Interests in the Debtors to support the Plan.

Dated: May 24, 2017

Respectfully submitted,

OPTIMA SPECIALTY STEEL, INC.

Name: Michael S. Correra
Title: Chief Restructuring Officer

MICHIGAN SEAMLESS TUBE LLC

Name: Michael S. Correra
Title: Chief Restructuring Officer

NIAGARA LASALLE CORPORATION

Name: Michael S. Correra
Title: Chief Restructuring Officer

KES ACQUISITION COMPANY d/b/a
KENTUCKY ELECTRIC STEEL

Name: Michael S. Correra
Title: Chief Restructuring Officer

THE COREY STEEL COMPANY

Name: Michael S. Correra
Title: Chief Restructuring Officer

EXHIBIT A

pIN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
OPTIMA SPECIALTY STEEL, INC., *et al.*,	Case No. 16-12789 (KJC)
Debtors.[1]	Jointly Administered

FIRST AMENDED JOINT CHAPTER 11 PLAN OF REORGANIZATION OF OPTIMA SPECIALTY STEEL, INC. AND ITS AFFILIATED DEBTORS AND DEBTORS IN POSSESSION

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Counsel for Debtors and Debtors-in-Possession

Dated: Wilmington, Delaware
May 24, 2017

[1] The Debtors in these Chapter 11 Cases, along with the business addresses and the last four (4) digits of each Debtor's federal tax identification number, if applicable, are: Optima Specialty Steel, Inc., 200 S. Biscayne Blvd., Suite 5500, Miami, FL 33131-2310 (0641); Michigan Seamless Tube LLC, 400 McMunn Street, South Lyon, MI 48178 (3850); Niagara LaSalle Corporation, 1412 150th Street, Hammond, IN 46327 (0059); KES Acquisition Company d/b/a Kentucky Electric Steel, 2704 South Big Run Road, Ashland, KY 41102 (2858); and The Corey Steel Company, 2800 South 61st Court, Cicero, IL 60804 (0255).

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INTRODUCTION

Optima Specialty Steel, Inc. together with the other debtors and debtors-in-possession in the above-captioned Chapter 11 Cases, hereby propose this joint chapter 11 plan of reorganization for the resolution of outstanding Claims and Interests.[2] The Debtors are the proponents of this Plan within the meaning of section 1129 of the Bankruptcy Code. The distributions to be made to Holders of Claims are set forth herein.

PURSUANT TO 11 U.S.C. § 1126(f), HOLDERS OF CLAIMS AGAINST THE DEBTORS AND HOLDERS OF INTERESTS IN THE DEBTORS ARE NOT ENTITLED TO VOTE ON THE PLAN BECAUSE ALL CLASSES OF CLAIMS AND ALL CLASSES OF INTERESTS ARE UNIMPAIRED UNDER THE PLAN. NONETHELESS, ALL PARTIES ARE ENCOURAGED TO READ THE PLAN IN ITS ENTIRETY.

Subject to the restrictions and requirements set forth in section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in Article XIII of this Plan, the Debtors expressly reserve their rights to alter, amend, modify, revoke, or withdraw this Plan, one or more times, prior to this Plan's substantial consummation.

ARTICLE I

DEFINITIONS, RULES OF INTERPRETATION, AND COMPUTATION OF TIME

A. Scope of Definitions

For purposes of this Plan, except as expressly provided otherwise or unless the context requires otherwise, all capitalized terms not otherwise defined shall have the meanings ascribed to them in Article I.B of this Plan. Any term used in this Plan that is not defined herein, but is defined in the Bankruptcy Code or the Bankruptcy Rules, shall have the meaning ascribed to that term in the Bankruptcy Code or the Bankruptcy Rules.

B. Definitions

1.1 "**Administrative Claim**" means a Claim for payment of an administrative expense of a kind specified in section 503(b) of the Bankruptcy Code and entitled to priority pursuant to section 507(a)(2) of the Bankruptcy Code, including, but not limited to, the actual, necessary costs and expenses, incurred on or after the Petition Date, of preserving the Estates and operating the businesses of the Debtors, including wages, salaries, or commissions for services rendered after the commencement of the Chapter 11 Cases, Section 503(b)(9) Claims, Professional Claims, and all fees and charges assessed against the Estate under chapter 123 of title 28 of the United States Code.

1.2 "**Administrative Claim Request Form**" means the form to be included in the Plan Supplement for submitting Administrative Claim requests.

[2] Capitalized terms used herein shall have the meanings ascribed to them in Article I. B of this Plan.

1.3 "**Administrative Claims Bar Date**" means the deadline for filing proofs of or requests for payment of Administrative Claims, except for claims that arise under section 503(b)(9) of the Bankruptcy Code which were subject to the Bar Date Order entered by the Bankruptcy Court on March 10, 2017 (Docket No. 382), which shall be thirty (30) days after the Effective Date, unless otherwise ordered by the Bankruptcy Court, and except that no filing is required for the following: (i) DIP Claims (ii) Professional Claims, (iii) Administrative Claims Allowed by an order of the Bankruptcy Court on or before the Effective Date, or (iv) Administrative Claims that are not Disputed and arose in the ordinary course of business and were paid or are to be paid in accordance with the terms and conditions of the particular transactions giving rise to such Administrative Claims.

1.4 "**Affiliates**" has the meaning ascribed to such term by section 101(2) of the Bankruptcy Code.

1.5 "**Allowed**" means, for distribution purposes, a Claim or Interest, or any portion thereof, or a particular Class of Claims or Interests (a) that has been allowed by a Final Order of the Bankruptcy Court (or such other court as the Reorganized Debtors and the Holder of such Claim or Interest agree may adjudicate such Claim or Interest and objections thereto), (b) which is not the subject of a proof of Claim timely filed with the Bankruptcy Court and is Scheduled as liquidated and noncontingent, other than a Claim that is Scheduled at zero, in an unknown amount, or as disputed, but only to the extent such Claim is Scheduled as liquidated and noncontingent, (c) for which a proof of Claim in a liquidated amount has been timely filed with the Bankruptcy Court pursuant to the Bankruptcy Code, any Final Order of the Bankruptcy Court or other applicable bankruptcy law, and as to which either (i) no objection to its allowance has been filed within the periods of limitation fixed by this Plan, the Bankruptcy Code or by any order of the Bankruptcy Court or (ii) any objection to its allowance has been settled or withdrawn, or has been denied by a Final Order of the Bankruptcy Court, or (d) that is expressly allowed in a liquidated amount pursuant to this Plan. Pursuant to 11 U.S.C. § 503(b)(1)(D), Governmental Units need not file a Claim to request payment of an administrative expense relating to taxes under 11 U.S.C. § 503(b)(1)(B) or (C) as a condition of its being an allowed administrative expense.

1.6 "**Avoidance Actions**" means any and all actual or potential claims and causes of action to avoid a transfer of property or an obligation incurred by the Debtors and its recovery, subordination, or other remedies that may be brought by and on behalf of the Debtors and their Estates under the Bankruptcy Code or applicable non-bankruptcy law, including actions or remedies under section 502, 510, 542, 544, 545, 547 through 553, and 724(a) of the Bankruptcy Code.

1.7 "**Bankruptcy Code**" means the Bankruptcy Reform Act of 1978, as amended and codified in title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as in effect on the date hereof but, with respect to amendments to the Bankruptcy Code subsequent to commencement of the Chapter 11 Case, only to the extent that such amendments were made expressly applicable to bankruptcy cases which were filed as of the enactment of such amendments.

1.8 "**Bankruptcy Court**" means the United States Bankruptcy Court for the District of Delaware or such other court as may have jurisdiction over the Chapter 11 Case.

1.9 "**Bankruptcy Rules**" means the Federal Rules of Bankruptcy Procedure and the Official Bankruptcy Forms, as amended, the Federal Rules of Civil Procedure, as amended, as applicable to the Chapter 11 Case or proceedings therein, and the Local Rules of the Bankruptcy Court, as applicable to the Chapter 11 Case or proceedings therein, as the case may be.

1.10 "**Bar Date**" means the deadlines set by the Bankruptcy Court pursuant to the Bar Date Order or other Final Order for filing proofs of claim in the Chapter 11 Case, as the context may require, which was April 14, 2017, except for Governmental Units, for whom the Bar Date is June 14, 2017.

1.11 "**Bar Date Orders**" means the order entered by the Bankruptcy Court on March 10, 2017 (Docket No. 382), which established the Bar Date, and any subsequent order supplementing such order or relating thereto.

1.12 "**Business Day**" means any day, excluding Saturdays, Sundays, and "legal holidays" (as defined in Bankruptcy Rule 9006(a)), on which commercial banks are open for business in New York City.

1.13 "**Cash**" means legal tender of the United States of America and equivalents thereof.

1.14 "**Causes of Action**" means any and all actions, claims, proceedings, causes of action, suits, accounts, demands, controversies, agreements, promises, 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, including actions brought prior to the Petition Date, actions under chapter 5 of the Bankruptcy Code, including any Avoidance Action, and actions against any Entity for failure to pay for products or services provided or rendered by the Debtors, all claims, suits or proceedings relating to enforcement of the Debtors' intellectual property rights, including patents, copyrights and trademarks, and all claims or causes of action seeking recovery of the Debtors' or the Reorganized Debtors' accounts receivable or other receivables or rights to payment created or arising in the ordinary course of the Debtors' or the Reorganized Debtors' businesses, based in whole or in part upon any act or omission or other event occurring prior to the Petition Date or during the course of the Chapter 11 Cases, including through the Effective Date.

1.15 "**Charging Lien**" means (i) any lien or other priority in payment to which the DIP Agent is entitled under the DIP Facility, including reasonable fees, costs, expenses and indemnification, including the reasonable fees, costs and expenses of the DIP Agent's professionals, as set forth in the DIP Facility; or (ii) any lien or other priority in payment to which the Unsecured Notes Indenture Trustee is entitled under the Unsecured Notes Documents, including reasonable fees, costs, expenses and indemnification, including the reasonable fees,

costs and expenses of the Unsecured Notes Indenture Trustee's professionals, as set forth in the Unsecured Notes Documents.

1.16 "**Certificate**" means any instrument evidencing a Claim or an Interest.

1.17 "**Chapter 11 Cases**" means the chapter 11 cases of the Debtors pending in the Bankruptcy Court and being jointly administered under Case No. 16-12789 (KJC).

1.18 "**Claim**" means any claims against the Debtors, whether or not asserted, as defined in section 101(5) of the Bankruptcy Code, or an Administrative Claim, as applicable.

1.19 "**Claims Agent**" means Garden City Group, LLC.

1.20 "**Claims Objection Deadline**" means, as applicable (except for Administrative Claims), (a) the day that is the later of (i) the first Business Day that is at least one (1) year after the Effective Date and (ii) as to proofs of claim filed after the Bar Date, the first Business Day that is at least 180 days after a Final Order is entered deeming the late filed claim timely filed or (b) such later date as may be established by the Bankruptcy Court upon request of the Reorganized Debtors without further notice to parties-in-interest.

1.21 "**Class**" means a category of Holders of Claims or Interests classified together pursuant to sections 1122 and 1123(a)(1) of the Bankruptcy Code, as described in Article III of this Plan.

1.22 "**Collective Bargaining Agreements**" mean the (i) Agreement, dated July 19, 2014, between Niagara LaSalle Corporation and Progressive Steel Workers of Hammond, Inc.; (ii) Collective Bargaining Agreement, dated April 13, 2011, by and between Teamsters Local Union No. 731 affiliated with the International Brotherhood of Teamsters and Teamsters Joint Council No. 25 and Niagara LaSalle Corporation South Holland Maintenance Department; (iii) Collective Bargaining Agreement, dated September 15, 2012, by and between Teamsters Local Union No. 731 affiliated with the International Brotherhood of Teamsters and Teamsters Joint Council No. 25 and Niagara LaSalle Corporation South Holland Production Employees; (iv) Agreement, effective November 1, 2012, between Michigan Seamless Tube LLC and United Steelworkers AFL-CIO-CLC on behalf of its Local Union 1900; (v) Agreement, dated December 16, 2012, between KES Acquisition Company and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union; and (vi) Agreement, effective November 1, 2014, between The Corey Steel Company and United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union on behalf of Local 9777.

1.23 "**Confirmation**" means the entry, within the meaning of Bankruptcy Rules 5003 and 9012, of the Confirmation Order, subject to all conditions specified having been satisfied or waived.

1.24 "**Confirmation Date**" means the date on which Confirmation occurs.

1.25 "**Confirmation Hearing**" means the hearing before the Bankruptcy Court held under section 1128 of the Bankruptcy Code to consider confirmation of the Plan and related matters as such hearing may be adjourned or continued from time to time.

1.26 "**Confirmation Order**" means the order of the Bankruptcy Court confirming this Plan under section 1129 of the Bankruptcy Code, which order shall be reasonably acceptable to the Debtors, the Creditors' Committee, and the Plan Sponsor.

1.27 "**Creditors' Committee**" means the official committee of unsecured creditors appointed pursuant to section 1102(a) of the Bankruptcy Code in the Chapter 11 Cases on January 4, 2017, as may be reconstituted from time to time.

1.28 "**Creditor**" has the meaning ascribed to such term in section 101(10) of the Bankruptcy Code.

1.29 "**Cure**" means the payment or other honoring of all obligations required to be paid or honored in connection with assumption of an Executory Contract or Unexpired Lease pursuant to section 365 of the Bankruptcy Code, including (a) the cure of any non-monetary defaults to the extent required, if at all, pursuant to section 365 of the Bankruptcy Code, and (b) with respect to monetary defaults, the distribution, within a reasonable period of time following the Effective Date, of Cash, or such other property as may be agreed upon by the parties or ordered by the Bankruptcy Court, with respect to the assumption (or assumption and assignment) of an Executory Contract or Unexpired Lease, pursuant to section 365(b) of the Bankruptcy Code, in an amount equal to all unpaid monetary obligations or such other amount as may be agreed upon by the parties, under such Executory Contract or Unexpired Lease, to the extent such obligations are enforceable under the Bankruptcy Code and applicable non-bankruptcy law.

1.30 "**Cure Notice**" means the notice of proposed Cure amount provided to counterparties to assumed Executory Contracts or Unexpired Leases pursuant to Article 7.2(e) of the Plan.

1.31 "**Cure Objection Deadline**" means the deadline for filing objections to a Cure Notice or proposed Cure, which shall be on or before fourteen (14) days after the applicable counterparty was served with a Cure Notice.

1.32 "**D&O Insurance**" means insurance maintained by the Debtors which covers, among others, the directors and officers of the Debtors or any of them, including any runoff policies or tail coverage.

1.33 "**Debtors**" means, collectively, Optima Specialty Steel, Inc.; Michigan Seamless Tube LLC; Niagara LaSalle Corporation; KES Acquisition Company d/b/a Kentucky Electric Steel; and The Corey Steel Company.

1.34 "**DIP Agent**" means Cortland Capital Market Services LLC in its capacity as administrative agent, or any successor agent under the DIP Facility.

1.35 "**DIP Claims**" means, collectively, the DIP New Money Loan Claims and the DIP Replacement Loan Claims.

1.36 "**DIP Credit Agreement**" means that certain Senior Secured Super-Priority Debtor-In-Possession Credit Agreement, by and among the Debtors, the DIP Agent, and the DIP Lenders, as amended, supplemented, or otherwise modified from time to time, and all documents executed in connection therewith.

1.37 "**DIP Facility**" means the debtor-in-possession senior secured super-priority term loan credit facility, consisting of the DIP New Money Loan and the DIP Replacement Money Loan, provided to the Debtors by the DIP Lenders pursuant to the DIP Credit Agreement as authorized by the Bankruptcy Court pursuant to the DIP Order, as may be amended or modified from time to time.

1.38 "**DIP Lenders**" means the lenders from time to time party to the DIP Credit Agreement, as lenders.

1.39 "**DIP New Money Loan Claim**" means any Claim arising under the DIP Credit Agreement or DIP Order derived from, based upon, or as a result of the DIP New Money Loan, including, without limitation, all accrued and unpaid interest, fees, and expenses, arising and entitled to payment thereunder.

1.40 "**DIP New Money Loan**" means the multiple-draw term loan debtor-in-possession financing of up to $50,000,000 provided to the Debtors pursuant to the DIP Credit Agreement.

1.41 "**DIP Order**" means, collectively, (a) the interim order that was entered by the Bankruptcy Court on January 24, 2017 (Docket No. 257), (b) the final order that was entered by the Bankruptcy Court on February 28, 2017 (Docket No. 366), authorizing and approving the DIP Facility and the agreements related thereto, and (c) any and all orders entered by the Bankruptcy Court authorizing and approving amendments or modifications to the DIP Credit Agreement or either of the orders described in the foregoing clauses (a) and (b).

1.42 "**DIP Professionals**" means (a) (i) Latham & Watkins LLP, (ii) Richards Layton & Finger P.A. and (iii) Alvarez & Marsal Securities, LLC as advisors to DDJ Capital Management, LLC, (b) (i) Akin Gump Strauss Hauer & Feld LLP, (ii) Morris, Nichols, Arsht & Tunnell LLP and (iii) Berkley Research Group, LLC as advisors to the Minority DIP Lenders (as defined in the DIP Order), and (c) (i) Holland & Knight LLP and (ii) Cross & Simon LLC as advisors to the DIP Agent.

1.43 "**DIP Replacement Loan Claim**" means any Claim arising under the DIP Credit Agreement or DIP Order derived from, based upon, or as a result of the DIP Replacement Loan, including, without limitation, all accrued and unpaid interest, fees, and expenses, arising and entitled to payment thereunder.

1.44 "**DIP Replacement Loan**" means the single draw term loan in the principal amount of $161,662,000 made pursuant to the DIP Credit Agreement and the DIP Order, the proceeds of which were used to satisfy in full the prepetition secured note indebtedness of the Debtors.

1.45 "**Disallowed**" means (a) a Claim, or any portion thereof, that has been disallowed by a Final Order or a settlement, or as provided in this Plan, (b) a Claim or any portion thereof that is Scheduled at zero or as contingent, disputed, or unliquidated and as to which a proof of claim bar date has been established but no proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law, or (c) a Claim or any portion thereof that is not Scheduled and as to which a proof of claim bar date has been established but no proof of claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to either the Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed under applicable law.

1.46 "**Disclosure Statement**" means the written disclosure statement or any supplements thereto (including the Plan Supplement and all schedules thereto or referenced therein) that relates to this Plan, as such disclosure statement may be amended, modified, or supplemented from time to time, all as approved by an order of the Bankruptcy Court pursuant to sections 1125 and 1127 of the Bankruptcy Code and Bankruptcy Rule 3017.

1.47 "**Disclosure Statement Hearing**" means the hearing before the Bankruptcy Court to consider granting the relief requested under the Disclosure Statement Order and related matters as such hearing may be adjourned or continued from time to time.

1.48 "**Disclosure Statement Order**" means the Order entered by the Bankruptcy Court approving the Disclosure Statement as containing, among other things, "adequate information" as required by section 1125 of the Bankruptcy Code and solicitation procedures related thereto.

1.49 "**Disputed**" means any Claim, or any portion thereof, prior to it having become an Allowed Claim or a Disallowed Claim.

1.50 "**Distribution Agent**" means the Reorganized Debtors or such other Entity designated by the Reorganized Debtors on or after the Effective Date.

1.51 "**Distribution Date**" means, as applicable, (a) the Initial Distribution Date, or (b) a Periodic Distribution Date.

1.52 "**Distribution Record Date**" means the date for determining which Holders of Allowed Claims are eligible to receive distributions under the Plan, which shall be (a) the Effective Date, or (b) such other date as designated by an order of the Bankruptcy Court.

1.53 "**DTC**" means the Depository Trust Company, and its successors and assigns.

1.54 "**Effective Date**" means the date on which this Plan shall take effect, which date shall be a Business Day on or after the Confirmation Date on which all conditions precedent to the effectiveness of this Plan specified in Article 11.1, have been satisfied, or, if capable of being waived, waived, which date shall be specified in a notice filed by the Reorganized Debtors with the Bankruptcy Court.

1.55 "**Entity**" has the meaning ascribed to such term in section 101(15) of the Bankruptcy Code.

1.56 "**Equity Security**" has the meaning ascribed to such term in section 101(16) of the Bankruptcy Code.

1.57 "**ERISA**" means the Employee Retirement Income Security Act of 1974, 29 U.S.C. §§ 1001-1461 as amended, (2012, Supp. I 2013), and the regulations promulgated thereunder.

1.58 "**Estates**" means the bankruptcy estates of the Debtors created pursuant to section 541 of the Bankruptcy Code.

1.59 "**Event**" means any event, development, occurrence, circumstance or change.

1.60 "**Exchange Act**" means the Securities Exchange Act of 1934, as now in effect or hereafter amended.

1.61 "**Excluded DIP Obligations**" means all of the Debtors' contingent or unliquidated obligations (including indemnification and expense reimbursement obligations) with respect to the DIP Facility (excluding, in each case, the DIP Claims), to the extent that any such obligations have not been paid in full in Cash on the Effective Date. For the avoidance of doubt, Excluded DIP Obligations shall not include any of the fees and expenses of the DIP Agent or the DIP Professionals required to be paid in full in Cash on the Effective Date pursuant to Article 13.3 of the Plan.

1.62 "**Exculpated Claim**" means any Claim related to any act or omission in connection with, relating to, or arising out of the Debtors' restructuring, the Chapter 11 Cases, formulation, preparation, dissemination, negotiation, or filing of the Disclosure Statement, the Plan, the settlement of Claims or renegotiation of Executory Contracts or Unexpired Leases, the negotiation of the Plan, the DIP Credit Agreement, the Plan Support Agreement (including the term sheets attached thereto), the Plan Supplement, the Exit Revolver Facility, the Exit Term Loan Facility, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Disclosure Statement or Plan, the filing of the Chapter 11 Cases, the pursuit of Confirmation, the pursuit of consummation of the Plan, the administration, consummation, and implementation of the Plan, the distribution of property under the Plan, or any transaction contemplated by the Plan or Disclosure Statement, or in furtherance thereof; provided, however, that Claims relating to the Excluded DIP Obligations shall not constitute Exculpated Claims.

1.63 "**Exculpated Parties**" means, collectively, each of the following in their respective capacities as such: (a) the Debtors; (b) the Reorganized Debtors; (c) the Creditors' Committee and each of its members; and (d) with respect to each of the above-named Entities described in subsections (a) through (c), such Entity's respective predecessors, successors and assigns, and current and former stockholders, members, limited partners, general partners, equity holders, principals, partners, managed funds, parents, members, employees, agents, officers,

directors, managers, trustees, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants.

1.64 "**Executory Contract**" means any contract to which any of the Debtors is a party that is subject to assumption or rejection under sections 365 or 1123 of the Bankruptcy Code.

1.65 "**Exhibit**" means an exhibit contained in the Plan Supplement or annexed as an appendix to the Disclosure Statement.

1.66 "**Existing Optima Common Stock**" mean 100% of the existing shares of common stock of Optima, all of which is held by the Plan Sponsor.

1.67 "**Existing Optima Equity Interests**" means Existing Optima Common Stock and Other Optima Interests.

1.68 "**Exit Facilities**" means, collectively, the Exit Revolver Facility and the Exit Term Loan Facility.

1.69 "**Exit Facility Documents**" means the agreements, documents, instruments, and certificates relating to the Exit Facilities.

1.70 "**Exit Facility Perfection Documents**" means the financing statements and other documents that the Holder(s) of Liens under the Exit Facility Documents may file with the appropriate authorities to take possession of or control over to validate and perfect such Liens or security interests.

1.71 "**Exit Revolver Facility**" means that certain asset-based revolving credit facility in the principal amount of approximately $35.0 million pursuant to a new credit agreement, by and among the Reorganized Debtors, as borrowers, and the Exit Lenders, and all other documents entered into in connection therewith or contemplated thereby, the proceeds of which shall be used to fund the Debtors' and Reorganized Debtors' obligations under this Plan, provide liquidity and working capital to the Reorganized Debtors, pay fees and expenses relating to the Chapter 11 Cases, and for general corporate purposes.

1.72 "**Exit Revolver Facility Commitment Agreements**" means the commitment agreements, if any, regarding the Exit Revolver Facility in accordance with this Plan.

1.73 "**Exit Revolver Lenders**" means the lender or syndication of lenders party to the Exit Revolver Facility as of the Effective Date, who shall be reasonably acceptable to the Debtors and the Plan Sponsor, and each of the financial institutions from time to time party to the Exit Revolver Facility as lenders.

1.74 "**Exit Term Loan Facility**" means that certain delayed draw term loan credit facility in the principal amount of approximately $105.0 million pursuant to a new credit agreement, by and among the Reorganized Debtors, as borrowers, and the Exit Term Loan Lenders, and all other documents entered in connection therewith or contemplated thereby, the

proceeds of which shall be used to pay the DIP Claims, the Unsecured Notes Claims, and General Unsecured Claims, pay other obligations of the Debtors and Reorganized Debtors under the Plan, and fees and expenses related to the Chapter 11 Cases.

1.75 "**Exit Term Loan Facility Commitment Agreements**" means the commitment agreements regarding the Exit Term Loan Facility in accordance with this Plan.

1.76 "**Exit Term Loan Lenders**" means the lender or syndication of lenders party to the Exit Term Loan Facility as of the Effective Date, who shall be reasonably acceptable to the Debtors and the Plan Sponsor, and each of the financial institutions from time to time party to the Exit Term Loan Facility as lenders.

1.77 "**Face Amount**" means, (a) when used in reference to a Disputed Claim or Disallowed Claim, the full stated liquidated amount claimed by the Holder of a Claim in any proof of Claim, or amendment thereof in accordance with applicable law, timely filed with the Bankruptcy Court or otherwise deemed timely filed by any Final Order of the Bankruptcy Court or other applicable bankruptcy law, or the amount estimated for such Claim in an order of the Bankruptcy Court, and (b) when used in reference to an Allowed Claim or Allowed Interest, the Allowed amount of such Claim or Interest. If none of the foregoing applies, the Face Amount of the Claim shall be zero ($0) dollars.

1.78 "**Final Decree**" means a final decree entered by the Court closing all of the remaining Chapter 11 Cases pursuant to Bankruptcy Rule 3022.

1.79 "**Final Order**" means an order or judgment, the operation or effect of which has not been reversed, stayed, modified, or amended, is in full force and effect, and as to which order or judgment (or any reversal, stay, modification, or amendment thereof) (a) the time to appeal, seek certiorari, or request reargument or further review or rehearing has expired and no appeal, petition for certiorari, or request for reargument or further review or rehearing has been timely filed, or (b) any appeal that has been or may be taken or any petition for certiorari or request for reargument or further review or rehearing that has been or may be filed has been resolved by the highest court to which the order or judgment was appealed, from which certiorari was sought, or to which the request was made, and no further appeal or petition for certiorari or request for reargument or further review or rehearing has been or can be taken or granted; provided, however, that the possibility that a motion under Rule 60 of the Federal Rules of Civil Procedures, or any analogous rule under the Bankruptcy Rules, may be filed relating to such order shall not prevent such order from being a Final Order; provided, further, that the Debtors or Reorganized Debtors, as applicable, reserve their right to waive any appeal period for an order or judgment to become a Final Order.

1.80 "**General Unsecured Claim**" means any Claim that is not an Administrative Claim, DIP Claim, Priority Tax Claim, Other Priority Claim, Other Secured Claim, Unsecured Notes Indenture Trustee Fees, Unsecured Notes Claim, Intercompany Claim, or 510(b) Claim. Without limiting the foregoing, General Unsecured Claims include all (a) Rejection Damages Claims and (b) Reclamation Claims that are not Allowed Section 503(b)(9) Claims.

1.81 "**Governmental Unit**" has the meaning ascribed to such term in section 101(27) of the Bankruptcy Code.

1.82 "**Holdback Escrow Account**" means the interest-bearing escrow account into which Cash equal to the Holdback Escrow Amount shall be deposited on the Effective Date for the payment of Allowed Professional Claims to the extent not previously paid or disallowed.

1.83 "**Holdback Escrow Amount**" means the sum of (a) the aggregate amounts withheld by the Debtors as of the Effective Date as a holdback on payment of Professional Claims pursuant to the Professional Fee Order and (b) 100% of the unbilled fees of Professionals estimated pursuant to Article 2.3(b) of the Plan attributable to fees incurred as of the Effective Date; provided, however, that if a Professional does not provide an estimate pursuant to Article 2.3(b), the Debtors may estimate the unbilled fees of such Professional incurred as of the Confirmation Date, and the sum of provision (a) above and the total amount so estimated shall comprise the Holdback Escrow Amount.

1.84 "**Holder**" means a holder of a Claim against or Interest in the Debtors.

1.85 "**Impaired**" or "**Impairment**" means impaired or impairment within the meaning of section 1124 of the Bankruptcy Code.

1.86 "**Indemnification Obligations**" means obligations of the Debtors, if any, to indemnify, reimburse, advance, or contribute to the losses, liabilities, or expenses of an Indemnitee pursuant to the Debtors' certificate of incorporation or functional equivalent thereof, as applicable, bylaws or functional equivalent thereof, as applicable, policy of providing employee indemnification, applicable law, or specific agreement in respect of any claims, demands, suits, causes of action, or proceedings against an Indemnitee based upon any act or omission related to an Indemnitee's service with, for, or on behalf of the Debtors.

1.87 "**Indemnitee**" means all directors, officers, or employees of the Debtors, in each case employed by the Debtors or serving as a director or officer immediately prior to or as of the Effective Date and acting in their respective capacities as such immediately prior to the Effective Date, who are entitled to assert Indemnification Obligations.

1.88 "**Initial Distribution Date**" means the date selected by the Reorganized Debtors, in their sole discretion, upon which distributions to Holders of Allowed Claims entitled to receive distributions under this Plan shall commence, and which date shall have been communicated in advance by the Reorganized Debtors to the Creditors' Committee; provided, however, that such date shall occur within fourteen (14) calendar days of the Effective Date or as soon thereafter as is reasonably practicable.

1.89 "**Insurance Contract**" has the meaning ascribed to it in Article 7.3 of this Plan.

1.90 "**Insured Claims**" has the meaning ascribed to it in Article 7.3 of this Plan.

1.91 "**Intercompany Claim**" means a Claim (a) by any Debtor against another Debtor or (b) by any non-Debtor Affiliate against any of the Debtors.

1.92 "**Intercompany Interests**" means all Interests in the Subsidiary Debtors.

1.93 "**Interest**" means (a) the legal, equitable, contractual, and other rights (whether fixed or contingent, matured or unmatured, disputed or undisputed) of any Entity with respect to Existing Optima Common Stock, or any other Equity Securities or Other Optima Interests of the Debtors and (b) the legal, equitable, contractual and other rights (whether fixed or contingent, matured or unmatured, disputed or undisputed) of any Entity to purchase, sell, subscribe to, or otherwise acquire or receive (directly or indirectly) any of the foregoing.

1.94 "**Law**" means any law (statutory or common), statute, regulation, rule, code or ordinance enacted, adopted, issued, or promulgated by any Governmental Unit.

1.95 "**Legal Proceeding**" means legal, governmental, administrative, judicial, or regulatory investigations, audits, actions, suits, claims, arbitrations, demands, demand letters, notices of noncompliance or violation, or proceedings.

1.96 "**Lien**" has the meaning ascribed to such term in section 101(37) of the Bankruptcy Code.

1.97 "**Multi-Employer Plan**" means the multi-employer pension plan maintained for the employees of Debtor Michigan Seamless Tube LLC that are represented by Local Union 1900 of the United Steelworks AFL-CIO.

1.98 "**New Board**" means the initial board of directors or functional equivalent thereof, as applicable, of Reorganized Optima, which shall be determined in accordance with the Plan Support Agreement.

1.99 "**New Bylaws**" means the bylaws, limited liability company agreement, or functional equivalent thereof, as applicable, of the Reorganized Debtors, the forms of which shall be included in the Plan Supplement, in form and substance consistent with, and subject to, the Plan Support Agreement, and further subject to Article 6.10 hereof.

1.100 "**New Subsidiary Debtor Boards**" means the initial boards of directors of the Reorganized Debtors (other than Reorganized Optima), as determined by the Plan Sponsor.

1.101 "**Old Optima Securities**" means, collectively, the Unsecured Notes, and all other instruments evidencing an interest or right in or to the Unsecured Notes, and the Secured Notes, and all other instruments evidencing an interest or right in or to the Secured Notes.

1.102 "**Optima**" means Optima Specialty Steel, Inc., a Delaware corporation, debtor-in-possession in the above-captioned lead Chapter 11 Case, Case No. 16-12789 (KJC) pending in the Bankruptcy Court.

1.103 "**Ordinary Course Professionals Order**" means the Bankruptcy Court's Order Authorizing the Retention and Payment of Professionals Utilized by the Debtors in the Ordinary Course of Business (Docket No. 200).

1.104 "**Other Optima Interests**" means any and all options, warrants, call rights, puts, awards, or other agreements to acquire Existing Optima Common Stock.

1.105 "**Other Priority Claim**" means any Claim, other than an Administrative Claim or Priority Tax Claim, entitled to priority payment as specified in section 507(a) of the Bankruptcy Code.

1.106 "**Other Secured Claim**" means any Secured Claim other than a DIP Claim.

1.107 "**PBGC**" means the Pension Benefit Guaranty Corporation, a wholly-owned United States government corporation, and an agency of the United States created by ERISA.

1.108 "**Periodic Distribution Date**" means the particular Business Days (after the Initial Distribution Date) occurring every ninety (90) calendar days following the Effective Date on which periodic distributions, if any, will be made as required under this Plan.

1.109 "**Petition Date**" means December 15, 2016.

1.110 "**Plan**" means this plan of reorganization for the resolution of all outstanding Claims and Interests in the Chapter 11 Cases, as may be modified in accordance with the Bankruptcy Code and Bankruptcy Rules, including the Plan Supplement and all Exhibits, supplements, appendices, and schedules.

1.111 "**Plan Sponsor**" means Optima Acquisitions, LLC.

1.112 "**Plan Sponsor Contribution**" means a $200 million Cash equity contribution to Reorganized Optima to be made by the Plan Sponsor in accordance with the terms and conditions of the Plan and Plan Support Agreement.

1.113 "**Plan Support Agreement**" means that certain Plan Support Agreement by and among the Debtors and the Plan Sponsor, dated as of May 8, 2017, including the Plan Support Term Sheet, as may be amended, supplemented, restated, or otherwise modified from time to time in accordance with the terms therewith.

1.114 "**Plan Support Agreement Approval Order**" means the Final Order entered by the Bankruptcy Court authorizing the Debtors' entry into and approving the terms and conditions of the Plan Support Agreement.

1.115 "**Plan Supplement**" means the supplement or supplements to the Plan containing certain Exhibits and documents relevant to the implementation of the Plan, to be filed with the Bankruptcy Court on or before the Plan Supplement Filing Date, and including: (a) the New Corporate Governance Documents, (b) the Schedule of Rejected Executory Contracts and

Unexpired Leases, (c) a list of retained Causes of Action, (d) the Administrative Claim Request Form, and (e) to the extent known, the New Board.

1.116 "**Plan Supplement Filing Date**" means the date on which the Plan Supplement shall be filed with the Bankruptcy Court, which date shall be May 12, 2017 or such later date as may be approved by the Bankruptcy Court without further notice.

1.117 "**Plan Transaction Documents**" means all definitive documents and agreements to which the Debtors will be a party as contemplated by the Plan Support Agreement and the Plan, including (a) the motion to approve the Plan Support Agreement and the Plan Support Agreement Approval Order; (b) the Plan and any documentation or agreements related thereto; (c) the Confirmation Order and pleadings in support of entry thereof; (d) the Disclosure Statement, the motion to approve the Disclosure Statement, and the Disclosure Statement Approval Order; (e) the Exit Revolver Facility Commitment Agreements and any documentation or agreements relating thereto; (f) the Exit Term Loan Facility Commitment Agreements and any documentation or agreements related thereto, (g) the documents comprising the Exit Facilities and any documentation or agreements related thereto; and (h) all documents that will comprise the Plan Supplement. The form and substance of each document comprising the Plan Transaction Documents shall be acceptable to the Plan Sponsor. The terms of the Plan Transaction Documents shall not result in any further issuance of Existing Optima Common Stock or any dilution to or Impairment of Existing Optima Common Stock

1.118 "**Priority Tax Claim**" means a Claim of a Governmental Unit entitled to priority pursuant to section 507(a)(8) of the Bankruptcy Code.

1.119 "**Pro Rata**" means the proportion that an Allowed Claim or Allowed Interest in a particular Class bears to the aggregate amount of Allowed Claims or Allowed Interests in that Class, or the proportion that Allowed Claims or Allowed Interests in a particular Class bear to the aggregate amount of Allowed Claims or Allowed Interests in a particular Class and other Classes entitled to share in the same recovery as such Allowed Claim or Allowed interests under the Plan.

1.120 "**Professional**" means any Entity retained in the Chapter 11 Case by separate Final Order pursuant to sections 327, 363, and 1103 of the Bankruptcy Code or otherwise; provided, however, that Professional does not include any Entity retained pursuant to the Ordinary Course Professionals Order or any of the DIP Professionals.

1.121 "**Professional Claim**" means an Administrative Claim of a Professional for compensation for services rendered or reimbursement of costs, expenses, or other charges and disbursements incurred relating to services rendered or expenses incurred after the Petition Date and prior to and including the Confirmation Date.

1.122 "**Professional Fee Order**" means the order entered by the Bankruptcy Court on January 17, 2017 (Docket No. 190), authorizing the interim payment of Professional Claims subject to the Holdback Escrow Amount.

1.123 "**Reclamation Claim**" means any Claim for the reclamation of goods delivered to the Debtors asserted under section 546(c) of the Bankruptcy Code.

1.124 "**Reinstated**" or "**Reinstatement**" means (a) leaving unaltered the legal, equitable and contractual rights to which a Claim or Interest entitles the Holder of such Claim or Interest so as to leave such Claim or Interest Unimpaired in accordance with section 1124 of the Bankruptcy Code, or (b) notwithstanding any contractual provision or applicable law that entitles the Claim Holder to demand or receive accelerated payment of such Claim after the occurrence of a default, (i) curing any such default that occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2) of the Bankruptcy Code; (ii) reinstating the maturity of such Claim as such maturity existed before such default; (iii) compensating the Claim Holder for any damages incurred as a result of any reasonable reliance by such Claim Holder on such contractual provision or such applicable law; and (iv) not otherwise altering the legal, equitable or contractual rights to which such Claim entitles the Claim Holder; provided, however, that any contractual right that does not pertain to the payment when due of principal and interest on the obligation on which such Claim is based, including, but not limited to, financial covenant ratios, negative pledge covenants, covenants or restrictions on merger or consolidation, "going dark" provisions, and affirmative covenants regarding corporate existence prohibiting certain transactions or actions contemplated by this Plan, or conditioning such transactions or actions on certain factors, shall not be required to be cured or Reinstated in order to accomplish Reinstatement.

1.125 "**Rejection Damages Claim**" means any Claim on account of the rejection of an Executory Contract or Unexpired Lease pursuant to section 365 of the Bankruptcy Code or the repudiation of such contract.

1.126 "**Released Parties**" means each of the following in their respective capacities as such: (a) the Debtors; (b) the Reorganized Debtors; (c) the Plan Sponsor; (d) the Secured Notes Indenture Trustee; and (e) with respect to each of the above-named Entities described in subsections (a) through (c), such Entity's respective predecessors, successors and assigns, and current and former stockholders, members, limited partners, general partners, equity holders, principals, partners, managed funds, parents, members, employees, agents, officers, directors, managers, trustees, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants.

1.127 "**Releasing Parties**" means each of the following in their respective capacities as such: (a) the Released Parties, (b) all Holders of Claims and Interests, and (c) with respect to each of the foregoing Entities in subparts (a) and (b), their respective current and former officers, directors, managers, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals.

1.128 "**Reorganized Debtors**" means the Debtors or any successors thereto, by merger, consolidation, or otherwise, from and after the Effective Date.

1.129 "**Reorganized Optima**" means Optima upon consummation of the Plan on the Effective Date.

1.130 "**Schedule of Rejected Executory Contracts and Unexpired Leases**" means the schedule of certain Executory Contracts and Unexpired Leases to be rejected by the Debtors pursuant to the Plan, in the form filed as part of the Plan Supplement, as the same may

be amended, modified, or supplemented from time to time, in each case and in all respects subject to the Plan Support Agreement.

1.131 "**Scheduled**" means, with respect to any Claim, the status, priority, and amount, if any, of such Claim as set forth in the Schedules.

1.132 "**Schedules**" means the schedules of assets and liabilities and the statements of financial affairs filed in the Chapter 11 Cases by the Debtors pursuant to section 521 of the Bankruptcy Code, which incorporate by reference the global notes and statement of limitations, methodology, and disclaimer regarding the Debtors' schedules and statements, as such schedules or statements have been or may be further modified, amended, or supplemented from time to time in accordance with Bankruptcy Rule 1009 or Final Orders of the Bankruptcy Court.

1.133 "**Section 503(b)(9) Claim**" means any Claim asserted under section 503(b)(9) of the Bankruptcy Code equal to the value of any goods received by the Debtors within 20 days before the Petition Date in which the goods have been sold to the Debtors in the Debtors' ordinary course of business.

1.134 "**Secured Claim**" means a Claim (a) secured by a Lien on collateral to the extent of the value of such collateral, as determined in accordance with section 506(a) of the Bankruptcy Code or (b) subject to a valid right of setoff pursuant to section 553 of the Bankruptcy Code.

1.135 "**Secured Notes**" means the 12.500% senior secured notes due December 15, 2016 issued pursuant to the Secured Notes Indenture.

1.136 "**Secured Notes Documents**" means, collectively, the Secured Notes Indenture, and all other agreements, documents, and instruments delivered or entered into in connection therewith (including any guarantee agreements, pledge and collateral agreements, intercreditor agreements, and other security documents).

1.137 "**Secured Notes Indenture**" means that certain Indenture, dated as of December 5, 2011, by and among Optima, the guarantors party thereto, and the Secured Notes Indenture Trustee, as amended, supplemented or otherwise modified from time to time.

1.138 "**Secured Notes Indenture Trustee**" means Wilmington Trust, National Association, FSB, in its capacity as the indenture trustee and collateral agent under the Secured Notes Indenture.

1.139 "**Secured Notes Indenture Trustee Fees**" means any reasonable and documented fees, costs, expenses, disbursements and advances incurred or made by the Secured Notes Indenture Trustee (a) prior to, on or after the Petition Date, but prior to the Effective Date, that are the obligations of the Debtors pursuant to the terms of the Secured Notes Documents and (b) after the Effective Date in connection with (x) the release of liens on or transfer of any Collateral (as defined in the Secured Notes Documents) pursuant to the Secured Notes Documents, and (y) any other action undertaken by the Secured Notes Indenture Trustee in

accordance with the terms of the Secured Notes Documents or at the request of the Debtors or the Reorganized Debtors.

1.140 "**Securities Act**" means the Securities Act of 1933, as now in effect or hereafter amended, and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder.

1.141 "**Security**" has the meaning ascribed to such term in section 2(a)(1) of the Securities Act.

1.142 "**Servicer**" means any indenture trustee, agent (including the DIP Agent), servicer, or other authorized representative of Holders of Claims or Interests recognized by the Debtors.

1.143 "**Single Employer Plan**" means the Niagara LaSalle Corporation & LaSalle Steel Company Pension Plan, the single employer defined benefit plan maintained by Niagara LaSalle Corporation for the benefit of certain of its employees.

1.144 "**Subsidiary Debtors**" means each of the Debtors other than Optima.

1.145 "**Unclaimed Distribution**" means any distribution under the Plan on account of an Allowed Claim to a Holder that has not: (a) accepted a particular distribution or, in the case of distributions made by check, negotiated such check; (b) given notice to the Reorganized Debtors of an intent to accept a particular distribution; (c) responded to the Debtors' or Reorganized Debtors' request for information necessary to facilitate a particular distribution; or (d) taken any other action necessary to facilitate such distribution.

1.146 "**Unexpired Lease**" means a lease of nonresidential real property to which any of the Debtors is a party that is subject to assumption or rejection under section 365 of the Bankruptcy Code.

1.147 "**Unimpaired**" means, with respect to a Class of Claims, a Class of Claims that is not Impaired.

1.148 "**Unsecured Claim**" means an Unsecured Notes Claim or a General Unsecured Claim.

1.149 "**Unsecured Noteholder**" means a Holder of Unsecured Notes.

1.150 "**Unsecured Notes**" means the 12.00% senior unsecured notes due December 30, 2016 issued pursuant to the Unsecured Notes Indenture.

1.151 "**Unsecured Notes Claim**" means a Claim arising under the Unsecured Notes Documents, including any claim of an Unsecured Noteholder, arising under, derived from, based upon, or related to the Unsecured Notes or other Unsecured Notes Documents.

1.152 "**Unsecured Notes Documents**" means, collectively, the Unsecured Notes, the Unsecured Notes Indenture, and all other agreements, documents, and instruments

delivered or entered into in connection therewith (including any guarantee agreements, pledge and collateral agreements, intercreditor agreements, and other security documents).

1.153 "**Unsecured Notes Indenture**" means that certain Indenture, dated as of January 29, 2015, by and among Optima, the guarantors party thereto, and the Unsecured Notes Indenture Trustee, as amended, supplemented or otherwise modified from time to time.

1.154 "**Unsecured Notes Indenture Trustee**" means Wilmington Savings Fund Society, FSB, in its capacity as the successor indenture trustee for the Unsecured Notes appointed under the Unsecured Notes Indenture.

1.155 "**Unsecured Notes Indenture Trustee Fees**" means any reasonable and documented fees, costs, expenses, disbursements and advances incurred or made by or owed to the Unsecured Notes Indenture Trustee prior to, on or after the Petition Date, but prior to the Effective Date, that are the obligations of the Debtors pursuant to the terms of the Unsecured Notes Documents.

C. Rules of Interpretation

For purposes of this Plan, unless otherwise provided herein, (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, shall include both the singular and the plural; (b) each pronoun stated in the masculine, feminine, or neuter includes the masculine, feminine, and neuter; (c) any reference in the Plan to an existing document or schedule filed or to be filed means such document or schedule, as it may have been or may be amended, modified, or supplemented; (d) any reference to an entity as a Holder of a Claim or Interest includes that entity's successors and assigns; (e) all references in this Plan to Sections, Articles, and Exhibits are references to Sections, Articles, and Exhibits of or to this Plan; (f) the words "herein," "hereunder," and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be a part of or to affect the interpretation of this Plan; (h) the rules of construction set forth in section 102 of the Bankruptcy Code shall apply; (i) to the extent the Disclosure Statement is inconsistent with the terms of this Plan, this Plan shall control; (j) to the extent this Plan is inconsistent with the Confirmation Order, the Confirmation Order shall control; (k) references to "shares," "shareholders," "directors," and/or "officers" shall also include "membership units," "members," "managers," or other functional equivalents, as applicable, as such terms are defined under the applicable state limited liability company or alternative comparable laws, as applicable; and (l) any immaterial effectuating provision may be interpreted by the Reorganized Debtors in a manner that is consistent with the overall purpose and intent of the Plan without further Final Order of the Bankruptcy Court.

D. Computation of Time

In computing any period of time prescribed or allowed by this Plan, unless otherwise expressly provided, the provisions of Bankruptcy Rule 9006(a) shall apply.

E. References to Monetary Figures

All references in this Plan to monetary figures shall refer to currency of the United States of America, unless otherwise expressly provided.

F. Exhibits

All Exhibits are incorporated into and are a part of this Plan as if set forth in full herein and such Exhibits shall be filed with the Bankruptcy Court on or before the Plan Supplement Filing Date. After the Plan Supplement Filing Date, copies of Exhibits may be obtained upon email request to the Claims Agent at OMAInfo@gardencitygroup.com, or by downloading such exhibits from the Debtors' informational website at http://cases.gardencitygroup.com/oma/index.php.

ARTICLE II

ADMINISTRATIVE EXPENSES AND PRIORITY CLAIMS

2.1 Administrative Claims. Except to the extent that the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, and a Holder of an Allowed Administrative Claim agree to a less favorable treatment, a Holder of an Allowed Administrative Claim (other than a DIP Claim, which shall be subject to Article 2.2 of this Plan, or a Professional Claim, which shall be subject to Article 2.3 of this Plan) shall receive, in full satisfaction, settlement, release, and discharge of, and in exchange for, such Allowed Administrative Claim, Cash equal to the unpaid portion of such Allowed Administrative Claim (and, in the case of Section 503(b)(9) Claims, post-Petition Date interest (if any) on terms and in an amount equal to post-Petition Date interest (if any) paid to General Unsecured Claims under Article 4.4(b) of the Plan) either (a) on the later of (x) the Initial Distribution Date; or (y) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when an Administrative Claim becomes an Allowed Administrative Claim or (ii) 30 days after the date when an Administrative Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Administrative Claim; or (b) if the Allowed Administrative Claim is based on liabilities incurred by the Debtors in the ordinary course of their business after the Petition Date, in the ordinary course of business in accordance with the terms and conditions of the particular transaction giving rise to such Allowed Administrative Claims, without any further action by the Holders of such Allowed Administrative Claims; provided, however, that other than Holders of (i) a DIP Facility Claim, (ii) a Professional Claim, (iii) an Administrative Claim Allowed by an order of the Bankruptcy Court on or before the Effective Date, or (iv) an Administrative Claim that is not Disputed and arose in the ordinary course of business and was paid or is to be paid in accordance with the terms and conditions of the particular transaction giving rise to such Administrative Claim, the Holder of any Administrative Claim shall have filed a proof of Claim form no later than the Administrative Claims Bar Date and such Claim shall have become an Allowed Claim. Except as otherwise provided herein and as set forth in Articles 2.2 or 2.3 of this Plan, all requests for payment of an Administrative Claim must be filed, in substantially the form of the Administrative Claim Request Form contained in the Plan Supplement, with the Claims Agent and served on counsel for the Debtors or the Reorganized Debtors, as applicable, no later than the Administrative

Claims Bar Date. Any request for payment of an Administrative Claim pursuant to this Article 2.1 that is not timely filed and served shall be Disallowed automatically without the need for any objection from the Reorganized Debtors. The Reorganized Debtors may settle an Administrative Claim without further Bankruptcy Court approval. In the event that the Reorganized Debtors object to an Administrative Claim and there is no settlement, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim.

2.2 DIP Claims. Pursuant to the DIP Order, all DIP Claims are Allowed.

(a) DIP Replacement Loan Claims. In full and final satisfaction, settlement, release, and discharge of and in exchange for each and every DIP Replacement Loan Claim, on the Effective Date, each Holder of a DIP Replacement Loan Claim shall be paid in full in Cash from the proceeds of the Exit Facilities and Plan Sponsor Contribution, with such payments to be distributed to the DIP Agent on the Effective Date for the ratable benefit of the Holders of DIP Replacement Loan Claims.

(b) DIP New Money Loan Claims. In full and final satisfaction, settlement, release, and discharge of and in exchange for each and every DIP New Money Loan Claim, on the Effective Date, each Holder of DIP New Money Loan Claims shall be paid in full in Cash from the proceeds of the Exit Facilities and Plan Sponsor Contribution (after satisfying the DIP Replacement Loan Claims), with such payments to be distributed to the DIP Agent on the Effective Date for the ratable benefit of the Holders of DIP New Money Loan Claims.

Upon the Effective Date, and upon receipt by the DIP Agent of Cash in the full amount of the DIP Claims, all Liens and security interests granted to secure the DIP Facility shall be deemed discharged, cancelled, and released and shall be of no further force and effect. To the extent that the DIP Lenders or the DIP Agent have filed or recorded publicly any Liens and/or security interests to secure the Debtors' obligations under the DIP Facility, the DIP Lenders or the DIP Agent, as the case may be, shall take any commercially reasonable steps requested by the Debtors or the Reorganized Debtors, at the expense of the Reorganized Debtors, that are necessary to cancel and/or extinguish such publicly-filed Liens and/or security interests.

2.3 Professional Claims.

(a) Final Fee Applications. All final requests for payment of Professional Claims and requests for reimbursement of expenses of members of the Creditors' Committee must be filed no later than forty-five (45) days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code, the Bankruptcy Rules and prior orders of the Bankruptcy Court, the Allowed amounts of such Professional Claims shall be determined by the Bankruptcy Court.

(b) Payment of Interim Amounts. Subject to the Holdback Escrow Amount, on the Effective Date, the Reorganized Debtors shall pay all amounts owing to Professionals for all outstanding amounts billed relating to prior periods through the Effective Date as to which no objection has been filed. No later than five (5) Business Days prior to the Effective Date, the Professionals shall estimate fees and expenses due for periods that have not or will not have been billed as of the Effective Date and shall deliver such estimate to counsel for

the Debtors and such estimate shall be included in the Holdback Escrow Amount. For the avoidance of doubt, no such estimate shall be deemed to limit the amount of the fees and expenses that are the subject of a professional's final request for payment of professional claims filed with the Bankruptcy Court. As soon as reasonably practicable after the Effective Date, a Professional seeking payment for estimated amounts as of the Effective Date shall submit a detailed invoice covering such period. Upon receipt of such invoice, the Debtors shall pay from the Holdback Escrow Account 80% of the invoiced fees and 100% of the invoiced expenses.

(c) Holdback Escrow Account. On the Effective Date, the Reorganized Debtors shall fund the Holdback Escrow Account with Cash equal to the aggregate Holdback Escrow Amount for all Professionals. The Distribution Agent shall maintain the Holdback Escrow Account in trust for the Professionals with respect to whom fees have been held back pursuant to the Professional Fee Order. Such funds shall not be considered property of the Debtors, the Reorganized Debtors, or the Estates. Following any payments from the Holdback Escrow Account as set forth in Article 2.3(b) above, the remaining amount of Professional Claims owing to the Professionals shall be paid to such Professionals by the Distribution Agent from the Holdback Escrow Account when such claims are finally Allowed by the Bankruptcy Court. When all Professional Claims have been paid in full, amounts remaining in the Holdback Escrow Account, if any, shall be paid to the Reorganized Debtors.

(d) Post-Effective Date Retention. Upon the Effective Date, any requirement that Professionals comply with sections 327 through 331 of the Bankruptcy Code in seeking retention or compensation for services rendered after such date shall terminate, and the Reorganized Debtors shall employ and pay Professionals in the ordinary course of business (including the reasonable fees and expenses incurred by Professionals in preparing, reviewing, prosecuting, defending, or addressing any issues with respect to final fee applications).

2.4 Priority Tax Claims. On the later of (a) the Initial Distribution Date or (b) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Priority Tax Claim becomes an Allowed Priority Tax Claim or (ii) 30 days after the date when a Priority Tax Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Priority Tax Claim, except to the extent that the Debtors (or Reorganized Debtors) and a Holder of an Allowed Priority Tax Claim agree to a less favorable treatment, each Holder of an Allowed Priority Tax Claim due and payable on or before the Effective Date shall receive one of the following treatments on account of such Claim: (a) Cash in an amount equal to the amount of such Allowed Priority Tax Claim, (b) Cash in an amount agreed to by the Debtors (or the Reorganized Debtors) and such Holder, provided, however, that such parties may further agree for the payment of such Allowed Priority Tax Claim to occur at a later date, or (c) at the sole option of the Debtors, Cash in the aggregate amount of such Allowed Priority Tax Claim payable in installment payments over a period of not more than five (5) years after the Petition Date pursuant to section 1129(a)(9)(C) of the Bankruptcy Code. To the extent any Allowed Priority Tax Claim is not due and owing on the Effective Date, such Claim shall be paid in full in Cash in accordance with the terms of any agreement between the Debtors and the Holder of such Claim, or as may be due and payable under applicable non-bankruptcy law or in the ordinary course of business.

ARTICLE III

CLASSIFICATION, TREATMENT, AND VOTING OF CLAIMS AND INTERESTS

3.1 Classification of Claims and Interests.

(a) The Plan is a single plan of reorganization for the jointly administered Chapter 11 Cases, but does not constitute a substantive consolidation of the Debtors' Estates except for the limited purpose set forth in Article 6.1 below. The Plan, though proposed jointly, constitutes a separate plan for each of the Debtors for all other purposes. Therefore, all Claims against and Interests in a particular Debtor are placed in the Classes set forth below with respect to such Debtor. Classes that are not applicable as to a particular Debtor or group of Debtors shall be eliminated as set forth more fully in Article 5.2 below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims of the kinds specified in sections 507(a)(1) and 507(a)(8) of the Bankruptcy Code have not been classified and their treatment is set forth in Article II above.

(b) Pursuant to sections 1122 and 1123 of the Bankruptcy Code, set forth below is a designation of classes of Claims against and Interests in the Debtors. A Claim or Interest is placed in a particular Class for the purposes of, to the extent applicable, receiving distributions pursuant to the Plan only to the extent that such Claim or Interest is an Allowed Claim or an Allowed Interest in that Class and such Claim or Interest has not been paid, released, or otherwise settled prior to the Effective Date.

(c) Claims and Interests are divided into numbered Classes as set forth below:

Class	Claim or Interest	Status	Voting Rights
1	Other Priority Claims	Unimpaired	Deemed to Accept
2	Other Secured Claims	Unimpaired	Deemed to Accept
3-A	Unsecured Notes Claims	Unimpaired	Deemed to Accept
3-B	General Unsecured Claims	Unimpaired	Deemed to Accept
4	Intercompany Claims	Unimpaired	Deemed to Accept
5	Intercompany Interests	Unimpaired	Deemed to Accept
6	Interests in Optima	Unimpaired	Deemed to Accept

ARTICLE IV

PROVISIONS FOR TREATMENT OF CLAIMS AND INTERESTS

4.1 Class 1 – Other Priority Claims.

(a) Classification: Class 1 consists of all Other Priority Claims.

(b) Treatment: Except as otherwise provided in and subject to Article 9.5 of this Plan, and except to the extent that a Holder of an Allowed Class 1 Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 1 Claim, each such Holder of an Allowed Class 1 Claim shall be paid in full in Cash on the later of (a) the Initial Distribution Date or (b) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Class 1 Claim becomes an Allowed Class 1 Claim or (ii) 30 days after the date when a Class 1 Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Class 1 Claim; provided, however, that Other Priority Claims that arise in the ordinary course of the Debtors' business and which are not due and payable on or before the Effective Date shall be paid in the ordinary course of business in accordance with the terms thereof.

(c) Voting: Class 1 is Unimpaired, and Holders of Allowed Class 1 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 1 Claims are not entitled to vote to accept or reject the Plan.

4.2 Class 2 – Other Secured Claims.

(a) Classification: Class 2 consists of all Other Secured Claims.

(b) Treatment: Except as otherwise provided in and subject to Article 9.5 of this Plan, and except to the extent that a Holder of an Allowed Class 2 Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release and discharge of and in exchange for each and every Allowed Class 2 Claim, each such Holder of an Allowed Class 2 Claim shall, at the election of the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable:

(i) have its Allowed Class 2 Claim Reinstated and rendered Unimpaired on the Effective Date in accordance with section 1124(2) of the Bankruptcy Code, notwithstanding any contractual provision or applicable non-bankruptcy law that entitles the Holder of an Allowed Class 2 Claim to demand or receive payment of such Allowed Class 2 Claim prior to the stated maturity of such Allowed Class 2 Claim from and after the occurrence of a default;

(ii) be paid in full in Cash in an amount equal to such Allowed Class 2 Claim, including postpetition interest, if any, on such Allowed Class 2 Claim required to be paid pursuant to section 506 of the Bankruptcy Code, on the later of (a) the Initial Distribution

Date or (b) the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Class 2 Claim becomes an Allowed Class 2 Claim or (ii) 30 days after the date when a Class 2 Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Class 2 Claim; or

(iii) receive the collateral securing its Allowed Class 2 Claim.

Nothing in this Article 4.2 or elsewhere in this Plan shall preclude the Reorganized Debtors, as applicable, from challenging the validity of any alleged Lien or any asset of the Debtors or the value of the property that secures any alleged Lien.

(c) Voting: Class 2 is Unimpaired, and Holders of Allowed Class 2 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 2 Claims are not entitled to vote to accept or reject the Plan.

4.3 Class 3-A – Unsecured Notes Claims.

(a) Classification: Class 3-A consists of all Unsecured Notes Claims.

(b) Treatment: Except to the extent that a Holder of an Allowed Class 3-A Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 3-A Claim, on or as soon as reasonably practicable after the Effective Date, each Holder of an Allowed Class 3-A Claim shall receive cash in an amount equal to 100% of such Allowed Claim, plus post-Petition Date interest (if any) for the period between the Petition Date and the Effective Date at the Federal judgment rate or such other rate as minimally necessary (only if payment of interest is required) to leave such Allowed Class 3-A Claim Unimpaired.

(c) Voting: Class 3-A is Unimpaired and Holders of Allowed Class 3-A Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Order. Therefore, Holders of Allowed Class 3-A Claims are not entitled to vote to accept or reject the Plan.

4.4 Class 3-B – General Unsecured Claims.

(a) Classification: Class 3-B consists of all General Unsecured Claims.

(b) **Treatment:** Except as otherwise provided in and subject to Article 9.5 of the Plan, and except to the extent that a Holder of an Allowed Class 3-B Claim agrees to a less favorable treatment, in full and final satisfaction, settlement, release, and discharge of and in exchange for each and every Allowed Class 3-B Claim, each Holder of an Allowed Class 3-B Claim shall receive the following treatment: (a) in the case of Allowed Class 3-B Claims that are not due and payable as of the Effective Date, each such Claim shall be reinstated (in accordance with section 1124(2) of the Bankruptcy Code) and paid in the ordinary course of business pursuant to the respective terms relating to such Claim; or (b) in the case of Allowed Class 3-B Claims that are due and payable as of the Effective Date, each such Claim shall be paid in full in Cash in an amount equal to 100% of the Allowed amount of such Claim, plus post-Petition Date

interest at three percent (3%) per annum accrued for the period between the Petition Date and the Effective Date, only if the Creditors' Committee: (i) supports (and does not directly or indirectly oppose, challenge or object to) confirmation of the Plan, approval of the Disclosure Statement, approval of the Plan Support Agreement and approval of related Debtor motions and (ii) does not (directly or indirectly) advocate for or support any alternative plan or plan process, or any formal or informal opposition, challenge or objection to confirmation of the Plan, approval of the Disclosure Statement, approval of the Plan Support Agreement or approval of directly related Debtor motions.

In the event the conditions in the foregoing clauses "(i)" and "(ii)" are not satisfied, then instead of receiving the treatment provided for in the foregoing clause "(b)" each applicable holder of an Allowed Class 3-B Claim shall receive Cash in an amount equal to 100% of the Allowed amount of such Claim, plus post-Petition Date Interest (if any) at the Federal judgment rate or such other rate as necessary to leave such Allowed Claim unimpaired, for the period between the Petition Date and the Effective Date. Notwithstanding the foregoing, the Creditors' Committee shall not be deemed to have violated this provision by providing to the Debtors and/or the Plan Sponsor comments, or requesting changes, to any document, agreement or filing.

All payments and distributions on account of Allowed Class 3-B Claims shall be made as set forth above on the later of (i) the Initial Distribution Date or (ii) if a Class 3-B Claim is a Disputed Claim, the first Periodic Distribution Date occurring after the later of (y) 30 days after the date when a Class 3-B Claim becomes an Allowed Class 3-B Claim or (z) 30 days after the date when a Class 3-B Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Class 3-B Claim.

(c) Voting: Class 3-B is Unimpaired and Holders of Allowed Class 3-B Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Order. Therefore, Holders of Allowed Class 3-B Claims are not entitled to vote to accept or reject the Plan.

4.5 Class 4 – Intercompany Claims

(a) Classification: Class 4 consists of all Intercompany Claims.

(b) Treatment: On the Effective Date, all net Allowed Class 4 Claims (taking into account any setoffs of Intercompany Claims) held by the Debtors between and among the Debtors and/or any Affiliates of the Debtors shall, at the election of the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, be either (i) Reinstated, or (ii) released, waived, and discharged.

(c) Voting: Class 4 is Unimpaired, and Holders of Allowed Class 4 Claims are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 4 Claims are not entitled to vote to accept or reject the Plan.

4.6 Class 5 – Intercompany Interests

(a) Classification: Class 5 consists of all Intercompany Interests.

(b) Treatment: On the Effective Date, all Class 5 Interests held by the Debtors shall be Reinstated. The foregoing treatment of Intercompany Interests are not being received by Holders of such Intercompany Interests on account of their Intercompany Interests but for the purposes of administrative convenience, for the ultimate benefit of the Holders of Existing Optima Common Stock, and in exchange for the Debtors' and Reorganized Debtors' agreement under the Plan to make certain distributions to the Holders of Allowed Claims. For the avoidance of doubt, any Interest in any non-Debtor subsidiary owned by a Debtor (if any) shall continue to be owned by the applicable Reorganized Debtor.

(c) Voting: Class 5 is Unimpaired, and Holders of Class 5 Interests are conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Class 5 Interests are not entitled to vote to accept or reject the Plan.

4.7 Class 6 – Existing Optima Equity Interests.

(a) Classification: Class 6 consists of all Existing Optima Equity Interests.

(b) Treatment: On the Effective Date, Allowed Class 6 Existing Optima Equity Interests shall be Reinstated and Unimpaired and shall not be discharged, canceled, released, extinguished or otherwise altered as a result of or by the Plan Support Agreement or the Plan, and the Plan Sponsor as Holder of all Existing Optima Equity Interests shall continue on the Effective Date to hold all Existing Optima Equity Interests without interruption.

(c) Voting: Class 6 is Unimpaired, and Holders of Allowed Class 6 Existing Optima Equity Interests are deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, Holders of Allowed Class 6 Optima Equity Interests are not entitled to vote to accept or reject the Plan.

ARTICLE V

ACCEPTANCE

5.1 No Classes Entitled to Vote. No Classes are entitled to vote to accept or reject this Plan. By operation of law, Classes 1, 2, 3-A, 3-B, 4, 5 and 6 are Unimpaired and are deemed to have accepted this Plan and, therefore, are not entitled to vote.

5.2 Elimination of Classes. To the extent applicable, any Class that does not contain any Allowed Claims as of the date of commencement of the Confirmation Hearing, for all Debtors or with respect to any particular Debtor, shall be deemed to have been deleted from this Plan for all Debtors or for such particular Debtor, as applicable, for purposes of (a) deemed acceptance or rejection of this Plan in accordance with Article 5.1 of this Plan and (b) determining whether it has accepted or rejected this Plan under section 1129(a)(8) of the

Bankruptcy Code. In particular, Class 6 shall exist only with respect to Optima, Class 3-A shall exist only with respect to Debtors that are obligors or guarantors under the Unsecured Notes Documents, and Class 3-B shall only exist with respect to Debtors that are obligated to one or more Holders of an Allowed General Unsecured Claim.

5.3 Cramdown. To the extent necessary, the Debtors shall request confirmation of this Plan, as it may be modified from time to time in accordance with the terms hereof, under section 1129(b) of the Bankruptcy Code. The Debtors reserve the right to modify, amend, or withdraw this Plan, with respect to all Debtors or any individual Debtor or group of Debtors, with the consent of the Plan Sponsor, to the extent, if any, that confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

ARTICLE VI

MEANS FOR IMPLEMENTATION OF THE PLAN

6.1 Substantive Consolidation. The Plan contemplates and is predicated upon deemed substantive consolidation of the Debtors' Estates and Chapter 11 Cases for distribution purposes only. On the Effective Date, each Claim Filed or to be Filed against any Debtor shall be deemed Filed only against Optima and shall be deemed a single Claim against and a single obligation of Optima, for distribution purposes only and the claims register shall be updated accordingly. This limited substantive consolidation effected pursuant to this Article 6.1 of the Plan shall not otherwise affect the rights of any Holder of any Claim, or affect the obligations of any Debtor with respect to such Claim.

6.2 General Settlement of Claims and Interests. Pursuant to section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, and in consideration of the Plan Sponsor Contribution and for the classification, treatment, distributions, releases, and other benefits provided under the Plan, on the Effective Date, the provisions of this Plan shall constitute a good-faith compromise and settlement of all Claims and Interests and controversies resolved pursuant to the Plan.

6.3 Plan Funding. Distributions under this Plan, and the Reorganized Debtors' operations post-Effective Date will be funded from the following sources:

(a) Exit Revolver Facility. On the Effective Date, the Reorganized Debtors shall enter into the Exit Revolver Facility, the final form and substance of which shall be acceptable to the Reorganized Debtors and the Plan Sponsor, provided, however, that this provision shall not diminish the Plan Sponsor's obligations under section 3(a)(1) of the Plan Support Agreement to act in a commercially reasonable manner. The entry of the Confirmation Order shall be deemed approval of the Exit Revolver Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Revolver Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Revolver Facility and such other documents as the Exit Revolver Lenders may reasonably require to effectuate the treatment afforded to such lenders pursuant to

the Exit Revolver Facility, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such Exit Revolver Facility.

(b) Exit Term Loan Facility. On the Effective Date, the Reorganized Debtors shall enter into the Exit Term Loan Facility, the final form and substance of which shall be acceptable to the Reorganized Debtors and the Plan Sponsor, provided, however, that this provision shall not diminish the Plan Sponsor's obligations under section 3(a)(1) of the Plan Support Agreement to act in a commercially reasonable manner. The entry of the Confirmation Order shall be deemed approval of the Exit Term Loan Facility (including the transactions contemplated thereby, such as any supplementation or additional syndication of the Exit Term Loan Facility, and all actions to be taken, undertakings to be made, and obligations to be incurred by the Reorganized Debtors in connection therewith, including the payment of all fees, indemnities, and expenses provided for therein) and authorization for the Reorganized Debtors to enter into and execute the Exit Term Loan Facility and such other documents as the Exit Term Loan Lenders may reasonably require to effectuate the treatment afforded to such lenders pursuant to the Exit Term Loan Facility, subject to such modifications as the Reorganized Debtors may deem to be reasonably necessary to consummate such Exit Term Loan Facility.

(c) Plan Sponsor Contribution. On the Effective Date, the Plan Sponsor shall fulfill its funding obligations under the Plan Support Agreement by contributing the Plan Sponsor Contribution to Reorganized Optima as a contribution to capital in respect of the Plan Sponsor's outstanding and Unimpaired Existing Optima Common Stock. The Plan Sponsor Contribution shall be used as needed to pay Allowed DIP Claims, Allowed General Unsecured Claims, Allowed Unsecured Notes Claims and other Allowed Claims against and obligations of the Debtors payable under the Plan.

(d) Other Plan Funding. Other than as set forth in Articles 6.3(a), 6.3(b), and 6.3(c) of this Plan, all Cash necessary for the Reorganized Debtors to make payments required by this Plan shall be obtained from the Debtors' and Reorganized Debtors' Cash balances then on hand, after giving effect to the transactions contemplated herein.

6.4 Existing Optima Common Stock Unimpaired.

(a) On the Effective Date, the Existing Optima Common Stock shall be shall be Reinstated and Unimpaired. The Reinstatement of Existing Optima Common Stock by Reorganized Optima shall be authorized without the need for any further corporate action or without any further action by the Debtors or the Reorganized Debtors, as applicable.

(b) On the Effective Date, none of the Existing Optima Common Stock will be registered under the Securities Act or listed on a national securities exchange, the Reorganized Debtors will not be reporting companies under the Exchange Act, the Reorganized Debtors shall not be required to and will not file reports with the Securities and Exchange Commission or any other entity or party, and the Reorganized Debtors shall not be required to file monthly operating reports with the Bankruptcy Court after the Effective Date.

6.5 Exemptions from Securities Act Registration Requirements. The Reinstatement of Existing Optima Common Stock pursuant to the Plan will be exempt from the registration requirements of section 5 of the Securities Act pursuant to section 1145 of the Bankruptcy Code, section 4(a)(2) of the Securities Act, or any other available exemption from registration under the Securities Act, as applicable. Section 4(a)(2) of the Securities Act exempts transactions not involving a public offering, and section 506 of Regulation D of the Securities Act provides a safe harbor under section 4(a)(2) for transactions that meet certain requirements. In addition, under section 1145 of the Bankruptcy Code, if applicable, the Reinstated Existing Optima Common Stock will be freely transferable under the Securities Act by the recipients thereof, subject to (1) the provisions of section 1145(b)(1) of the Bankruptcy Code relating to the definition of an underwriter in section 2(a)(11) of the Securities Act, and compliance with any applicable state or foreign securities laws, if any, and the rules and regulations of the United States Securities and Exchange Commission, if any, applicable at the time of any future transfer of such Existing Optima Common Stock, (2) the restrictions, if any, in the documents governing Existing Optima Common Stock, and (3) any other applicable regulatory approval. In reliance upon these exemptions, the Reinstated Existing Optima Common Stock will not be registered under the Securities Act or any applicable state Blue Sky Laws, and may not be transferred, encumbered or otherwise disposed of in the absence of such registration or an exemption therefrom under the Securities Act or under such laws and regulations thereunder.

6.6 Cancellation of Old Optima Securities and Agreements. On the Effective Date, except as otherwise specifically provided for herein (a) the Old Optima Securities and any other note, bond, indenture, Certificate, or other instrument or document evidencing or creating any funded-debt indebtedness or debt obligation of the Debtors (including the Unsecured Notes Indenture and the Secured Notes Indenture), shall be deemed to be automatically cancelled without further action by any person and (b) the obligations of and Claims against Optima and/or any of the Debtors under, relating, or pertaining to any agreements, indentures or similar documents governing the Old Optima Securities, and any other note, bond, indenture, Certificate, or other instrument or document evidencing or creating any funded-debt indebtedness or obligation of the Debtors, as the case may be, shall be deemed to be automatically released and discharged and cancelled without further action by any person; provided, however, that any agreement (including the Unsecured Notes Indenture and the Secured Notes Documents) that governs the rights of a Holder of a Claim and that is administered by a Servicer shall continue in effect solely for the purposes of allowing such Servicer to (w) make the distributions on account of such Claims under this Plan and perform such other necessary functions with respect thereto, if any, as provided for in Article 9.4 of this Plan, (x) maintain and exercise its Charging Lien or other right to priority payment against distributions under the Plan on account of such Servicer's reasonable fees, expenses, and indemnities owed to such Servicer under the terms of the Unsecured Notes Indenture, (y) prepare, execute, and/or make any documents or other filings evidencing the release of the Secured Notes Indenture Trustee's Liens in the Collateral (as defined in the Secured Notes Documents) and effectuate the transfer of any Collateral (as defined in the Secured Notes Documents) in each case in accordance with the Secured Notes Documents, and (z) enforce any indemnification obligations in accordance with Article 10.9. For the avoidance of doubt, reasonable fees and expenses owed to any Servicer for any distributions made to Holders of Class 3-A Claims shall remain subject to any Charging Lien maintained by any Servicer under the Unsecured Notes Documents. On and after the Effective Date, all duties and responsibilities

of the DIP Agent under the DIP Facility, the Unsecured Notes Indenture Trustee under the Unsecured Notes Documents, and the Secured Notes Indenture Trustee under the Secured Notes Documents shall be discharged and deemed satisfied except to the extent required in order to make distributions to Holders of DIP Claims and Unsecured Noteholders, as applicable, and to otherwise effectuate the Plan. For the avoidance of doubt, nothing contained in the Plan or the Confirmation Order shall in any way limit or affect the standing of the DIP Agent, the Unsecured Notes Indenture Trustee, or the Secured Notes Indenture Trustee to appear and be heard in the Chapter 11 Cases on and after the Effective Date.

6.7 Issuance of New Securities; Execution of Plan Documents. Except as otherwise provided in the Plan, on or as soon as reasonably practicable after the Effective Date, the Reorganized Debtors shall issue all Securities, notes, instruments, Certificates, and other documents (including Exit Facility Documents) required to be issued pursuant to the Plan and Exit Facilities.

6.8 Continued Corporate Existence. As provided in this Plan, including Article 6.9 below, the Debtors shall continue to exist after the Effective Date as separate entities, the Reorganized Debtors, with all the powers of corporations or other entities under applicable law in the jurisdictions in which the Debtors have been incorporated or formed, as applicable, and pursuant to their certificate of incorporation and bylaws (or in each case, the functional equivalent thereof, as applicable) or other organizational documents in effect prior to the Effective Date, except to the extent such certificate of incorporation and bylaws (or in each case, the functional equivalent thereof, as applicable) or other organization documents are amended and restated by this Plan, including pursuant to Article 6.10 below, without prejudice to any right to terminate such existence (whether by merger or otherwise) under applicable law after the Effective Date. To the extent such documents are amended, such documents are deemed to be amended pursuant to the Plan without any further notice to or action, order, or approval of the Bankruptcy Court or any other court of competent jurisdiction (other than the requisite filings required under applicable state, provincial, or federal law).

6.9 Restructuring Transactions.

(a) On or following the Confirmation Date, the Debtors, with the consent of the Plan Sponsor, or Reorganized Debtors, as the case may be, shall take such actions as may be necessary or appropriate to effect the relevant restructuring transactions as set forth in the Plan and the Plan Transaction Documents, and may take other actions on or after the Effective Date. The anticipated post-Effective Date structure of the Reorganized Debtors shall be provided with the Plan Supplement.

(b) Prior to, on, or after the Effective Date, and pursuant to the Plan, the Reorganized Debtors shall enter into the restructuring transactions described herein and in the Disclosure Statement and the Plan Transaction Documents. Subject to the Plan Support Agreement, the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, shall take any actions as may be necessary or appropriate to effect a restructuring of the Debtors' businesses or the overall organization structure of the Reorganized Debtors. The restructuring transactions may include one or more restructurings, conversions, or transfers as may be determined by the Debtors, with the consent of the Plan Sponsor, to be necessary or

appropriate. The actions taken by the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, to effect the restructuring transactions may include: (i) the execution, delivery, adoption, and/or amendment of appropriate agreements or other documents of restructuring, conversion, disposition, or transfer containing terms that are consistent with the terms of the Plan, the Disclosure Statement, the Plan Transaction Documents, and any ancillary documents and that satisfy the applicable requirements of applicable state law and any other terms to which the applicable parties may agree; (ii) the execution, delivery, adoption, and/or amendment of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt, or obligation on terms consistent with the terms of the Plan, the Disclosure Statement, the Plan Transaction Documents, and any ancillary documents and having other terms for which the applicable parties may agree; (iii) the filing of appropriate certificates or articles of incorporation, reincorporation, or conversion (or, in each case, the functional equivalent thereof) pursuant to applicable state law, including but not limited to an amended certificate of incorporation and by-laws (or, in each case, the functional equivalent thereof, as applicable); and (iv) all other actions that the Debtors or the Reorganized Debtors, with the consent of the Plan Sponsor, as applicable, determine to be necessary, desirable, or appropriate to implement, effectuate, and consummate the Plan or the restructuring transactions contemplated hereby, including making filings or recordings that may be required by applicable state law in connection with the restructuring transactions.

6.10 Directors and Officers of the Reorganized Debtors. On the Effective Date, the term of the current members of the board of directors of Optima shall expire, and the New Board, as determined by the Plan Sponsor, shall be appointed. On the Effective Date, the term of the current members of the boards of directors of the Subsidiary Debtors shall expire, and the New Subsidiary Debtor Boards as selected by the Plan Sponsor, shall be appointed. On and after the Effective Date, each director or officer of the Reorganized Debtors shall serve pursuant to the terms of the New Corporate Governance Documents and applicable state corporation law or alternative comparable law, as applicable.

6.11 Corporate Action. Each of the matters provided for under this Plan involving the corporate structure of the Debtors or the Reorganized Debtors or corporate action to be taken by or required of the Debtors or the Reorganized Debtors shall, as of the Effective Date, be deemed to have occurred and be effective as provided herein, and shall be authorized, approved, and to the extent taken prior to the Effective Date, ratified in all respects without any requirement of further action by stockholders, creditors, or directors of the Debtors or the Reorganized Debtors. Such actions may include (a) the adoption and filing of the New Corporate Governance Documents, if any, (b) the appointment of the New Board and the New Subsidiary Debtor Boards, (c) the Reinstatement of Existing Optima Common Stock, and (d) entry into the Exit Facilities.

6.12 Effectuating Documents; Further Transactions. On and after the Effective Date, the Reorganized Debtors, and the officers thereof and members of the New Board and the New Subsidiary Debtor Boards, shall be authorized to and may issue, execute, deliver, file, or record such contracts, Securities, instruments, releases, indentures, and other agreements or documents, and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of this Plan, or to otherwise comply with applicable law, in the name of and on behalf of the Reorganized Debtors, without the need

for any approvals, authorizations, or consents except for those expressly required pursuant to the Plan.

6.13 Employment, Retirement, and Other Agreements and Employee Compensation Plans.

(a) Employment Agreements. The Debtors (with the consent of the Plan Sponsor) may assume or reject employment, severance (change in control), retirement, indemnification or other agreements with their pre-Effective Date directors, officers, managing members and employees in accordance with the provisions of Article VII of this Plan. The Reorganized Debtors may enter into new employment arrangements and/or change in control agreements with the Debtors' officers who continue to be employed after the Effective Date. On the Effective Date, the Reorganized Debtors may (with the consent of the Plan Sponsor) adopt, approve, and authorize new employment arrangements and/or change in control agreements with respect to such officers of the Reorganized Debtors without further action, order, or approval of the New Board or the New Subsidiary Debtor Boards.

(b) Other Incentive Plans and Employee Benefits. Unless otherwise specified in this Plan, and except in connection and not inconsistent with Article 6.13(a), on and after the Effective Date, the Reorganized Debtors shall have the sole discretion to (i) amend, adopt, assume, and/or honor, in the ordinary course of business or as otherwise provided herein, any contracts, agreements, policies, programs, and plans for, among other things, compensation, pursuant to the terms thereof or hereof, including any incentive plan, 401(k) plan, health care benefits, disability benefits, deferred compensation benefits, savings, severance benefits, retirement benefits, welfare benefits, workers' compensation benefits, life insurance, and accidental death and dismemberment insurance for the directors, officers and employees of the Debtors who served in such capacity from and after the Petition Date, and (ii) honor, in the ordinary course of business, Claims of employees employed as of the Effective Date for accrued vacation time arising prior to the Petition Date.

Notwithstanding the foregoing or anything in the Plan to the contrary, on the Effective Date, subject to the Reorganized Debtors' rights, if any, under applicable non-bankruptcy law, unless otherwise ordered by the Bankruptcy Court, the Reorganized Debtors shall assume the Debtors' obligations under the Multi-Employer Plan, the Single Employer Plan and the Niagara LaSalle Corporation Supplemental Executive Retirement Plan, and shall honor and perform all obligations thereunder in the ordinary course of business.

On the Effective Date, Niagara LaSalle Corporation shall assume and continue the Single Employer Plan and shall pay in cash any aggregate unpaid (i) minimum required funding contributions under 29 U.S.C. §§ 412 and 430 and 29 U.S.C. §§ 1082 and 1083 and (ii) delinquent PBGC premiums under 29 U.S.C. §§ 1306 and 1307, in each case with interest, for the Single Employer Plan under ERISA or the Internal Revenue Code.

No provision contained in the Disclosure Statement, the Plan, the Order confirming the Plan, or section 1141 of the Bankruptcy Code, shall be construed as discharging, releasing, or relieving any party, in any capacity, from any liability with respect to the Multi-Employer Plan or the Single Employer Plan under any law, government policy, or regulatory

provision. PBGC, the Multi-Employer Plan and the Single Employer Plan shall not be enjoined or precluded from enforcing such liability against any party as a result of the Plan's provisions for satisfaction, release, and discharge of claims.

6.14 Preservation of Causes of Action. In accordance with section 1123(b)(3) of the Bankruptcy Code, the Reorganized Debtors shall retain and may (but are not required to) enforce all rights to commence and pursue any and all Causes of Action that are not released pursuant to Articles 10.4 and 10.6 of this Plan or an order of the Bankruptcy Court, whether arising before or after the Petition Date, including but not limited to any actions or categories of actions specifically enumerated in a list of retained Causes of Action contained in the Plan Supplement, and such Causes of Action shall vest in the Reorganized Debtors as of the Effective Date. The Reorganized Debtors, in their sole and absolute discretion, shall determine whether to bring, settle, release, compromise, or enforce such Causes of Action (or decline to do any of the foregoing), and shall not be required to seek further approval of the Bankruptcy Court for such action. The Reorganized Debtors or any successors may pursue such litigation claims in accordance with the best interests of the Reorganized Debtors or any successor holding such rights of action. **No Entity may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Reorganized Debtors will not pursue any and all available Causes of Action against them. The Debtors and the Reorganized Debtors expressly reserve all rights to prosecute any and all Causes of Action against any Entity, except as otherwise provided in the Plan.** Unless any Causes of Action against an Entity are expressly waived, relinquished, exculpated, released, compromised, or settled in this Plan or an order of the Bankruptcy Court, the Reorganized Debtors expressly reserve all Causes of Action for later adjudication, and, therefore, no preclusion doctrine, including the doctrines of res judicata, collateral estoppel, issue preclusion, claim preclusion, estoppel (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of Confirmation or consummation of the Plan; provided, however, that all Avoidance Actions shall be waived and released as of the Effective Date.

6.15 Reservation of Rights. With respect to any Avoidance Actions that the Debtors release in accordance with Article 6.14 of the Plan, the Debtors and the Reorganized Debtors, as applicable, reserve all rights, including the right under section 502(d) of the Bankruptcy Code, with the consent of the Plan Sponsor, to use defensively (by recoupment or otherwise) the released avoidance cause of action (and facts giving rise to such action) as a basis to object to all or any part of a Claim against any Estates asserted by a creditor which remains in possession of, or otherwise obtains the benefit of, the avoidable transfer; provided, however, that this reservation of rights does not extend to, and no objection to any Claim may be based upon, the holder of any such Claims having received a potentially avoidable preferential transfer under section 547 of the Bankruptcy Code, or being potentially liable on any Avoidance Action to the extent a transferee who is liable under such Avoidance Action would retain an Allowed Claim against the Debtors' Estates for the amount avoided or recovered.

6.16 Exemption from Certain Transfer Taxes and Recording Fees. Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property pursuant to the Plan shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other

similar tax or governmental assessment to the fullest extent contemplated by section 1146(a) of the Bankruptcy Code, and upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents to forgo the collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

6.17 Insured Claims. Notwithstanding anything to the contrary contained herein, to the extent the Debtors have insurance with respect to any Allowed General Unsecured Claim, the Holder of such Allowed Claim shall (a) be paid any amount from the proceeds of insurance to the extent that the Claim is insured, and (b) receive the treatment provided for in this Plan for Allowed General Unsecured Claims to the extent the applicable insurance policy does not provide coverage with respect to any portion of the Claim.

ARTICLE VII

UNEXPIRED LEASES AND EXECUTORY CONTRACTS

7.1 Rejection of Executory Contracts and Unexpired Leases.

(a) Rejection. Except as otherwise provided herein, each Executory Contract and Unexpired Lease listed on the Schedule of Rejected Executory Contracts and Unexpired Leases shall be deemed automatically rejected pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date.

The Confirmation Order will constitute an order of the Bankruptcy Court approving such rejections pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. Counterparties to Executory Contracts or Unexpired Leases that are deemed rejected as of the Effective Date shall have the right to assert any Claim on account of the rejection of such Executory Contracts or Unexpired Leases subject to compliance with the requirements herein.

(b) Preexisting Obligations to the Debtors Under Executory Contracts and Unexpired Leases. Rejection of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall not constitute a termination of pre-existing obligations owed to the Debtors under such contracts or leases. In particular, notwithstanding any non-bankruptcy law to the contrary, the Reorganized Debtors expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased by the contracting Debtors or the Reorganized Debtors, as applicable, from counterparties to rejected or repudiated Executory Contracts.

(c) Claims Procedures Related to Rejection of Executory Contracts or Unexpired Leases. Unless otherwise provided by a Bankruptcy Court order, any proofs of Claim asserting Claims arising from the rejection of the Executory Contracts and Unexpired Leases pursuant to the Plan or otherwise must be filed with the Claims Agent no later than 30 days after the later of the Effective Date or the effective date of rejection. Any proofs of Claim arising from the rejection of the Executory Contracts or Unexpired Leases that are not timely filed shall be disallowed automatically and forever barred, estopped, and enjoined from

assertion and shall not be enforceable against the Debtors or the Reorganized Debtors, without the need for any objection by the Reorganized Debtors or any further notice to or action, order, or approval of the Bankruptcy Court, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully satisfied, released, and discharged, notwithstanding anything in the Schedules or a proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Executory Contracts and Unexpired Leases shall be classified as General Unsecured Claims.

(d) Reservation of Rights. Notwithstanding anything to the contrary herein, prior to the Effective Date, the Debtors, with the consent of the Plan Sponsor, may amend their decision with respect to the rejection of any Executory Contract or Unexpired Lease.

7.2 Assumption of Executory Contracts and Unexpired Leases.

(a) Automatic Assumption. Except as otherwise provided herein, each Executory Contract and Unexpired Lease not listed on the Schedule of Rejected Executory Contracts and Unexpired Leases shall automatically be assumed, or assumed and assigned, as applicable, and shall vest in and be fully enforceable by the Reorganized Debtors or its assignee in accordance with its terms, except as modified by the provisions of this Plan or any order of the Bankruptcy Court authorizing or providing for its assumption or applicable federal law.

The Confirmation Order will constitute an order of the Bankruptcy Court approving such assumptions pursuant to sections 365 and 1123 of the Bankruptcy Code as of the Effective Date. To the extent any provision in any Executory Contract or Unexpired Lease assumed pursuant to the Plan (including any "change of control" provision) restricts or prevents, or purports to restrict or prevent, or is breached or deemed breached by, the Reorganized Debtors' assumption of such Executory Contract or Unexpired Lease, then such provision shall be deemed modified such that the transactions contemplated by the Plan will not entitle the non-Debtor party thereto to terminate such Executory Contract or Unexpired Lease or to exercise any other default-related rights with respect thereto. Each Executory Contract and Unexpired Lease assumed pursuant to this Article of the Plan will revest in and be fully enforceable by the Reorganized Debtors in accordance with its terms, except as modified by the provisions of the Plan, any order of the Bankruptcy Court authorizing and providing for its assumption, or applicable law.

(b) Modifications, Amendments, Supplements, Restatements, or Other Agreements. Unless otherwise provided in the Plan, each Executory Contract or Unexpired Lease that is assumed shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all rights related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated pursuant hereunder.

Modifications, amendments, supplements, and restatements to prepetition Executory Contracts and Unexpired Leases that have been executed by the Debtors during the Chapter 11

Case shall not be deemed to alter the prepetition nature of the Executory Contract or Unexpired Lease, or the validity, priority, or amount of any Claims that may arise in connection therewith.

(c) Proofs of Claim Based on Executory Contracts or Unexpired Leases that Have Been Assumed. Any and all proofs of Claims based upon Executory Contracts or Unexpired Leases that have been assumed in the Chapter 11 Cases, including hereunder, except proofs of Claims asserting Cure amounts, pursuant to the order approving such assumption, including the Confirmation Order, shall be deemed disallowed and expunged from the claims register as of the Effective Date without any further notice to or action, order, or approval of the Bankruptcy Court.

(d) Cure Procedures and Payments Related to Assumption of Executory Contracts and Unexpired Leases. With respect to each of the Executory Contracts or Unexpired Leases assumed hereunder, the Debtors shall designate a proposed Cure, with the consent of the Plan Sponsor, and the assumption of such Executory Contract or Unexpired Lease shall be conditioned upon the disposition of all issues with respect to Cure. Except as otherwise set forth in the Plan Supplement, the Cure amount with respect to each of the Executory Contracts or Unexpired Leases assumed hereunder is designated by the Debtors as zero dollars ($0), subject to the determination of a different Cure amount pursuant to the procedures set forth herein and in the Cure Notices. Except with respect to Executory Contracts and Unexpired Leases for which the Cure is $0, the Cure shall be satisfied by the Reorganized Debtors or their assignee, if any, by payment of the Cure in Cash within 30 days following the occurrence of the Effective Date or as soon as reasonably practicable thereafter, or on such other terms as may be ordered by the Bankruptcy Court or agreed upon by the parties to the applicable Executory Contract or Unexpired Lease without any further notice to or action, order, or approval of the Bankruptcy Court.

Any provisions or terms of the Executory Contracts or Unexpired Leases to be assumed pursuant to the Plan that are, or may be, alleged to be in default, shall be satisfied solely by Cure, or by an agreed-upon waiver of Cure. If there is a dispute regarding such Cure, the ability of the Reorganized Debtors or any assignee to provide "adequate assurance of future performance" within the meaning of section 365 of the Bankruptcy Code, or any other matter pertaining to assumption, then payment of Cure shall occur as soon as reasonably practicable after entry of a Final Order resolving such dispute, approving such assumption (and, if applicable, assignment), or as may be agreed upon by the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, and the counterparty to the Executory Contract or Unexpired Lease. The Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, reserve the right either to reject or nullify the assumption of any Executory Contract or Unexpired Lease after a Final Order determining the Cure or any request for adequate assurance of future performance required to assume such Executory Contract or Unexpired Lease is made.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan or otherwise shall result in the full release and satisfaction of any Cures, Claims or defaults, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any

assumed Executory Contract or Unexpired Lease at any time prior to the effective date of assumption.

(e) Cure Notices. No later than 14 days before the Confirmation Hearing, the Debtors shall serve upon counterparties to such Executory Contracts and Unexpired Leases a Cure Notice, which shall be in form and substance acceptable to the Plan Sponsor, that will (i) notify the counterparty of the proposed assumption, (ii) list the applicable Cure, if any, (iii) describe the procedures for filing objections to the proposed assumption or assumption and assignment of the applicable Executory Contract or Unexpired Lease, (iv) describe the procedures for filing objections to the proposed Cure of the applicable Executory Contract or Unexpired Lease, and (v) explain the process by which related disputes will be resolved by the Bankruptcy Court. If no objection is timely received, (x) the non-Debtor party to the Assumed Contract shall be deemed to have consented to the assumption of the applicable Executory Contract or Unexpired Lease and shall be forever barred from asserting any objection with regard to such assumption, and (y) the proposed Cure shall be controlling, notwithstanding anything to the contrary in any applicable Executory Contract or Unexpired Lease or other document as of the date of the filing of the Plan, and the non-Debtor party to an applicable Executory Contract or Unexpired Lease shall be deemed to have consented to the Cure amount and shall be forever barred from asserting, collecting, or seeking to collect any additional amounts relating thereto against the Debtors or the Reorganized Debtors, or the property of any of them. For the avoidance of doubt, all proposed Cures shall be acceptable to the Plan Sponsor.

(f) Cure Objections. If a proper and timely objection to the Cure Notice or proposed Cure was filed by the Cure Objection Deadline, the Cure shall be equal to (i) the amount agreed to between the Debtors, with the consent of the Plan Sponsor, or Reorganized Debtors, as applicable, and the applicable counterparty, or, (ii) to the extent the Debtors or Reorganized Debtors and counterparty do not reach an agreement regarding any Cure or any other matter related to assumption, the Bankruptcy Court shall determine the Allowed amount of such Cure and any related issues. Objections, if any, to the proposed assumption and/or Cure must be in writing, filed with the Bankruptcy Court and served in hard-copy form on the parties identified in the Cure Notice so that they are actually received by the Cure Objection Deadline.

(g) Hearing with Respect to Objections. If an objection to the proposed assumption and/or to the Cure is timely filed and received in accordance with the procedures set forth in Article 7.2(f), and the parties do not reach a consensual resolution of such objection, a hearing with respect to such objection shall be held at such time scheduled by the Bankruptcy Court or the Debtors or Reorganized Debtors. Objections to the proposed Cure or assumption of an Executory Contract or Unexpired Lease will not be treated as objections to Confirmation of the Plan.

(h) Reservation of Rights. Notwithstanding anything to the contrary herein, prior to the Effective Date, the Debtors, with the consent of the Plan Sponsor, may amend their decision with respect to the assumption of any Executory Contract or Unexpired Lease and provide a new notice amending the information provided in the applicable notice. In the case of an Executory Contract or Unexpired Lease designated for assumption that is the subject of a Cure Objection which has not been resolved prior to the Effective Date, the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, may designate such

Executory Contract or Unexpired Lease for rejection at any time prior to the payment of the Cure.

(i) Collective Bargaining Agreements and Other Employee Benefit and Incentive Plans. Notwithstanding anything in Article 7.1, Article 7.2(h) or any other provision in this Plan to the contrary, as of the Effective Date, the Debtors as Reorganized Debtors shall assume and be deemed to have assumed (i) the Collective Bargaining Agreements, (ii) the Single Employer Plan and the Multi-Employer Plan, and (iii) the Niagara LaSalle Corporation Supplemental Executive Retirement Plan.

7.3 Insurance Policies.

(a) Notwithstanding anything to the contrary in the Disclosure Statement, the Plan, the Plan Documents, the Plan Supplement, the Confirmation Order, any other document related to any of the foregoing or any other order of the Bankruptcy Court (including any other provision that purports to be preemptory or supervening or grants an injunction or release, including, but not limited to, those set forth in Article IX of the Plan): (i) on the Effective Date, the Reorganized Debtors shall assume all insurance policies, as amended or modified, issued or providing coverage at any time to the Debtors, their Affiliates or predecessors of any of the foregoing and all agreements related thereto, as amended or modified (such policies and agreements, collectively, the "Insurance Contracts"); (ii) nothing in the Disclosure Statement, the Plan, the Plan Documents, the Plan Supplement or the Confirmation Order alters, modifies or otherwise amends the terms and conditions of (or the coverage provided by) any of the Insurance Contracts or releases or discharges the security interest and/or liens insurers and third party administrators have on any collateral and/or security, except that as of the Effective Date, the Reorganized Debtors shall become and remain liable for all of the Debtors' obligations and liabilities thereunder regardless of whether such obligations and liabilities arise before or after the Effective Date, provided, however that the Debtors or Reorganized Debtors, as applicable, shall retain the right to challenge any amounts owed under the Insurance Contracts in accordance with their terms, and the rights and obligations under the Insurance Contracts shall remain fully enforceable after the Effective Date of this Plan; (iii) nothing in the Disclosure Statement, the Plan, the Plan Documents, Plan Supplement, the Confirmation Order, any prepetition or administrative claim bar date order (or notice) or claim objection order alters or modifies the duty, if any, that the insurers and/or third party administrators have to pay claims covered by the Insurance Contracts and their right to seek payment or reimbursement from the Debtors (or after the Effective Date, the Reorganized Debtors) or draw on any collateral or security therefor in accordance with the terms of the Insurance Contracts; (iv) insurers and third party administrators shall not need to nor be required to file or serve a Cure Dispute or a request, application, claim, proof of claim or motion for payment and shall not be subject to any Bar Date or similar deadline governing Cure amounts or Claims; (v) the claims of insurers and/or third party administrators (whether arising before or after the Effective Date) under Insurance Contracts shall be paid in full in the ordinary course by the Debtors (or, after the Effective Date, the Reorganized Debtors), whether as an Allowed Administrative Claim or otherwise regardless of when such amounts are or shall become liquidated, due or paid and shall not be released or discharged by the Plan or the Confirmation Order; and (vi) the automatic stay of Bankruptcy Code section 362(a) and the injunctions set forth in Article 10.10 of this Plan, if and to the extent applicable, shall be deemed lifted without

further order of the Bankruptcy Court, solely to permit: (A) claimants with valid claims covered by any of the Insurance Contracts ("Insured Claims") to proceed with their claims; (B) insurers and/or third party administrators to administer, handle, defend, settle, and/or pay, in the ordinary course of business and subject to the terms of the Insurance Contracts, without further order of the Bankruptcy Court, (i) all Insured Claims, and (ii) all costs in relation to each of the foregoing; (C) the insurers and/or third party administrators to draw against any or all of any collateral or security provided by or on behalf of the Debtors (or the Reorganized Debtors, as applicable) at any time and to hold the proceeds thereof as security for the obligations of the Debtors (and the Reorganized Debtors, as applicable) to the applicable insurers and/or third party administrators and/or apply such proceeds to the obligations of the Debtors (and the Reorganized Debtors, as applicable) in accordance with the terms of the Insurance Contracts, and (D) the insurers and/or third party administrators to (i) cancel any policies under the Insurance Contracts, and (ii) take other actions relating thereto, to the extent permissible under applicable non-bankruptcy law, each in accordance with the terms of the Insurance Contracts.

(b) The Debtors or the Reorganized Debtors, as the case may be, shall maintain D&O Insurance providing coverage for those indemnitees currently covered by such policies for the remaining term of such policy and may, at the discretion of the Debtors or Reorganized Debtors (and with the approval of the Plan Sponsor), maintain runoff policies or tail coverage under policies in existence as of the Effective Date for a period of six years after the Effective Date, to the fullest extent permitted by such provisions, in each case insuring such parties in respect of any claims, demands, suits, Causes of Action, or proceedings against such indemnitees based upon any act or omission related to such indemnitee's service with, for, or on behalf of the Debtors in at least the scope and amount as currently maintained by the Debtors.

7.4 Contracts and Leases Entered into After the Petition Date. Contracts and leases entered into after the Petition Date by the Debtors, and any Executory Contracts and Unexpired Leases assumed by the Debtors, may be performed by the Reorganized Debtors in the ordinary course of business and in accordance with the terms thereof.

7.5 General Reservation of Rights. Neither the exclusion nor inclusion of any contract or lease on the Schedule of Rejected Executory Contracts and Unexpired Leases, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Reorganized Debtors, or any of their Affiliates, has any liability thereunder. If there is a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, shall have 45 days following entry of a Final Order resolving such dispute to alter their treatment of such contract or lease.

ARTICLE VIII

PROCEDURES FOR RESOLVING DISPUTED CLAIMS AND INTERESTS

8.1 Determination of Claims and Interests. Notwithstanding anything in this Plan to the contrary, after the Effective Date, the Reorganized Debtors shall have and retain any and all rights and defenses the Debtors had with respect to any Claim or Interest immediately

prior to the Effective Date, including the Causes of Action retained pursuant to Article 6.14 of the Plan and the reservation of rights pursuant to Article 6.15 of the Plan, except with respect to any Claim or Interest deemed Allowed under the Plan.

Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim or Interest shall become an Allowed Claim or Interest unless and until such Claim or Interest is deemed Allowed or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Cases allowing such Claim or Interest. All settled Claims approved prior to the Effective Date pursuant to a Final Order of the Bankruptcy Court, pursuant to Bankruptcy Rule 9019 or otherwise shall be binding on all parties. For the avoidance of doubt, any Claim determined and liquidated pursuant to (a) an order of the Bankruptcy Court or (b) applicable non-bankruptcy law (which determination has not been stayed, reversed, or amended and as to which determination or any revision, modification, or amendment thereof as to which the time to appeal or seek review or rehearing has expired and no appeal or petition for review or rehearing was filed or, if filed, remains pending) shall be deemed an Allowed Claim in such liquidated amount and satisfied in accordance with this Plan.

Nothing contained in this Article 8.1 shall constitute or be deemed a waiver of any claim, right, or Cause of Action that the Debtors or the Reorganized Debtors may have against any Entity in connection with or arising out of any Claim, including any rights under section 157(b) of title 28 of the United States Code.

8.2 Claims Administration Responsibility. Except as otherwise specifically provided for in the Plan, after the Effective Date, the Reorganized Debtors shall retain responsibility for (a) administering, disputing, objecting to, compromising, or otherwise resolving all Claims against, and Interests in, the Debtors, including (i) filing, withdrawing, or litigating to judgment objections to Claims or Interests, (ii) settling or compromising any Disputed Claim without any further notice to or action, order, or approval by the Bankruptcy Court, and (iii) administering and adjusting the claims register to reflect any such settlements or compromises without any further notice to or action, order, or approval by the Bankruptcy Court, and (b) making distributions (if any) with respect to all Claims and Interests.

8.3 Objections to Claims. Unless otherwise extended by the Bankruptcy Court, any objections to Claims (other than Administrative Claims) shall be served and filed on or before the Claims Objection Deadline (or such later date as may be established by the Bankruptcy Court upon request of the Reorganized Debtors without further notice to parties-in-interest). Notwithstanding any authority to the contrary, an objection to a Claim shall be deemed properly served on the Holder of the Claim if the Debtors or the Reorganized Debtors effect service in any of the following manners: (a) in accordance with Federal Rule of Civil Procedure 4, as modified and made applicable by Bankruptcy Rule 7004, (b) to the extent counsel for a Holder of a Claim or Interest is unknown, by first class mail, postage prepaid, on the signatory on the proof of Claim or other representative identified on the proof of Claim or any attachment thereto (or at the last known addresses of such Holders of Claims if no proof of Claim is filed or if the Debtors have been notified in writing of a change of address), or (c) by first class mail, postage prepaid, on any counsel that has appeared on behalf of the Holder of the Claim in the Chapter 11 Cases and has not withdrawn such appearance.

8.4 Disallowance of Claims. EXCEPT AS OTHERWISE AGREED, ANY AND ALL PROOFS OF CLAIM FILED OR ADMINISTRATIVE CLAIM AFTER THE APPLICABLE DEADLINE FOR FILING SUCH PROOFS OF CLAIM OR ADMINISTRATIVE CLAIM SHALL BE DEEMED DISALLOWED AND EXPUNGED AS OF THE EFFECTIVE DATE WITHOUT ANY FURTHER NOTICE TO, OR ACTION, ORDER, OR APPROVAL OF THE BANKRUPTCY COURT, AND HOLDERS OF SUCH CLAIMS MAY NOT RECEIVE ANY DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIMS, UNLESS SUCH LATE PROOF OF CLAIM IS DEEMED TIMELY FILED BY A FINAL ORDER OF THE BANKRUPTCY COURT.

Nothing herein shall in any way alter, impair, or abridge the legal effect of the Bar Date Order, or the rights of the Debtors, the Plan Sponsor, the Reorganized Debtors, the Creditors' Committee before the Effective Date, or other parties-in-interest to object to Claims on the grounds that they are time barred or otherwise subject to disallowance or modification. Nothing in this Plan shall preclude amendments to timely filed proofs of Claim to the extent permitted by applicable law.

8.5 Estimation of Claims. Before or after the Effective Date, the Debtors, with the consent of the Plan Sponsor, or the Reorganized Debtors, as applicable, may (but are not required to) at any time request that the Bankruptcy Court estimate a Disputed Claim pursuant to section 502(c) of the Bankruptcy Code for any reason, regardless of whether any party previously has objected to such Claim or Interest or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction to estimate any such Disputed Claim, including during the litigation of any objection to any Disputed Claim or during the pendency of any appeal relating to such objection. In the event that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount shall constitute a maximum limitation on such Claim for all purposes under the Plan (including for purposes of distributions), without prejudice to the Holder of such Claim's right to request that estimation should be for the purpose of determining the Allowed amount of such Claim, and the Reorganized Debtors may elect to pursue any supplemental proceedings to object to any ultimate distribution on such Claim. All of the objection, estimation, settlement, and resolution procedures set forth in the Plan are cumulative and not necessarily exclusive of one another. All estimation procedures set forth in the Plan shall be applied in accordance with section 502(c) of the Bankruptcy Code. Disputed Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Plan or the Bankruptcy Court.

All Claims of any Entity from which property is sought by the Debtors under section 542, 543, 550, or 553 of the Bankruptcy Code or that the Debtors or the Reorganized Debtors allege is a transferee of a transfer that is avoidable under section 522(f), 522(h), 544, 545, 548, 549, or 724(a) of the Bankruptcy Code shall be disallowed if (a) the Entity, on the one hand, and the Debtors or the Reorganized Debtors, on the other hand, agree or the Bankruptcy Court has determined by Final Order that such Entity or transferee is liable to turn over any property or monies under any of the aforementioned sections of the Bankruptcy Code and (b) such Entity or transferee has failed to turn over such property by the date set forth in such agreement or Final Order; provided, however, that the foregoing does not extend to, and no objection to any Claim may be based upon, the holder of any such Claims having received a

potentially avoidable preferential transfer under section 547 of the Bankruptcy Code, or being potentially liable on any Avoidance Action to the extent a transferee who is liable under such Avoidance Action would retain an Allowed Claim against the Debtors' Estates for the amount avoided or recovered.

8.6 No Interest on Disputed Claims. Except to the extent specifically provided for in the Plan or as otherwise required by section 506(b) of the Bankruptcy Code, postpetition interest shall not accrue or be paid on Claims or Interests, and no Holder of a Claim or Interest shall be entitled to interest accruing on or after the Petition Date on any Claim or Interest. Additionally, and without limiting the foregoing, unless otherwise specifically provided for in the Plan or as otherwise required by section 506(b) of the Bankruptcy Code, interest shall not accrue or be paid on any Disputed Claim in respect of the period from the Effective Date to the date a final distribution is made, when and if such Disputed Claim becomes an Allowed Claim.

8.7 Amendments to Claims. On or after the Effective Date, except as otherwise provided herein, a Claim may not be filed or amended without the authorization of the Bankruptcy Court or the Reorganized Debtors, and, to the extent such authorization is not received, any such new or amended Claim filed shall be deemed Disallowed in full and expunged without any further notice to or action, order, or approval of the Bankruptcy Court.

ARTICLE IX

PROVISIONS GOVERNING DISTRIBUTIONS

9.1 Time of Distributions. Except as otherwise provided for herein or ordered by the Bankruptcy Court, distributions under this Plan shall be made on the later of (a) Initial Distribution Date or (b) on the first Periodic Distribution Date occurring after the later of (i) 30 days after the date when a Claim is Allowed or (ii) 30 days after the date when a Claim becomes payable pursuant to any agreement between the Debtors (or the Reorganized Debtors) and the Holder of such Claim; provided, however, that the Reorganized Debtors may, in their sole discretion, make one-time distributions on a date that is not a Periodic Distribution Date; provided, further, that the timing of distributions made on account of the DIP New Money Loan Claims and the DIP Replacement Loan Claims shall be as set forth in Article 2.2 and Article 13.3 of the Plan.

9.2 Currency. Except as otherwise Provided in the Plan or Bankruptcy Court order, as of the Effective Date, any Claim asserted in currency other than U.S. dollars shall be automatically deemed converted to the equivalent U.S. dollar value using the exchange rate as of Effective Date at 4:00 p.m. prevailing Eastern Time, mid-range spot rate of exchange for the applicable currency as published in the next *The Wall Street Journal, National Edition* following the Effective Date.

9.3 Distribution Agent. Except as otherwise provided herein, all distributions under the Plan shall be made by the Reorganized Debtors as Distribution Agent, or by such other Entity designated by the Reorganized Debtors as a Distribution Agent on or after the Effective Date. The Distribution Agent shall not be required to give any bond or surety or

other security for the performance of the Reorganized Debtors' duties as Distribution Agent unless otherwise ordered by the Bankruptcy Court. The Distribution Agent shall be empowered to (a) effect all actions and execute all agreements, instruments, and other documents necessary to perform its duties under the Plan; (b) make all distributions contemplated hereby; (c) employ professionals to represent it with respect to its responsibilities; and (d) exercise such other powers as may be vested in the Distribution Agent by order of the Bankruptcy Court, pursuant to the Plan, or as deemed by the Distribution Agent to be necessary and proper to implement the provisions hereof. If the Distribution Agent is an entity other than the Reorganized Debtors, such entity shall be paid its reasonable fees and expenses, including the reasonable fees and expenses of its attorneys or other professionals.

9.4 Distribution on Account of Claims Administered by Servicers; Delivery of Distributions to Servicers. In the case of Holders of Claims whose Claims are governed by an agreement and administered by a Servicer, the respective Servicer shall be deemed to be the Holder of such Claims for purposes of distributions to be made hereunder. The Distribution Agent shall make all distributions on account of such Claims to the Servicers or as directed by the Servicers, in the Servicers' sole discretion. Each Servicer shall, at its option, hold or direct such distributions for the beneficial Holders of such Allowed Claims, as applicable; provided, however, the Servicer shall retain all rights under its respective agreement in connection with delivery of distributions to the beneficial Holders of such Allowed Claim, including rights on account of the Charging Lien; and provided further, however, that the Debtors' and the Reorganized Debtors' obligations to make distributions pursuant to this Plan shall be deemed satisfied upon delivery of distributions to each Servicer or the entity or entities designated by the Servicers. The Servicers shall not be required to give any bond, surety, or other security for the performance of their duties with respect to such distributions. For the avoidance of doubt, the Unsecured Notes Indenture Trustee Fees may be satisfied from the Unsecured Notes Indenture Trustee's Charging Lien.

9.5 Distributions on Account of Claims Allowed After the Effective Date.

(a) No Distributions Pending Allowance. No payments or distributions shall be made with respect to all or any portion of a Disputed Claim unless and until all objections to such Disputed Claim have been settled or withdrawn or have been determined by a Final Order of the Bankruptcy Court, and the Disputed Claim has become an Allowed Claim; provided, however, that to the extent the holder of a Disputed Claim is also the holder of a separate Allowed Claim that is not a Disputed Claim on the Effective Date, the Debtors shall pay the amount of such Allowed Claim (that is not a Disputed Claim on the Effective Date) in full in Cash on the Initial Distribution Date.

(b) Special Rules for Distributions to Holders of Disputed Claims. Notwithstanding any provision otherwise in the Plan and except as otherwise agreed by the relevant parties, no partial payments and no partial distributions shall be made with respect to a Disputed Claim until all such disputes in connection with such Disputed Claim have been resolved by settlement or Final Order. All distributions made pursuant to the Plan on account of a Disputed Claim that is later deemed an Allowed Claim by the Bankruptcy Court shall be made together with any dividends, payments, or other distributions made on account of, as well as any obligations arising from, the distributed property as if such Allowed Claim had been an Allowed

Claim on the dates distributions were previously made to Holders of Allowed Claims included in the applicable Class; provided, however, that no interest shall be paid on account to such Allowed Claims unless required under applicable bankruptcy law.

9.6 Delivery of Distributions.

(a) Record Date for Distributions. On the Distribution Record Date, the claims register shall be closed and the Distribution Agent shall be authorized and entitled to recognize only those record Holders listed on the claims register as of the close of business on the Distribution Record Date. Further, the Unsecured Notes Indenture Trustee shall have no obligation to recognize any transfer of any Unsecured Notes Claims occurring after the close of business on the Distribution Record Date and shall instead be entitled to recognize and deal for all purposes under the Plan with only those Holders of record as of the close of business on the Distribution Record Date.

(b) Cash Distributions Distributions of Cash may be made either by check drawn on a domestic bank or wire transfer from a domestic bank, at the option of the Reorganized Debtors, except that Cash payments made to foreign creditors may be made in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

(c) Address for Distributions. Distributions to Holders of Allowed Claims shall be made by the Distribution Agent or the appropriate Servicer (i) at the addresses set forth on the proofs of Claim filed by such Holders of Claims (or at the last known addresses of such Holders of Claims if no proof of Claim is filed or if the Debtors or the Distribution Agent have been notified in writing of a change of address), (ii) at the addresses set forth in any written notices of address changes delivered to the Distribution Agent after the date of any related proof of Claim, (iii) at the addresses reflected in the Schedules if no proof of Claim has been filed and the Distribution Agent has not received a written notice of a change of address, or (iv) in the case of a Holder of a Claim whose Claim is governed by an agreement and administered by a Servicer, at the addresses contained in the official records of such Servicer. The Debtors, the Reorganized Debtors, and the Distribution Agent shall not incur any liability whatsoever on account of any distributions under the Plan.

(d) Undeliverable Distributions. If any distribution to a Holder of a Claim is returned as undeliverable, no further distributions to such Holder of such Claim shall be made unless and until the Distribution Agent or the appropriate Servicer is notified of then-current address of such Holder of the Claim, at which time all missed distributions shall be made to such Holder of the Claim without interest, dividends, or accruals of any kind on the next Periodic Distribution Date. Amounts in respect of undeliverable distributions shall be returned to the Reorganized Debtors until such distributions are claimed.

(e) Reversion. Any distribution under the Plan that is an Unclaimed Distribution for a period of six months after such distribution shall be deemed unclaimed property under section 347(b) of the Bankruptcy Code and such Unclaimed Distribution shall revert to and vest in the Reorganized Debtors free of any restrictions thereon. Upon such vesting, the Claim of any Holder or successor to such Holder with respect to such property shall be cancelled, discharged and forever barred, notwithstanding federal or state escheat, abandoned,

or unclaimed property laws to the contrary. The provisions of the Plan regarding undeliverable distributions and Unclaimed Distributions shall apply with equal force to distributions that are issued by the Reorganized Debtors or the Distribution Agent made pursuant to any indenture or Certificate (but only with respect to the initial distribution by the Servicer to Holders that are entitled to be recognized under the relevant indenture or Certificate and not with respect to Entities to whom those recognized Holders distribute), notwithstanding any provision in such indenture or Certificate to the contrary and notwithstanding any otherwise applicable federal or state escheat, abandoned, or unclaimed property law.

(f) De Minimis Distributions. Notwithstanding any other provision of the Plan to the contrary, the Reorganized Debtors, the Distribution Agent, and any Servicer shall not be required to make a distribution on account of an Allowed Claim if (i) the aggregate amount of all distributions authorized to be made on the Periodic Distribution Date in question is or has a value less than $25,000; provided that the Reorganized Debtors shall make, or cause to be made, a distribution on a Periodic Distribution Date of less than $25,000 if the Reorganized Debtors expect that such Periodic Distribution Date shall be the final Periodic Distribution Date; or (ii) the amount to be distributed to the specific Holder of the Allowed Claim on the particular Periodic Distribution Date does not both (x) constitute a final distribution to such Holder and (y) have a value of at least $50.00.

(g) Fractional Distributions. Notwithstanding any other provision of the Plan to the contrary, the Reorganized Debtors, the Distribution Agent, and any Servicer shall not be required to make partial distributions or distributions or payments of fractions of dollars (except with respect to distributions to Holders of DIP Claims or Unsecured Noteholders). Whenever any payment of Cash of a fraction of a dollar pursuant to the Plan would otherwise be required, the actual payment shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars or less being rounded down.

9.7 Surrender of Securities or Instruments. As soon as practicable after the Effective Date, each DIP Lender and Unsecured Noteholder shall surrender its note(s) to the relevant DIP Agent or Unsecured Notes Indenture Trustee (as applicable), or in the event such Unsecured Note(s) are held in the name of, or by a nominee of, the DTC, the Reorganized Debtors shall seek the cooperation of the DTC to provide appropriate instructions to the Unsecured Notes Indenture Trustee and the Unsecured Noteholder(s), and each Unsecured Noteholder shall be deemed to have surrendered each such Unsecured Note, note, debenture, or other evidence of indebtedness upon surrender of such global security by DTC or such other securities depository or custodian thereof. No distributions under the Plan shall be made for or on behalf of such Holder unless and until such note(s) is received by Unsecured Notes Indenture Trustee or DIP Agent (as applicable), or the loss, theft or destruction of such note(s) is established to the reasonable satisfaction of the Unsecured Notes Indenture Trustee or DIP Agent (as applicable), which satisfaction may require such Holder to submit (a) a lost instrument affidavit and (b) an indemnity bond holding the Debtors, the Reorganized Debtors, and the Unsecured Notes Indenture Trustee or DIP Agent (as applicable), harmless in respect of such note and distributions made thereof. Upon compliance with this Article 9.7 by a DIP Lender or Unsecured Noteholder, such DIP Lender or Holder shall, for all purposes under the Plan, be deemed to have surrendered such Claim. Any Holder that fails to surrender such DIP Claim or Unsecured Note or satisfactorily explain its non-availability to the DIP Lender or Unsecured

Notes Indenture Trustee (as applicable) within one (1) year of the Effective Date shall be deemed to have no further Claim against the Debtors, the Reorganized Debtors (or their property), the DIP Agent or the Unsecured Notes Indenture Trustee (as applicable) in respect of such Claim and shall not participate in any distribution under the Plan. All property in respect of such forfeited distributions, including interest thereon, shall be promptly returned to the Reorganized Debtors by the DIP Lender or Unsecured Notes Indenture Trustee (as applicable), and any such security shall be cancelled. Notwithstanding the foregoing, if the record Holder of an Unsecured Notes Claim is the DTC or its nominee or such other securities depository or custodian thereof, or if an Unsecured Notes Claim is held in book-entry or electronic form pursuant to a global security held by the DTC or such other securities depository or custodian thereof, then the beneficial Holder of such an Allowed Unsecured Notes Claim shall be deemed to have surrendered such Holder's security, note, debenture or other evidence of indebtedness upon surrender of such global security by the DTC or such other securities depository or custodian thereof.

9.8 Compliance Matters. In connection with the Plan, to the extent applicable, the Reorganized Debtors and the Distribution Agent shall comply with all tax withholding and reporting requirements imposed on them by any Governmental Unit, and all distributions pursuant to the Plan shall be subject to such withholding and reporting requirements. Notwithstanding any provision in the Plan to the contrary, the Reorganized Debtors and the Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms they believe are reasonable and appropriate. The Reorganized Debtors reserve the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, Liens, and encumbrances.

9.9 Claims Paid or Payable by Third Parties.

(a) Claims Paid by Third Parties. The Claims Agent shall reduce in full a Claim to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not the Debtors or the Reorganized Debtors without any further notice to or action, order, or approval of the Bankruptcy Court. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not the Debtors or the Reorganized Debtors on account of such Claim, such Holder shall, within two weeks of receipt thereof, repay or return the distribution under the Plan to the Reorganized Debtors, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such distribution under the Plan.

(b) Claims Payable by Insurance Carriers. No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy. To the extent that one or more of the Debtors' insurers agree to satisfy in full a Claim (if and to the extent adjudicated by a court of competent

jurisdiction), then immediately upon such insurers' agreement, such Claim may be expunged to the extent of any agreed upon satisfaction on the claims register by the Claims Agent without a Claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

(c) Applicability of Insurance Policies. Except as otherwise provided in the Plan, distributions to Holders of Allowed Claims shall be in accordance with the provisions of any applicable insurance policy. Nothing contained in the Plan shall constitute or be deemed a waiver of any Cause of Action that the Debtors or any Entity may hold against any other Entity, including insurers under any policies of insurance, nor shall anything contained herein constitute or be deemed a waiver by such insurers of any defenses, including coverage defenses, held by such insurers.

9.10 Setoffs. Except as otherwise expressly provided for in the Plan and except with respect to any DIP Claims, Unsecured Notes Claim, and any distribution on account thereof, the Reorganized Debtors pursuant to the Bankruptcy Code (including section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim, may set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Allowed Claim, any Claims, rights, and Causes of Action of any nature that the Debtors or the Reorganized Debtors, as applicable, may hold against the Holder of such Allowed Claim, to the extent such Claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise); provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim pursuant to the Plan shall constitute a waiver or release by the Reorganized Debtors of any such Claims, rights, and Causes of Action that the Reorganized Debtors may possess against such Holder. In no event shall any Holder of Claims be entitled to set off any Claim against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless such Holder has filed a motion with the Bankruptcy Court requesting the authority to perform such setoff on or before the Confirmation Date, and notwithstanding any indication in any proof of Claim or otherwise that such Holder asserts, has, or intends to preserve any right of setoff pursuant to section 553 or otherwise.

9.11 Recoupment. In no event shall any Holder of Claims or Interests be entitled to recoup any Claim or Interest against any Claim, right, or Cause of Action of the Debtors or the Reorganized Debtors, as applicable, unless (i) such Holder actually has performed such recoupment and provided notice thereof in writing to the Debtors on or before the Confirmation Date or (ii) such Holder's right to recoupment is preserved by applicable bankruptcy law.

9.12 Allocation of Plan Distributions Between Principal and Interest. To the extent that any Allowed Claim entitled to a distribution under this Plan is composed of indebtedness and accrued but unpaid interest thereon, such distribution shall, to the extent permitted by applicable law, be allocated for federal income tax purposes to the principal amount of the Claim first and then, to the extent the consideration exceeds the principal amount of the Claim, to the portion of such Claim representing accrued but unpaid interest.

ARTICLE X

EFFECT OF THE PLAN ON CLAIMS AND INTERESTS

10.1 Vesting of Assets. Except as otherwise explicitly provided in this Plan, on the Effective Date, all property comprising the Estate (including Causes of Action, but excluding property that has been abandoned pursuant to an order of the Bankruptcy Court) shall vest in the Reorganized Debtors which, as Debtors, owned such property or interest in property as of the Effective Date, free and clear of all Claims, Liens, charges, encumbrances, rights, and Interests. As of and following the Effective Date, the Reorganized Debtors may operate their business and use, acquire, and dispose of property and settle and compromise Claims, Interests, or Causes of Action without supervision of the Bankruptcy Court, free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, other than those restrictions expressly imposed by this Plan or the Confirmation Order.

10.2 Discharge of the Debtors. Pursuant to section 1141(d) of the Bankruptcy Code, except as otherwise specifically provided in this Plan or the Confirmation Order, and effective as of the Effective Date: (a) the distributions and rights that are provided in this Plan, if any, and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Causes of Action, whether known or unknown, including any interest accrued on such Claims from and after the Petition Date, against, liabilities of, Liens on, obligations of, and rights against the Debtors or any of their assets or properties (except for the Excluded DIP Obligations), regardless of whether any property shall have been distributed or retained pursuant to this Plan on account of such Claims and rights, including, but not limited to, Claims that arose before the Effective Date and all debts of the kind specified in sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not (i) a proof of Claim or interest based upon such Claim, debt, or right is filed or deemed filed under section 501 of the Bankruptcy Code, (ii) a Claim or interest based upon such Claim, debt, or right is Allowed under section 502 of the Bankruptcy Code, or (iii) the Holder of such a Claim or right accepted this Plan; (b) the Plan shall bind all Holders of Claims and Interests; (c) all Claims shall be satisfied, discharged, and released in full (except for the Excluded DIP Obligations), and the Debtors' liability with respect thereto shall be extinguished completely, including any liability of the kind specified under section 502(g) of the Bankruptcy Code; and (d) all Entities shall be precluded from asserting against the Debtors, the Estates, the Reorganized Debtors, their successors and assigns, and their assets and properties any other Claims based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date (except for the Excluded DIP Obligations). The Confirmation Order shall be a judicial determination of the discharge of all Claims against the Debtors, subject to the occurrence of the Effective Date.

10.3 Compromises and Settlements. This Plan is intended to incorporate, pursuant to Bankruptcy Rule 9019(a), a global compromise, settlement and resolution of all Claims against and Interests in the Debtors pursuant to the terms of the Plan, and the agreements reached in the Plan Support Agreement. Pursuant to Bankruptcy Rule 9019(a), the Debtors may compromise and settle various (a) Claims and (b) Causes of Action that the Debtors have against

other Entities up to the Effective Date. After the Effective Date, any such right shall pass to the Reorganized Debtors as contemplated in Article 10.1 of this Plan, without the need for further approval of the Bankruptcy Court. Pursuant to section 363 of the Bankruptcy Code and Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided pursuant to the Plan or any distribution to be made on account of an Allowed Claim, the provisions of the Plan shall constitute a good faith compromise of all Claims, Interests, and controversies relating to the contractual, legal, and subordination rights that a Holder of a Claim or Interest may have with respect to any Allowed Claim or Allowed Interest. The entry of the Confirmation Order shall constitute the Bankruptcy Court's approval of the compromise or settlement of all such Claims, Interests and controversies, as well as a finding by the Bankruptcy Court that any such compromise or settlement is in the best interests of the Debtors, their Estates, and Holders of Claims and Interests, and is fair, equitable, and reasonable.

10.4 Release by Debtors. Pursuant to section 1123(b) of the Bankruptcy Code, as of the Effective Date, the Debtors and their Estates, and the Reorganized Debtors shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Released Parties from any and all Claims, obligations, rights, suits, damages, Avoidance Actions, remedies, and liabilities whatsoever, including any derivative Claims, asserted or assertable by or on behalf of the Debtors, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the DIP Facility, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors, provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, the Exit Revolver Facility, the Exit Term Loan Facility, any other Plan Transaction Document, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by final non-appealable order to constitute willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan. For the avoidance of doubt, nothing in this paragraph shall in any way affect the operation of Article 10.2 of the Plan, pursuant to section 1141(d) of the Bankruptcy Code.

10.5 Release by Holders of Claims and Interests. As of the Effective Date, the Releasing Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Debtors, the Reorganized Debtors, their Estates, and the Released Parties from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted or assertable by or on behalf of the Debtors, whether known or

unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the Debtors' restructuring, the Chapter 11 Cases, the DIP Facility (except for the Excluded DIP Obligations), the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Reorganized Debtors provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, the Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, the Exit Revolver Facility, the Exit Term Loan Facility any other Plan Transaction Document, or related agreements, instruments, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that is determined by final non-appealable order to constitute willful misconduct or gross negligence. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not: (i) release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan; or (ii) release or Impair any Allowed Claim, any Indemnification Obligations owed to any Indemnittee, or any Interest Reinstated under the terms of this Plan.

For the avoidance of doubt, except as expressly provided herein, nothing in this Article 10.5 shall in any way affect the operation of Article 10.2 of the Plan, pursuant to section 1141(d) of the Bankruptcy Code.

10.6 General Release of Plan Sponsor by Debtors, the Debtors' Estates and the Reorganized Debtors. In consideration for the Plan Sponsor Contribution, and pursuant to Bankruptcy Rule 9019(a) and Article 10.3 of the Plan, upon the occurrence of the Effective Date, (a) the Debtors, (b) the Debtors' estates, (c) the Reorganized Debtors, and (d) with respect to each of the foregoing Entities in subparts (a) through (c), their respective current and former officers, directors, managers, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals (all of the foregoing in their respective capacities as such), shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived and discharged the Plan Sponsor and each of the Plan Sponsor's Affiliates, and each of their respective predecessors, successors and assigns, and current and former direct and indirect stockholders, members, limited partners, general partners, equity holders, principals, partners, managed funds, parents, equity holders, members, employees, agents, officers, directors, managers, trustees, professionals, representatives, advisors, attorneys, financial advisors, accountants, investment bankers, and consultants (the foregoing including without limitation (x) Mordechai Korf, (y) Gennadiy Bogolyubov, and (z) Igor Kolomoyskyy), from any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, owned, held, asserted or assertable by or on behalf of the Debtors, the Debtors' Estates or the Reorganized Debtors, whether known or unknown, foreseen or unforeseen, existing or

hereinafter arising, in law, equity, or otherwise, that any such Entity would have been legally or equitably entitled to assert (whether individually or collectively) based upon, or in any way relating to, or in any manner arising from, in whole or in part, any act, omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan. For the avoidance of doubt, the releases provided for by this Article 10.6 of the Plan are, and are intended to be, general releases. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under the Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement the Plan.

For the avoidance of doubt, except as expressly provided herein, nothing in this Article 10.5 shall in any way affect the operation of Article 10.2 of the Plan, pursuant to section 1141(d) of the Bankruptcy Code.

10.7 Exculpation and Limitation of Liability. The Exculpated Parties shall neither have nor incur any liability to any Entity for any Exculpated Claim; provided, however, that the foregoing "exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct.

The Exculpated Parties have, and upon Confirmation shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code and, therefore, are not and shall not be liable at any time for the violations of any applicable, law, rule, or regulation governing the solicitation of acceptances or rejections of the Plan or such distributions made pursuant to the Plan.

10.8 Indemnification Obligations. From and after the Effective Date, the Reorganized Debtors will indemnify each Indemnitee to the same extent of any Indemnification Obligation in effect immediately prior to the Effective Date. The Reorganized Debtors' indemnification obligation shall remain in full force and effect, shall not be modified, reduced, discharged, impaired, or otherwise affected in any way. The treatment of Indemnification Obligations in this Article 10.8 shall be in complete satisfaction, discharge, and release of any Claim on account of such Indemnification Obligation of the Debtors, except that any Indemnitee may assert a Claim in the Chapter 11 Cases for any prepetition Indemnification Obligation that is not satisfied because of the limitation contained in the prior sentence.

10.9 Indemnification of Secured Notes Trustee. Notwithstanding the occurrence of the Effective Date or any provision of the Plan to the contrary, the Debtors or the Reorganized Debtors (as applicable) shall pay and reimburse and be liable to the Secured Notes Indenture Trustee and its directors, officers, agents and employees (the "**Indenture Indemnified Parties**") on demand for, and indemnify and hold harmless the Indenture Indemnified Parties from and against all losses, claims, damages, liabilities or expenses in any way, directly or indirectly, arising out of, or related to, or connected with the implementation of the Plan, in each case in accordance with the terms of the in Secured Notes Documents.

10.10 Injunction. The satisfaction, release, and discharge pursuant to this Article X shall act as an injunction, from and after the Effective Date, against any Entity (a) commencing or continuing in any manner or in any place, any action, employment of process, or other proceeding; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree or order; (c) creating, perfecting, or enforcing any lien or encumbrance; (d) asserting a setoff, right of subrogation, or recoupment of any kind against any debt, liability, or obligation due to the Debtors, except as set forth in Article 9.10 or 9.11 of the Plan, in each case with respect to any Claim, or Cause of Action satisfied, released or to be released, exculpated or to be exculpated, or discharged under this Plan or pursuant to the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including to the extent provided for or authorized by sections 524 and 1141 thereof; provided, however, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms of this Plan or the Confirmation Order; and provided further, however, that nothing contained herein shall preclude the DIP Agent of the DIP Lenders from exercising any appropriate remedies against the Reorganized Debtors in connection with any Excluded DIP Obligations.

10.11 Subordination Rights.

(a) Except as otherwise provided in the Plan, the allowance, classification and treatment of all Allowed Claims and the respective distributions and treatments under the Plan take into account and conform to the relative priority and rights of the Claims in each Class in connection with any contractual, legal and equitable subordination rights relating thereto, whether arising under general principles of equitable subordination, section 510(b) of the Bankruptcy Code, or otherwise. All Claims and all rights and claims between or among Holders of Claims relating in any manner whatsoever to distributions on account of Claims or Interests, based upon any claimed subordination rights, whether asserted or unasserted, legal or equitable, shall be deemed satisfied by the distributions under the Plan to Holders of Claims having such subordination rights, and such subordination rights shall be deemed waived, released, discharged, and terminated as of the Effective Date. Except as otherwise specifically provided for in the Plan, distributions to the various Classes of Claims hereunder shall not be subject to levy, garnishment, attachment, or like legal process by any Holder of a Claim by reason of any subordination rights or otherwise, so that each Holder of a Claim shall have and receive the benefit of the distributions in the manner set forth in the Plan.

(b) Except as otherwise provided in the Plan, the right of the Debtors or the Reorganized Debtors to seek subordination of any Claim pursuant to section 510 of the Bankruptcy Code is fully reserved, and the treatment afforded any Claim or Interest that becomes a subordinated Claim or Interest at any time shall be modified to reflect such subordination. Unless the Plan or the Confirmation Order otherwise provide, no distributions shall be made on account of a Claim subordinated pursuant to this Article 10.11(b) unless ordered by the Bankruptcy Court.

10.12 Protection Against Discriminatory Treatment. Consistent with section 525 of the Bankruptcy Code and paragraph 2 of Article VI of the United States Constitution, no Governmental Unit shall discriminate against the Reorganized Debtors or deny, revoke, suspend,

or refuse to renew a license, permit, charter, franchise, or other similar grant to, condition such a grant to, discriminate with respect to such a grant against, the Reorganized Debtors, or another entity with whom the Reorganized Debtors have been associated, solely because the Debtors have been debtors under chapter 11, have been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases but before the Debtors are granted or denied a discharge), or have not paid a debt that is dischargeable in the Chapter 11 Cases.

10.13 Release of Liens. Except as otherwise provided in the Plan, including Article 4.2, or in any contract, instrument, release, or other agreement or document created pursuant to the Plan, on the Effective Date, all mortgages, deeds of trust, Liens, pledges, or other security interests against any property of the Estates shall be fully released, and discharged, and all of the right, title, and interest of any Holder of such mortgages, deeds of trust, Liens, pledges, or other security interests shall revert to the Reorganized Debtors and their successors and assigns. Notwithstanding the above, nothing in this Plan or the Confirmation Order shall release any deed restriction, easements, or institutional control that runs with the land under environmental law.

10.14 Reimbursement or Contribution. If the Bankruptcy Court disallows a Claim for reimbursement or contribution of an entity pursuant to section 502(e)(1)(B) of the Bankruptcy Code, then to the extent that such Claim is contingent as of the Effective Date, such Claim shall be forever Disallowed notwithstanding section 502(j) of the Bankruptcy Code, unless prior to the Effective Date (1) such Claim has been adjudicated as noncontingent or (2) the relevant Holder of a Claim has filed a noncontingent proof of Claim on account of such Claim and a Final Order has been entered determining such Claim as no longer contingent.

ARTICLE XI

CONDITIONS PRECEDENT

11.1 Conditions to the Effective Date of the Plan. The following are conditions precedent to the occurrence of the Effective Date, each of which may be satisfied or waived in accordance with Article 11.2 of this Plan, and each of which must be acceptable to the Plan Sponsor:

(a) the Plan and Plan Transaction Documents shall be in a form and substance consistent in all material respects with the Plan Support Agreement;

(b) the Bankruptcy Court shall have entered the Disclosure Statement Order, and such order shall be a Final Order;

(c) the Bankruptcy Court shall have entered the Confirmation Order in form and substance consistent in all material respects with the Plan Support Agreement, and such order shall be a Final Order;

(d) the Bankruptcy Court shall have entered the Plan Support Agreement Approval Order and the Plan Support Agreement shall not have been terminated by any of the parties thereto, and no defaults or termination events thereunder shall exist;

(e) Optima (i) shall have obtained the Exit Facilities, (ii) shall have executed and delivered the documentation governing the Exit Facilities, which Exit Facilities shall close substantially contemporaneously with the Effective Date, and (iii) all conditions to effectiveness of the Exit Facilities (other than any required receipt of the Plan Sponsor Contribution) shall have been satisfied or waived (or will be satisfied and waived substantially concurrently with the occurrence of the Effective Date);

(f) the New Corporate Governance Documents shall have been adopted and (where required by applicable law) filed with the applicable authorities of the relevant jurisdictions of organization and shall have become effective in accordance with such jurisdiction's corporation, limited liability company, or alternative comparable laws, as applicable;

(g) all authorizations, consents, certifications, approvals, rulings, no action letters, opinions or other documents or actions required by any law, regulation or order to be received or to occur in order to implement the Plan on the Effective Date shall have been obtained or shall have occurred unless failure to do so will not have a material adverse effect on the Reorganized Debtors;

(h) all statutory fees and obligations then due and payable to the Office of the United States Trustee shall have been paid and satisfied in full; and

(i) the Plan Sponsor will have demonstrated, in a manner reasonably satisfactory to the Debtors, the availability of the Plan Sponsor Contribution in accordance with the terms of the Plan Support Agreement and the Plan.

11.2 Waiver of Conditions Precedent. The conditions set forth in Article 11.1 of this Plan, except for conditions "(e)" and "(i)", may be waived, in whole or in part, by the Debtors and the Plan Sponsor, in each such party's sole discretion, without any notice to any other parties-in-interest or the Bankruptcy Court and without a hearing.

11.3 Notice of Effective Date. The Reorganized Debtors shall file with the Bankruptcy Court a notice of the occurrence of the Effective Date within a reasonable period of time after the conditions in Article 11.1 of this Plan have been satisfied or waived pursuant to Article 11.2 of this Plan.

11.4 Effect of Non-Occurrence of Conditions to Consummation. If prior to consummation of the Plan, the Confirmation Order is vacated pursuant to a Final Order, then except as provided in any order of the Bankruptcy Court vacating the Confirmation Order, the Plan will be null and void in all respects, and nothing contained in the Plan or Disclosure Statement shall (a) constitute a waiver or release of any Claims, Interests, or Causes of Action, (b) prejudice in any manner the rights of the Debtors or any other Entity, or (c) constitute an admission, acknowledgment, offer, or undertaking of any sort by the Debtors or any other Entity.

ARTICLE XII

RETENTION OF JURISDICTION

Pursuant to sections 105(a) and 1142 of the Bankruptcy Code, the Bankruptcy Court shall have exclusive jurisdiction of all matters arising out of, and related to, the Chapter 11 Cases and the Plan, including jurisdiction to:

(a) resolve any matters related to Executory Contracts and Unexpired Leases, including: (i) the assumption, assumption and assignment, or rejection of Executory Contracts or Unexpired Leases to which the Debtors are a party or with respect to which the Debtors may be liable, and to hear and determine the allowance of Claims resulting therefrom including the amount of Cure, if any, required to be paid; (ii) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (iii) the Reorganized Debtors' amendment, modification, or supplement after the Effective Date, pursuant to Article VII of the Plan, of the lists of Executory Contracts and Unexpired Leases to be assumed or rejected or otherwise; and (iv) any dispute regarding whether a contract or lease is or was executory or expired;

(b) adjudicate any and all adversary proceedings, applications, and contested matters that may be commenced or maintained pursuant to the Chapter 11 Cases, this Plan, or that were the subject of proceedings before the Bankruptcy Court, prior to the Effective Date, proceedings to adjudicate the allowance of Disputed Claims and Disputed Interests, and all controversies and issues arising from or relating to any of the foregoing;

(c) ensure that distributions to Holders of Allowed Claims are accomplished as provided herein and adjudicate any and all disputes arising from or relating to distributions under the Plan;

(d) allow in whole or in part, disallow in whole or in part, determine, liquidate, classify, estimate, or establish the priority, secured or unsecured status, or amount of any Claim or Interest, including hearing and determining any and all objections to the allowance or estimation of Claims or Interests filed, both before and after the Confirmation Date, including any objections to the classification of any Claim or Interest, and the resolution of request for payment of any Administrative Claim;

(e) hear and determine or resolve any and all matters related to Causes of Action;

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

(g) issue and implement orders in aid of execution, implementation, or consummation of this Plan;

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

(i) hear and determine all applications for allowance of compensation and reimbursement of Professional Claims under this Plan or under sections 330, 331, 503(b), 1103, and 1129(a)(4) of the Bankruptcy Code;

(j) determine requests for the payment of Claims entitled to priority under section 507(a)(1) of the Bankruptcy Code, including compensation and reimbursement of expenses of parties entitled thereto;

(k) adjudicate, decide, or resolve any and all matters related to section 1141 of the Bankruptcy Code;

(l) hear and determine disputes arising in connection with the interpretation, implementation, or enforcement of this Plan or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with this Plan and disputes arising in connection with any Entity's obligations incurred in connection with the Plan;

(m) hear and determine all suits or adversary proceedings to recover assets of the Debtors and property of their Estates, wherever located;

(n) hear and determine matters concerning state, local, and federal taxes in accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

(o) resolve any matters relating to pre- or post-confirmation sales of the Debtors' assets;

(p) grant any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to section 365(d)(4) of the Bankruptcy Code;

(q) hear any other matter not inconsistent with the Bankruptcy Code;

(r) hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge;

(s) enter a Final Decree closing the Chapter 11 Cases;

(t) enforce all orders previously entered by the Bankruptcy Court;

(u) hear and determine all matters relating to any Section 510(b) Claim; and

(v) hear and determine all matters arising in connection with the interpretation, implementation, or enforcement of the Backstop Commitment Letter.

From the Confirmation Date through the Effective Date, the Bankruptcy Court shall retain jurisdiction with respect to each of the foregoing items and all other matters that were subject to its jurisdiction prior to the Confirmation Date; provided, however, that the Bankruptcy Court shall not have nor retain exclusive jurisdiction over any post-Effective Date agreement, including

but not limited to any of the Exit Facility Documents. Nothing contained herein shall be construed to increase, decrease or otherwise modify the independence, sovereignty or jurisdiction of the Bankruptcy Court.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

13.1 Binding Effect. Upon the Effective Date, this Plan shall be binding upon and inure to the benefit of the Debtors, the Reorganized Debtors, all current and former Holders of Claims, all current and former Holders of Interests, and all other parties-in-interest and their respective heirs, successors, and assigns.

13.2 Payment of Statutory Fees. All fees payable pursuant to section 1930 of title 28 of the United States Code, as of the entry of the Confirmation Order as determined by the Bankruptcy Court at the Confirmation Hearing, shall be paid on the Effective Date. The Reorganized Debtors shall continue to pay fees pursuant to section 1930 of title 28 of the United States Code until the Chapter 11 Cases are closed by entry of the Final Decree. Furthermore, following entry of the Confirmation Order, the Reorganized Debtors shall continue to file quarterly reports in compliance with Bankruptcy Rule 2015(a)(5); however, such reports shall not purport to be prepared in accordance with GAAP, may not be construed as reports filed under the Securities Exchange Act, and may not be relied upon by any party for any purpose except as set forth in Bankruptcy Rule 2015(a)(5).

13.3 Payment of Certain Additional Fees and Expenses. Notwithstanding any provision in the Plan to the contrary, on the Effective Date, all unpaid fees and expenses of the DIP Agent and the DIP Professionals, including the reasonably estimated fees and expenses to be incurred through the Effective Date, shall be paid in full in Cash by the Debtors or Reorganized Debtors (as applicable); provided, that following the Effective Date, any such amounts paid to the DIP Agent and the DIP Professionals in excess of such fees and expenses actually and reasonably incurred through the Effective Date shall be returned to the Reorganized Debtors. In addition, to the extent the DIP Agent or DIP Lenders incurs any costs, fees or expenses related to the period after the Effective Date in connection with distributions made pursuant to the Plan or to otherwise effectuate the Plan, such costs, fees and expenses reasonably incurred shall be promptly paid in full in cash by the Debtors or Reorganized Debtors (as applicable). On or as soon as practicable following the Effective Date, the Reorganized Debtors shall reimburse and pay to the Plan Sponsor all reasonable and documented legal professional fees and expenses incurred by the Plan Sponsor in connection with the Chapter 11 Cases.

13.4 Payment of Fees and Expenses of the Unsecured Notes Indenture Trustee. Notwithstanding any provision in the Plan to the contrary, the Debtors or Reorganized Debtors (as applicable) shall promptly pay in full in Cash any outstanding reasonable and documented Unsecured Notes Indenture Trustee Fees incurred by the Unsecured Notes Indenture Trustee without the need for such parties to file fee applications with the Bankruptcy Court; provided, however, that, to receive payment on the Effective Date, the Unsecured Notes Indenture Trustee and their respective counsel shall provide the Debtors and the Plan Sponsor with the invoices, as applicable, for which it seeks payment within ten (10) Business Days prior

to the Effective Date; provided, further, that if the Debtors and the Plan Sponsor, as applicable, have previously agreed to or have no objection to such reasonable fees, such reasonable fees shall be paid on or as soon as practicable after the Effective Date. To the extent that the Debtors and/or the Plan Sponsor, as applicable, object in writing prior to the expiration of the ten (10) Business Day payment period to any of the Unsecured Notes Indenture Trustee Fees not previously agreed to, the Debtors shall not be required to pay any disputed portion of such amounts until a resolution of such objection is agreed to by the Debtors and/or the Plan Sponsor, as applicable, or a further order of the Bankruptcy Court upon a motion by the Unsecured Notes Indenture Trustee. Nothing herein shall be deemed to impair, waive, discharge, or negatively impact the Charging Lien of the Unsecured Notes Indenture Trustee. The Debtors and Reorganized Debtors shall have no obligation to pay Unsecured Notes Indenture Trustee Fees that may be incurred after the Effective Date.

. Notwithstanding any provision in the Plan to the contrary, the Debtors or Reorganized Debtors (as applicable) shall promptly pay in full in Cash any outstanding reasonable and documented Secured Notes Indenture Trustee Fees incurred by the Secured Notes Indenture Trustee without the need for such parties to file fee applications with the Bankruptcy Court; provided, however, that, to receive payment on the Effective Date, the Secured Notes Indenture Trustee and their respective counsel shall provide the Debtors and the Plan Sponsor with the invoices, as applicable, for which it seeks payment within ten (10) Business Days prior to the Effective Date; provided, further, that if the Debtors and the Plan Sponsor, as applicable, have previously agreed to or have no objection to such reasonable fees, such reasonable fees shall be paid on or as soon as practicable after the Effective Date. To the extent that the Debtors and/or the Plan Sponsor, as applicable, object in writing prior to the expiration of the ten (10) Business Day payment period to any of the Secured Notes Indenture Trustee Fees not previously agreed to, the Debtors shall not be required to pay any disputed portion of such amounts until a resolution of such objection is agreed to by the Debtors and/or the Plan Sponsor, as applicable, or a further order of the Bankruptcy Court upon a motion by the Secured Notes Indenture Trustee.

13.5 Modification and Amendments. Subject to the terms and conditions of the Plan Support Agreement, the Debtors, with consent of the Plan Sponsor, may alter, amend, or modify this Plan under section 1127(a) of the Bankruptcy Code at any time prior to the Confirmation Date. After the Confirmation Date and prior to substantial consummation of this Plan as defined in section 1101(2) of the Bankruptcy Code, the Debtors may, with the consent of the Plan Sponsor, under section 1127(b) of the Bankruptcy Code, institute proceedings in the Bankruptcy Court to remedy any defect or omission or reconcile any inconsistencies in this Plan, the Disclosure Statement, or the Confirmation Order, and such matters as may be necessary to carry out the purposes and effects of this Plan.

13.6 Confirmation of the Plan. The Debtors request Confirmation of the Plan under section 1129(b) of the Bankruptcy Code with respect to any Impaired Class that does not accept the Plan pursuant to section 1126 of the Bankruptcy Code. The Debtors reserve the right to amend the Plan to any extent, if any, that Confirmation pursuant to section 1129(b) of the Bankruptcy Code requires modification.

13.7 Additional Documents. On or before the Effective Date, in each case subject to the terms of the Plan Support Agreement, the Debtors may file with the Bankruptcy

Court such agreements or other documents as may be necessary or appropriate to effectuate and further evidence the terms and conditions of the Plan. The Debtors or the Reorganized Debtors, as applicable, and Holders of Claims receiving distributions pursuant to the Plan and all other parties in interest shall, from time to time, prepare, execute, and deliver any agreements or documents and take any other actions as may be necessary or advisable to effectuate the provision and intent of the Plan.

13.8 Dissolution of Creditors' Committee. Effective on the Effective Date, the Creditors' Committee shall dissolve automatically, whereupon their members, professionals, and agents shall be released from any further duties, responsibilities, and liabilities in the Chapter 11 Cases and under the Bankruptcy Code, provided that obligations arising under confidentiality agreements, joint interest agreements, and protective orders entered during the Chapter 11 Cases shall remain in full force and effect according to their terms. The Creditors' Committee may make applications for Professional Claims. The Professionals retained by the Creditors' Committee and jointly by the Creditors' Committee and the Debtors and the respective members of the Creditors' Committee shall not be entitled to compensation and reimbursement of expenses for services rendered after the Effective Date, provided, however, notwithstanding the foregoing, the Professionals retained by the Creditors' Committee shall be entitled to submit invoices for compensation and reimbursement of expenses for time spent with respect to applications for the allowance of compensation and reimbursement of expenses filed after the Effective Date, and have such allowed amounts paid from the Holdback Escrow Account.

13.9 Revocation, Withdrawal, or Non-Consummation.

(a) Right to Revoke or Withdraw. Subject to the terms and conditions of the Plan Support Agreement, the Debtors reserve the right to revoke or withdraw this Plan at any time prior to the Effective Date and file subsequent chapter 11 plans.

(b) Effect of Withdrawal, Revocation, or Non-Consummation. If the Debtors revoke or withdraw this Plan prior to the Effective Date, or if the Confirmation Date or the Effective Date does not occur, then this Plan, any settlement or compromise embodied in this Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims or the allocation of the distributions to be made hereunder), the assumption or rejection of Executory Contracts or Unexpired Leases effected by this Plan, and any document or agreement executed pursuant to this Plan shall be null and void in all respects. In such event, nothing contained herein or in the Disclosure Statement, and no acts taken in preparation for consummation of this Plan, shall be deemed to constitute a waiver or release of any Claims or Causes of Action by or against the Debtors or any other Entity, to prejudice in any manner the rights and defenses of the Debtors, the Holder of a Claim or Interest, or any Entity in any further proceedings involving the Debtors, or to constitute an admission, acknowledgement, offer, or undertaking of any sort by the Debtors or any other Entity.

13.10 Notices. After the Effective Date, any pleading, notice, or other document required by the Plan to be served on or delivered on the Parties below shall be served as follows:

If to the Reorganized Debtors:

Optima Specialty Steel, Inc.
200 S. Biscayne Blvd.
Suite 5500
Miami, FL 33131-2310
Attention: General Counsel

with a copy (which shall not constitute notice) to:

Paul J. Keenan Jr.
Greenberg Traurig, LLP
333 S.E. 2nd Avenue
Suite 4400
Miami, FL 33131

If to the Plan Sponsor:

Optima Acquisitions, LLC
200 S. Biscayne Blvd.
Suite 5500
Miami, FL 33131-2310
Attention: Mordechai Korf

with a copy (which shall not constitute notice) to:

Skadden, Arps, Slate, Meagher & Flom LLP
One Rodney Square
P.O. Box 636
Wilmington, DE 19899
Attention: Mark S. Chehi
Jason M. Liberi

If to the Office of the United States Trustee:

Office of the United States Trustee for the District of Delaware
Room 2207, Lockbox 35
844 North King Street
Wilmington, DE 19801
Attention: Jane M. Leamy

13.11 Term of Injunctions or Stays. Unless otherwise provided in the Plan or in the Confirmation Order, all injunctions or stays in effect in the Chapter 11 Cases pursuant to sections 105 or 362 of the Bankruptcy Code or any order of the Bankruptcy Court, and existing on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order) shall remain in full force and effect until the Effective Date. All injunctions

or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms.

13.12 Governing Law. Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules) or unless otherwise specifically stated, the laws of the State of Delaware shall govern the construction and implementation of this Plan, any agreements, documents, and instruments executed in connection with this Plan (except as otherwise set forth in those agreements, in which case the governing law of such agreements shall control). Corporate governance matters shall be governed by the laws of the state of incorporation, formation, or functional equivalent thereof, as applicable, of the applicable Reorganized Debtor.

13.13 Entire Agreement. Except as otherwise indicated, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan.

13.14 Severability. If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court shall 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 shall then be applicable as altered or interpreted; provided, however, that any such revision, amendment, or modification must be consistent with the Plan Support Agreement. 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 shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is (a) valid and enforceable pursuant to its terms, (b) integral to the Plan and may not be deleted or modified without the Debtors' consent, and (c) nonseverable and mutually dependent.

13.15 No Waiver or Estoppel. Upon the Effective Date, each Holder of a Claim or Interest shall be deemed to have waived any right to assert that its Claim or Interest should be Allowed in a certain amount, in a certain priority, be secured, or not be subordinated by virtue of an agreement made with the Debtors and/or their counsel, the Creditors' Committee and/or its counsel, or any other party, if such agreement was not disclosed in this Plan, the Disclosure Statement, or papers filed with the Bankruptcy Court.

13.16 Conflicts. In the event that the provisions of the Disclosure Statement and the provisions of the Plan conflict, the terms of this Plan shall govern.

13.17 Waiver of Limitations on Releases of Unknown Claims. Each of the Releasing Parties and Released Parties agree and acknowledge, or shall be deemed to agree and acknowledge, that the releases contained in Articles 10.4, 10.5 and 10.6 of the Plan extend to Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities that the parties do not know or expect to exist at the time of the release, which, if known, might have

affected the decision to enter into the release and which each of the Releasing Parties and Released Parties shall be deemed to waive, and shall waive and relinquish to the fullest extent permitted by law, any and all provisions, rights, and benefits conferred by any law of the United States or any state or territory thereof, or principle of common law, which governs or limits a person's release of unknown claims; further, with respect to any and all such Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities, including any and all unknown claims that the Releasing Parties and Released Parties shall be deemed to waive, and shall waive and relinquish, to the fullest extent permitted by law, the provisions, rights, and benefits of Section 1542 of the California Civil Code, which provides as follows:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Releasing Parties and Released Parties also shall be deemed to waive any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to California Civil Code § 1542. The Releasing Parties and Released Parties also acknowledge, or shall be deemed to acknowledge, that they may discover facts in addition to or different from those that they now know or believe to be true with respect to the subject matter of this release, but that it is the intention of the parties to fully, finally, and forever settle and release with prejudice any and all Claims, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities conceivably within the scope of the releases contained in Articles 10.4, 10.5 and 10.6, including any and all unknown claims, without regard to the subsequent discovery or existence of additional or different facts. Such parties expressly agree, or shall be deemed to expressly agree, that any fraudulent inducement or similar claims that could be premised on unknown facts or facts that are subsequently discovered are included within the definition of unknown claims.

Dated: May 24, 2017

Respectfully submitted,

OPTIMA SPECIALTY STEEL, INC.

_____
Name: Michael S. Correra
Title: Chief Restructuring Officer

MICHIGAN SEAMLESS TUBE LLC

_____
Name: Michael S. Correra
Title: Chief Restructuring Officer

NIAGARA LASALLE CORPORATION

_____
Name: Michael S. Correra
Title: Chief Restructuring Officer

KES ACQUISITION COMPANY d/b/a
KENTUCKY ELECTRIC STEEL

_____
Name: Michael S. Correra
Title: Chief Restructuring Officer

THE COREY STEEL COMPANY

_____
Name: Michael S. Correra
Title: Chief Restructuring Officer

EXHIBIT B

Optima Specialty Steel Inc

2016
ANNUAL REPORT

KES Kentucky Electric Steel

MST SEAMLESS TUBE & PIPE

NIAGARA LASALLE CORPORATION

Corey STEEL COMPANY

OPTIMA SPECIALTY STEEL, INC.

2016 ANNUAL REPORT

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BUSINESS

In the sections which follow, the terms "we," "our," "us" and the "Company" refer collectively to Optima Specialty Steel, Inc. ("OSSI") and its consolidated subsidiaries.

Company Overview

We are a leading independent manufacturer and processor of special bar quality ("SBQ") and merchant bar quality ("MBQ") hot rolled steel bars ("HRSB"), value-added precision-tolerance, cold drawn seamless tubes and high quality engineered cold finished steel bars ("CFSB") in the United States ("U.S."). Our specialty steel processing business is operated by our wholly-owned subsidiaries, KES Acquisition Company doing business as Kentucky Electric Steel ("KES"), Michigan Seamless Tube LLC ("MST"), Niagara LaSalle Corporation ("Niagara") and The Corey Steel Company ("Corey"), which was acquired on January 29, 2015.

Our products are sold at prices that reflect a spread over the cost of metal reflective of the value added by our manufacturing processes. As a result, our net revenue less raw material cost per ton is more stable than underlying steel billet and SBQ prices. Our processing operations require substantial technical expertise and specialized equipment to manufacture high quality engineered steel products, including pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing and specialty cold finished steel bars.

We sell our products directly to original equipment manufacturers ("OEMs"), as well as to distributors, also referred to as metal service centers, which then resell our products in smaller quantities to end users. The majority of our sales involve products specified to meet specific and sometimes unique customer demands, leading to strong customer relationships and recurring revenues. Our products encompass (a) hot rolled SBQ and MBQ steel bars produced by KES, (b) pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing produced by MST and (c) cold drawn bars, quench and tempered bars, Custom Cut® bars and blanks, free machining bars, Stressproof® steel bars, Fatigue-Proof® steel bars, e.t.d.® 150® bars, and other CFSB products produced by Niagara and Corey.

We sell products into diversified end markets such as transportation (including automotive), energy (including oil and gas shale extraction), agriculture, power generation and yellow goods/construction equipment end markets. Our products are sold to over one thousand customers in the United States, including metal service centers, component manufacturers and other metal processors. Sales to customers in countries other than the United States account for approximately three percent of our net sales.

We provide high-quality service to our customer base from our strategically located facilities across five states in the U.S. We have the installed capacity to roll approximately 250,000 tons of HRSB, to produce over 50,000 tons of seamless pressure and mechanical tube products and to process nearly 700,000 tons of CFSB. We have over two million square feet of plant under roof, affording us the ability to efficiently and effectively service our CFSB customer base from a concentrated set of core facilities.

Voluntary Chapter 11 Filing

As more fully described in Notes 2 and 7 to the Company's Consolidated Financial Statements, the Company's long term debt matured in December 2016, before the Company was able to negotiate replacement financing. As a result and as more fully described in Note 2 to the Consolidated Financial Statements, the Company filed a voluntary petition seeking relief under Chapter 11 of the United States Bankruptcy Code. The Company continues to operate the business and manage its properties as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

The Company's ability to continue normal operations is dependent upon its ability to emerge from bankruptcy as a going concern with adequate capitalization. Subject to emergence from Chapter 11 proceedings and establishment of a new capital structure, management believes the underlying business is sound and that cash flow from operations will be sufficient to fund post-emergence operations, debt service and other obligations.

The timing of the Company's emergence from bankruptcy is dependent upon court proceedings and negotiation among the parties involved. The Company intends to file a plan of reorganization with the Bankruptcy Court by July 14, 2017 and to emerge from bankruptcy by October 27, 2017 as stipulated by the debtor in possession financing arrangement which is more fully described below and in Notes 2 and 7 to the Consolidated Financial Statements.

In connection with the Company's Chapter 11 filing, the Bankruptcy Court authorized establishment of a debtor in possession financing arrangement ("DIP Loan"). The DIP Loan provides for total financing of up to $211,662, consisting of $161,662 used to fully redeem the pre-petition 12.5% Senior Secured Notes and up to $50,000 of additional financing for operating purposes and costs of the reorganization. The DIP Loan matures on October 31, 2017 and the Agreement stipulates milestones including filing of a Chapter 11 Plan of Reorganization by July 14, 2017, with consummation of such plan to occur by October 27, 2017. Interest is payable monthly, in arrears, at LIBOR plus 10.0%. The DIP Loan is secured by super-priority liens on, and security interest in, substantially all Debtor assets.

The financial statements included in this annual report have been prepared using the going concern assumption which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Competitive Strengths

We believe the following competitive strengths differentiate our business and are important to our continued success:

Leading processor of high margin, specialty products targeted for use in niche applications. We target markets where we have a competitive advantage and can generate superior margins through the sale of specialty products for niche customer applications. Our products are often specified into customer design plans or, with respect to our automotive customers, approved in their production part approval process, making it more difficult for other manufacturers to displace us from existing accounts and further strengthening our ability to increase future sales volumes with these customers.

Highly diversified across attractive end markets and customers. Our products are utilized across a diversified range of end markets. In addition to selling our products directly to OEMs, we also benefit from the broad distribution networks of our metal service center customers. We believe the breadth of our customer base across our end markets and geographies helps to mitigate business risk and provides multiple possible avenues for continued growth.

Efficient manufacturing platform optimized for low cost production geared towards consistent quality improvement and superior customer service. We believe our manufacturing platform is a critical strength of our business. Specialized equipment, requiring substantial upfront expenditures, is required in our specialty processing operations, as is significant manufacturing expertise. Our manufacturing platform supports customization of specialty products to stringent customer specifications.

Long standing relationships within a diverse and growing customer base. We have deep and long standing relationships with customers across each of our end markets, which we support with best in class customer service, a dedicated workforce and a value-added manufacturing process geared toward being responsive to the customer. The majority of our steel processing sales involve products specified to meet the customer's unique demands, which has led to strong relationships and recurring sales.

Strong cash flow generation independent of steel price fluctuations or difficult economic market environments. Our pricing arrangements and policies are generally based on a processing or manufacturing margin plus the cost of the underlying raw material. This has allowed us to pass price increases resulting from fluctuations in steel prices and scrap surcharges onto our customers, to generally maintain a consistent, robust material margin and to mitigate inventory risk related to changes in market prices. As a result, the converting margin we make on each ton of processed steel products sold has generally experienced less volatility compared to the underlying steel prices.

Successful track record pursuing, securing and integrating acquired businesses. We acquired MST in 2008, Niagara in 2011, KES in 2013 and Corey in 2015. Following each acquisition we immediately focused attention on maintaining and growing our position with key customers, while at the same time concentrating on implementation of stringent operational cost control and synergies among divisions. Each acquisition has added to the depth and breadth of our management team and enabled us to capitalize on synergies and elimination of redundancies.

Seasoned management team leading a skilled employee base. Our management team has an average tenure of over 25 years of experience in the steel industry, and has a proven track record of growth, acquiring and integrating companies, driving acquisition synergies and executing on cost savings opportunities. We believe the depth and breadth of our management team provides a balanced combination of industry experience, functional expertise, entrepreneurial instinct and strategic vision. We believe the positive relationship between our management and employee base has been instrumental to the success of our business.

Business Strategy

We intend to continue pursuit of the following business strategies:

Grow our customer base organically and seek further penetration of existing relationships. We believe demand for manufacturers with value-added steel manufacturing and processing capabilities will expand in the niche end market applications we serve. We plan to leverage our leading market position to capture incremental business from our large base of OEM and metal service center customers. We will continue to seek new business and gain market share from competitors through delivery of high quality specialized products, expedited response and delivery times, value-added engineering services, superior lead times and pursuit of cross-selling opportunities among our three business segments.

Effectively manage our specialty product mix. We continue to focus on the effective management of our product mix towards higher-margin, specialty products; choosing not to emphasize products that possess more commodity-like characteristics. This focus enhances our margins and reduces our exposure to market swings. In particular, the new pilger mill enables us to cost effectively compete in the production and sale of smaller diameter seamless tubes.

Increase manufacturing efficiencies and expand our processing capabilities. We continually look for innovative ways to meet our customers' demands through expansion of our processing capabilities and a focus on serving our customers via a cost effective physical footprint. We see further opportunities to satisfy higher levels of demand as our end markets regain strength.

Pursue accretive bolt-on acquisitions and joint venture opportunities. To further drive profitable growth, we intend to pursue strategic, targeted and accretive bolt-on acquisition and joint venture opportunities domestically and internationally. Both the seamless tube and CFSB markets remain highly fragmented and offer opportunities for further consolidation.

Products and Services

We manufacture cold drawn seamless tubes, cold finished steel bars and hot rolled steel bars and a variety of conversion, or toll processing services, through our three business segments.

Cold Finished Steel Bars. CFSB's are value-added steel products used in precision machining operations, which are manufactured by applying a variety of different processing methods to HRSBs. Key characteristics include: (i) bright, uniform, defect-free surface conditions; (ii) superior dimensional tolerances; and (iii) higher, more consistent mechanical properties relative to HRSBs. Products come in a variety of shapes and sizes, metallurgical content, finishes and microstructures, and are used in a vast array of applications, including anchor bolts in farm machinery, hydraulic cylinders, shafting for air conditioner compressors, ceiling fan motors, electric motors, lawn mowers, shafts, steering columns and drilling equipment. Our specialty products consist of unique shapes, sizes, and metallurgical content, which command higher margins due to their difficulty to source and produce. Specialty or non-commodity CFSB products include (i) Stressproof® steel bars; (ii) Fatigue-Proof® steel bars; (iii) e.t.d.® 150® bars; (iv) quench and tempered bars; and (v) Custom-Cut® bars. These brands are well recognized throughout the industry and result in our products being specified into a number of products.

Seamless Tubes. MST produces cold drawn seamless pressure tubes and cold drawn seamless mechanical tubes. Cold drawn seamless pressure tubes are used extensively in high temperature, highly corrosive sections of power generating facilities. Pressure tubes are critical components in boiler, condenser and heat exchanger applications manufactured to strict production standards, as these products require an uncompromising level of quality to comply with the stringent requirements of the end-customer base. The largest portion of our pressure tube business is directed toward the repair and replacement portion of the power generation market. Cold drawn seamless mechanical tubes are primarily used in niche energy and non-automotive industrial markets; in particularly critical components across a wide range of high-stress applications. Our alloy mechanical tubes are utilized as part of a system of components for deep down-hole oil extraction equipment such as components for perforator guns, sucker rod couplings on oil pumps and coupling components for high pressure fluid flow. Our carbon mechanical tubes are used in a broad range of markets such as transportation (including automotive), agriculture, construction and machined parts. These tubes are manufactured in a variety of round and irregular shapes such as ovals, squares, hexagons and rifled.

Hot Rolled Steel Bars. KES supplies a diverse line of SBQ and MBQ hot rolled steel bar products in multiple niche end markets, including industrial OEMs in a variety of sectors, steel service centers, leaf spring applications and cold-drawn bar converters. KES offers short lead times, high-quality steel and minimum lot sizes which are among the smallest in the industry, often as small as five tons. KES's strategy is to create a customer value proposition in order to develop a strong position as a supply chain partner offering quick and reliable customer service. KES's market position is enhanced by several strategic advantages, including long-term customer partnerships built on its value proposition and superior customer service, superior technical and manufacturing capabilities that maximize product quality, and a flexible operating platform and dedicated workforce, which enhances the Company's adaptability and drives efficiency throughout its facility.

Toll Manufacturing/Conversion Services. In addition to our various products, we also provide toll manufacturing or conversion services with respect to descaling, cold drawing, cutting to length, rough turning, turning and polishing, grinding and heat treating. Our tolling/conversion business allows us to increase capacity utilization while providing additional value-added services to our customer base. An additional advantage to toll processing or conversion is that the customer supplies the raw material so we take no steel price volatility risk and require no incremental working capital for increased inventory levels when providing these services.

End Markets

We serve a diverse range of industrial end markets, but approximately half of our sales are to metal service centers which resell our products to end users. Therefore, we cannot determine with precision the percentage of our net sales derived from each of our major end markets.

Based on our understanding of the industry and various assumptions about products we sell to metal service centers, we believe our most significant end markets include:

- Transportation (automotive, light truck, truck/trailer, rail)
- Power Generation (utilities)
- Energy (oil and gas extraction)
- Heavy Equipment (construction, agriculture, yellow goods)
- Industrial Equipment (machine tool, fabrication, other)

Economic and industry indicators that tend to correlate with our sales activity include: gross domestic product, industrial production, North American auto builds, North American oil/gas rig count, steel scrap and iron ore pricing, inventory levels throughout the steel supply chain and the relative strength of the U.S. Dollar which can influence the volume of steel imports. The relative operating capacity of the steel industry is also a factor as excess production capacity around the world influences price and competition.

Customers

Our primary customers are a diverse mix of OEMs and metal service centers that rely on our high quality specialized products, expedited response and delivery times, value-added engineering services, superior lead times and price. From management to shop floor employees, we take pride in our customer service, which we believe enables us to achieve favorable pricing and provide manufactured products to over 1,200 customers. We have direct and indirect relationships throughout the industry's tiered supplier system, creating a well-diversified customer base with only one customer accounting for more than 10% of revenue in 2016. Our customer relationships span decades and our robust business development efforts drive the addition of new customer accounts. We believe cross-selling opportunities exist within the individual customer bases of our three business segments and can be further leveraged through coordination of sales efforts. We believe significant additional cross-selling opportunities exist as we coordinate across business segments.

Sales

We have a seasoned and technically-oriented sales force organized primarily by region. Our sales force is comprised of more than 50 professionals, including inside sales representatives used primarily to respond to price requests and customer inquiries. Our technical applications team, consisting of technical sales engineers and metallurgists, works collaboratively with customers in the application and design of our product solutions. This collaboration allows us to tailor product specifications, create new value-added services for our customers and anticipate customer needs, acting as their partners rather than merely outside suppliers. Our account managers are trained in the essentials of export regulations and are able to efficiently facilitate orders for international customers.

Competition

The HRSB, seamless tube and CFSB markets are highly competitive, each with their own competitive landscape and participants. In general, we compete on the basis of quality, breadth of products and services offered, response and delivery times, lot sizes, engineering services, lead times and price. Our competitors vary in the size and breadth of product offerings and include both domestic and international manufacturers and processors. These competitors include integrated producers, mini-mills and independent producers and processors. Seamless tube competitors include ArcelorMittal, Plymouth Tube and Webco. CFSB competitors include Nucor, Eaton Steel and Republic Steel. HRSB competitors include Nucor, CMC, Steel Dynamics, Republic Steel, Alton Steel, Sterling Steel, Arkansas Steel and ArcelorMittal. Foreign import competition has historically been limited in our markets; however imports have increased recently because the relatively strong U.S. Dollar has reduced the cost of imports.

Suppliers

Our processed steel products are manufactured from SBQ steel in a wide range of grades and sizes. We utilize worldwide sources to procure raw materials and request bids and negotiate price, terms and conditions for all material purchases. Recent currency fluctuations which have led to increased CFSB steel imports also enable us to reduce our raw material costs on imported feedstock as a means to mitigate the impact of currency fluctuations and remain competitive. In 2016, our top five steel suppliers accounted for approximately 68% of total purchases. If interruptions in deliveries of raw materials were to occur, we believe the large number of alternate suppliers would likely ameliorate the impact of such interruptions on our business. KES is a key supplier to Niagara and other cold finishers. KES produces hot rolled steel bars from purchased steel billets which are available from numerous sources.

Manufacturing and Quality Control

Our efficient manufacturing platform is geared to consistently improve the quality of our products, ensure timely delivery, and provides for flexible lead times allowing us to customize orders to satisfy our customers' unique or specialized requirements. We employ lean manufacturing principles and focus on refining core competencies. Our facilities provide us with the production flexibility to meet changing industry conditions and customer needs across the country. We have invested substantial time and capital to improve our internal organization and business practices, manufacturing processes and operational capabilities, including focusing on production at the most cost-effective locations, improving product mix to focus on higher margin products, better matching headcount to production demand, centralized purchasing of common supplies to control manufacturing costs and closing or divesting facilities not considered optimal to servicing our customer base in a cost effective and efficient manner.

Employees

As of December 31, 2016, we had approximately 625 hourly employees (of which approximately 560 are unionized) and approximately 245 salaried employees. We have a successful track record negotiating collective bargaining agreements (“CBAs”) with our unions. We plan to renegotiate our various CBAs in advance of their respective expiration dates. We believe we maintain good relationships with our employees and unions and have had no recent labor disruptions.

Our unions, the related facilities and approximate number of employees subject to CBAs are as follows:

Union (Location)	Entity	Employees Subject to CBA	Expiration Date of CBA
Teamsters Local 731 Production Employees (S. Holland, Illinois)	Niagara	58	July 2017
United Steelworkers of America (South Lyon, Michigan)	MST	168	November 2017
Progressive Steelworks of Hammond, Inc. (Hammond, Indiana)	Niagara	120	July 2018
United Steelworkers of America (Cicero, Illinois)	Corey	129	October 2018
United Steelworkers of America (Ashland, Kentucky)	KES	84	May 2020
Teamsters Local 731 Maintenance Dept. (S. Holland, Illinois)	Niagara	3	December 2020

Facilities and Operations

Our facilities, all of which are owned, are listed in the table below:

Facility Location [1]	Entity	Size (sq. ft.)	Capacity (tons)	Principal Products
Hammond, Indiana	Niagara	550,000	225,000	CFSB
South Holland, Illinois	Niagara	140,000	80,000	CFSB
Warren, Michigan	Niagara	200,000	125,000	CFSB
Midlothian, Texas	Niagara	110,000	75,000	CFSB
Cicero, Illinois	Corey	380,000	175,000	CFSB
South Lyon, Michigan	MST	360,000	55,000	Seamless Tubes
Ashland, Kentucky	KES	450,000	250,000	HRSB
Total		2,190,000	985,000	

[1] Excludes closed facilities.

Board Composition and Director Independence

The direction and oversight of our business is vested in our board of directors. Holders of our common stock elect or ratify all members of our board of directors at each annual meeting of stockholders. Each director holds office until a successor is elected and takes office, or until the director's earlier death, resignation or removal. If at any time other than the annual meeting of stockholders, a vacancy in the board is created, a majority of the directors then in office may choose a successor to fill the vacancy until the next annual meeting of stockholders. The principal duties of our board of directors include the approval of our business strategy.

Our certificate of incorporation and bylaws provide we will have a board of directors comprised of seven directors, and that until the maturity or earlier redemption or repurchase of our note obligations, at least two of the seven directors will be "independent directors" within the meaning of the independence requirements of the Nasdaq Stock Market. Our board of directors has determined that Mr. Goodish and Mr. Mayberg are "independent directors" in accordance with these requirements.

Our board of directors consists of Mordechai Korf (Chairman and Chief Executive Officer), John Goodish, Uriel Laber, Velvel Lozynskyy, Menachem Mayberg, Menachem Sossonko and Michael Salamon. Michael Salamon, the Company's President and Chief Operating Officer since March 2013, was elected to the Company's Board of Directors at the Company's annual stockholder meeting held on November 8, 2016. Mr. Salamon fills the Board vacancy created by Oleg Sheyko's resignation in November 2015.

Special Committee and Chief Restructuring Officer

On December 14, 2016, the Debtors formed a special committee comprised of its two independent directors (the "Special Committee") to review, evaluate and make key decisions regarding the restructuring of the Debtors' business, assets, liabilities, and interests during the Chapter 11 process. The Special Committee determined that the services of professionals experienced in Chapter 11 reorganizations would substantially enhance their attempts to maximize the value of the Debtor estates and therefore retained Michael S. Correra of Conway MacKenzie ("CMS") as the Debtors' Chief Restructuring Officer ("CRO") effective January 5, 2017. The CRO reports directly to the Special Committee.

Mr. Correra has over 18 years of relevant experience in the engineering, construction, automotive, heavy equipment, general manufacturing, steel and transportation sectors. He has played significant roles in numerous restructuring engagements, including Allied Holdings, Alstom Transportation, Dick Corporation, Dura Automotive, Foamade Industries, General Car and Truck, S.G. Marino Crane Service, Matrix Service Company, Motor Coach Industries, RG Steel, RailWorks Corporation, US Shale Solutions and United Copper Industries, Inc. The duties of the CRO involve management of the Company's overall restructuring process including assistance with the development of a plan of reorganization and preparation of information and analysis necessary for the confirmation of such plan in Chapter 11 proceedings and other related tasks as agreed to among CMS and the Special Committee.

Management and Directors

The following table sets forth certain information with respect to our directors and executive officers:

Name	Age	Principal Position(s)
Mordechai Korf	44	Chairman of the Board of Directors and Chief Executive Officer
Michael Salamon	53	Director, President and Chief Operating Officer
John Goodish	68	Independent Director
Menachem Mayberg	43	Independent Director
Uriel Laber	44	Director
Velvel Lozynskyy	43	Director
Menachem Sossonko	32	Director
Anthony Verkruyse	58	Chief Financial Officer
David Przybylski	67	Chief Administrative Officer
Mony Bistritzky	38	Vice President of Procurement & Integration
Thad Florence	46	Vice President, General Counsel & Secretary
Ted Fairley	60	Vice President, MST

The following biographies describe the business experience of our directors and executive officers:

Mordechai Korf — Chairman of the Board of Directors and Chief Executive Officer

Mordechai Korf has been a member of our board of directors since our formation in 2008 and was appointed Chief Executive Officer in March 2013. Mr. Korf serves or has served as the President and/or Chief Executive Officer of many steel-related businesses, including Felman Production, Inc., Felman Trading, Inc. and WSH, each affiliated with the Company, and serves on the board of directors of the Company's subsidiaries. For over a decade, Mr. Korf has been the President and/or Chief Executive Officer of various entities affiliated with the Company.

Michael Salamon — Director, President and Chief Operating Officer

Michael Salamon joined Niagara in 2004 and became Executive Vice President of Commercial in 2010. He was appointed Chief Operating Officer and President of the Company, and President of Niagara, in 2013. Mr. Salamon was elected to the Company's Board of Directors in November 2016. Prior to joining Niagara, Mr. Salamon held various commercial positions at Cargill (North Star Steel) for over 18 years. He is a member of the U.S. Industry Trade Advisory Committee on Steel (ITAC-12) and is a member and past President of the Cold Finished Steel Bar Institute. Mr. Salamon holds a B.A. in Economics from John Carroll University, and attended the Advanced Management Program at the University of Chicago in 2011.

John Goodish — Independent Director

John Goodish has served as an independent director on our board since June 2012. Mr. Goodish previously served as the Chief Operating Officer and Executive Vice President of United States Steel Corp. ("USS") from June 1, 2005 until his retirement on December 31, 2010. Mr. Goodish's career at USS also included service as its Executive Vice President of Operations, Executive Vice President of International and Diversified Businesses and President of US Steel Kosice, USS's steelmaking operation in the Slovak Republic. Mr. Goodish is a graduate of Waynesburg College in Pennsylvania where he earned a Bachelor of Science degree in Business Administration.

Menachem Mayberg — Independent Director

Menachem Mayberg serves as an independent director on our board. Mr. Mayberg is an attorney with over 10 years of criminal and civil litigation experience. Mr. Mayberg holds a Juris Doctor degree, cum laude, from the University of Miami School of Law and a Bachelor of Arts degree from Touro College.

Uriel Laber — Director

Uriel Laber has been a member of our board of directors since December 2011. Mr. Laber is the Chief Executive Officer of Eurotire, Inc. since 2007 and is a senior advisor to 1saleaday.com, an internet retailer. For over a decade, Mr. Laber has been an executive of many entities affiliated with the Company.

Volodymyr "Velvel" Lozynskyy — Director

Velvel Lozynskyy has been a member of our board of directors since December 2011. Mr. Lozynskyy is the General Director of Georgian Manganese, a subsidiary of Georgian American Alloys, an affiliate of the Company. Prior to joining Georgian Manganese, he spent two years in management at WSH from 2007-2009, and since 2009 has acted in various executive capacities with entities affiliated with the Company. Mr. Lozynskyy also served as the First Deputy Chairman of the Board of DATAS, a Ukraine corporation. Mr. Lozynskyy holds degrees from Kyiv State University and O.S. Popov Odessa National Academy of Telecommunications.

Menachem Sossonko — Director

Menachem Sossonko has been a member of our board of directors since December 2011. Since January 2010, Mr. Sossonko has been an employee of Felman Trading, Inc. He is the nephew of board member Mordechai Korf.

Anthony Verkruyse — Chief Financial Officer

Anthony Verkruyse was appointed Chief Financial Officer of the Company in March 2013, has been the Chief Financial Officer and Treasurer of Niagara since 2003, and began his career with Niagara in 2001 as Vice President of Finance. From 1991 to 2001, he was Chief Financial Officer, Secretary and Treasurer of Huntco Inc. and Huntco Steel, Inc., a processor of flat-rolled steel. From 1980 to 1991, Mr. Verkruyse practiced public accounting in the audit and tax departments of Price Waterhouse LLP. He received a B.S. degree in Business Administration from the University of Missouri, and attended the Advanced Management Program at Washington University — St. Louis in 2011.

David Pryzbylski — Chief Administrative Officer

David Pryzbylski began his career in 1979 with United States Steel Corporation. After 15 years, he went on to serve in various senior management positions at National Steel Corporation, Beta Steel Corp and Severstal Wheeling Inc. (formerly Esmark). Mr. Pryzbylski holds a Bachelor's Degree in Political Science from the University of Pittsburgh and a Juris Doctorate degree from Temple University School of Law. He is a member of the Pennsylvania Bar Association, active in veteran's affairs, and served two tours of duty in Vietnam as a member of the U.S. Army.

Mony Bistritzky – Vice President of Procurement & Integration

Mony Bistritzky serves as the Vice President of Procurement & Integration for the Company. Mr. Bistritzky also serves as the Procurement Director for Georgian American Alloys, an affiliate of the Company. Mr. Bistritzky joined the Company in 2011 as Purchasing Manager. Prior to joining OSS, Mr. Bistritzky held several management positions, including Chief Operating Officer, during his 14 year tenure with Vinyl Pak, Inc.

Thad Florence — Vice President, General Counsel & Secretary

Thad Florence joined the Company as General Counsel in May 2012. Prior to joining the Company, Mr. Florence was Chief Legal Officer and Secretary of SFN Group, Inc., a publicly traded staffing, recruiting and outsourcing company, from 2007-2013. From 1997-2007, Mr. Florence held several in-house counsel positions with publicly traded companies. Mr. Florence was in private practice from 1995-1997 as an associate attorney with a Milwaukee, Wisconsin law firm. Mr. Florence holds a B.A. in Biology and Spanish from Lawrence University, and obtained his law degree from the University of Wisconsin.

Ted Fairley — Vice President, MST

Ted Fairley joined MST in March 2007 and assumed the role of Vice President of Sales and Marketing. Mr. Fairley served as Chief Commercial Officer of the Company from May 2012 through his recent appointment as Vice President of MST upon the retirement of Les Whitver in March 2016. Mr. Fairley has worked in the tubing business for more than 30 years, including approximately 10 years in operations and maintenance, 10 years in engineered product development, and most recently, over 10 years in sales management. Prior experience includes staff and senior roles at Babcock & Wilcox, Pittsburgh Tube, LTV Tubular and Copperweld. Mr. Fairley was also an owner of Youngstown Forge from September 2005 through the time of its sale in May 2007. Mr. Fairley received a Bachelor of Science Degree in Mechanical Engineering from Penn State in 1978.

SECURITY OWNERSHIP OF BENEFICIAL OWNERS AND MANAGEMENT

We are a wholly-owned subsidiary of Optima Acquisitions, LLC ("OA"), a privately owned U.S. based investment firm formed in 2008 with headquarters in Miami, Florida focusing primarily on the steel and metals industry. In addition to the Company, OA and its affiliates have extensive holdings throughout the steel value chain including extraction, processing and trading of raw materials. Other affiliates have holdings in real estate and other industries, including off road tires and wheels. OA is affiliated with Ukrainian investors associated with and informally known as the Privat Group, a large conglomerate involved in various industries and end markets.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

OA and the Company are parties to a management agreement pursuant to which the Company is obligated to OA for an annual management fee of up to $0.5 million.

OA and its affiliates may in the future pursue business opportunities, including acquisitions, joint ventures and other business relationships, involving other companies in the steel and metals industry. OA and its affiliates own or have interests in companies in the steel and metals industries in addition to the Company. OA and its affiliates will not be obligated to pursue such future business opportunities through the Company and may accordingly pursue these opportunities through other companies which they own or in which they have an interest. These future business opportunities may involve companies with businesses that are similar to the Company, which compete with the Company or which have customer, supplier or other business relationships with the Company.

LEGAL PROCEEDINGS

We are involved in various claims and legal proceedings that occur from time to time in the ordinary course of business. We are not party to any pending legal proceedings we believe could have a material adverse effect on our business, financial condition, results of operations or cash flows.

PRINCIPAL ACCOUNTANT

The financial statements of Optima Specialty Steel, Inc. included in this Annual Report as of and for the years ended December 31, 2016, 2015 and 2014 have been audited by Ernst & Young LLP, independent auditor, as set forth herein.

CORPORATE INFORMATION – WHERE ADDITIONAL INFORMATION CAN BE FOUND

We are a Delaware corporation with principal executive offices located at 200 South Biscayne Boulevard, Suite 5500, Miami, Florida 33131. Our telephone number at that address is 305-375-7560.

We are not currently subject to the periodic reporting requirements and other informational requirements of the Securities Exchange Act. While any Senior Secured Notes or Senior Unsecured Notes remain outstanding, we will make available, upon request, to any beneficial owner and any prospective purchaser of such Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with any resale of Notes. Any requests for the foregoing information or materials should be addressed to Optima Specialty Steel, Inc., 1412 150th Street, Hammond, Indiana 46327; Attention: Chief Financial Officer.

We maintain Internet sites at *www.optimasteel.com*, *www.kentuckyelectricsteel.com*, *www.mstube.com*, *www.niagaralasalle.com*, and *www.coreysteel.com*. Our websites and the information contained on those sites, or connected to those sites, are not incorporated into and are not a part of this Annual Report.

RISK FACTORS

There are inherent risks and uncertainties associated with our business that could have a material adverse impact on our operating performance and financial condition. Set forth below are descriptions of risks and uncertainties that we believe to be material. The risks and uncertainties described below are not the only risks and uncertainties that could impact our business. See the discussion under "Forward-Looking Statements" and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report.

Due to the Debtors' restructuring process under Chapter 11 of the United States Bankruptcy Code, the Debtors' future operations are uncertain and are affected by a number of risks and uncertainties over which the Company has little or no control.

The Debtors are subject to a number of risks and uncertainties associated with the filing of voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code, which may lead to potential adverse effects on the Debtors' liquidity, results of operations, brand or business prospects. We cannot assure you of the outcome of the Debtors' Chapter 11 proceedings. Risks associated with the Chapter 11 proceedings include potential adverse impacts on the following:

- the ability of the Company to continue as a going concern;
- the Debtors' ability to obtain Bankruptcy Court approval with respect to motions in the Chapter 11 proceedings and the outcomes of Bankruptcy Court rulings of the proceedings in general;
- the length of time the Debtors will operate under the Chapter 11 proceedings and its ability to successfully emerge;
- the ability of the Debtors to develop, consummate and implement one or more plans of reorganization with respect to the Chapter 11 proceedings;
- the Debtors' ability to obtain Bankruptcy Court and creditor approval of their plan of reorganization and the impact of alternative proposals, views and objections of creditor committees and other stakeholders, which may make it difficult to develop and consummate a plan of reorganization in a timely manner;
- risks associated with third party motions in the Chapter 11 proceedings, which may interfere with the Debtors' plan of reorganization;
- the ability to maintain sufficient liquidity throughout the Chapter 11 proceedings;
- the ability of the Company to secure sufficient financing to support its reorganization and emergence from bankruptcy;
- increased costs related to the bankruptcy filing and potential litigation;
- The Debtors' ability to manage contracts that are critical to operations, to obtain and maintain appropriate terms with customers, suppliers and service providers;
- the outcome of all pre-petition claims against the Debtors; and
- the Company's ability to maintain existing customers, vendor relationships and expand sales to new customers.

Our future profitability may fluctuate significantly due to changes in demand in the end markets we target due to, among other factors, general economic conditions. Changes in general economic conditions have affected, and may in the future impact, the demand for our products, which creates uncertainty regarding our ability to consistently grow sales and profitability, including as a result of excess manufacturing capacity and lower average selling prices. We may be affected by changes in conditions in specific industries where our products are used. Additionally, many of our key customers compete in industries such as automotive, energy, construction, infrastructure and capital equipment, or in OEM businesses that are cyclical in nature. These industries can be impacted by market demand, based on general economic conditions, and raw material supply, particularly steel. The demand for our products is directly related to and impacted by customer demand which can change as the result of changes in the general U.S. or global economy and other factors beyond our control. As a result of the factors described above, our business, results of operations and financial condition have been and will likely in the future be subject to significant fluctuation.

We operate in markets that are highly competitive and our results of operations could be adversely impacted by competitors' and customers' actions. We operate in highly competitive markets. We face several types of risk, including the following:

- Our competitors and customers vary in size and the breadth of their product offerings. Some have greater financial, technological and other resources than we do and some have lower raw material and production costs. Actions by our competitors or customers could lead to downward pressure on prices and a decline in our market share.
- Although our products are expensive to ship and historically imports have accounted for a small portion of the markets in which we operate, international competitors may overcome this hurdle. Foreign competitors may have lower labor costs, and some are owned, controlled or subsidized by their governments.
- Some of our existing customers may move offshore where we may not be able to economically meet their needs when faced with competition from offshore competitors, particularly given the high transportation cost of our products.
- Because many of our production processes require high labor input, we may be vulnerable to competitors with lower labor costs. To the extent a competitor is able to provide similar products at a lower price to our customers; we may be required to reduce the margins for our products to compete.
- In many applications, steel competes with other materials, such as aluminum, composites and plastic. Increased use of these materials in substitution for steel could have a material adverse effect on prices and demand for our products.

The loss of significant volume from key customers would likely adversely affect us. Our largest customer in 2016 represented approximately 12% of our net sales and our ten largest customers represented approximately 33% of our net sales. A significant loss of, or decrease in, business from any of our largest customers or in an important end-use sector would likely have a material adverse effect on our sales and financial results if we cannot obtain replacement business. Many of our customers are distributors who re-sell our products to end market users. A reduction in purchases from these customers could materially impact our net sales. Some of our customers may move their production to new geographic locations where it may be impossible or too costly for us to continue to supply them and maintain the same margins.

Price fluctuations in raw materials could adversely affect our manufacturing costs. The price of steel scrap and iron ore, the main components used by our supplier base to produce steel billets and HRSB, is subject to continuous fluctuation. Steel billets for KES, and SBQ HRSB for MST, Niagara and Corey, compromise the single largest component of the raw material costs of our businesses. These raw material prices have been, and will likely remain, subject to cyclical price fluctuations and volatility. It has been our practice to pass through changes in steel prices to our customers through our pricing arrangements and policies. While we have generally been able to adjust our selling prices to take account of changing market prices for steel, our relative cost of steel sold depends on when and how quickly we turn over such inventory. If for any reason in the future we are unable to pass on increases in steel prices to our customers on a timely basis, our profit margins and net income will be reduced. If our steel suppliers make changes in their pricing policies, we cannot assure we will be able to pass these price changes on to our customers on a timely basis, if at all.

The costs of manufacturing our products and the ability to supply our customers could be negatively impacted if we experience interruptions in deliveries of needed raw materials or supplies. If, for any reason, our supply of steel is curtailed or we are otherwise unable to obtain the quantities we need at competitive prices, our business could suffer and our financial results could be adversely affected. Such interruptions might result from a number of factors beyond our control. The loss of key supplier relationships could also adversely affect us. Over the years, our various manufacturing operations have developed relationships with certain steel and other suppliers that have been beneficial to us by providing more assured delivery and a more favorable all-in cost, which includes price and shipping costs. In 2016 our top ten suppliers provided approximately 95% of our raw materials. We generally do not have any long-term agreements to purchase raw materials from these suppliers and, accordingly, our purchases are subject to product availability at the time of each purchase. Our primary operations are large consumers of electricity and natural gas. We rely upon third parties for the supply of energy resources consumed in the manufacture of our products. The prices for and availability of electricity, natural gas, oil and other energy resources are subject to volatile market conditions.

Disruptions to our operations or the operations of our customers or suppliers, could adversely impact our operations and financial results. Business disruptions, including increased costs for or interruptions in the supply of energy or raw materials or equipment outages and failures, resulting from shortages of supply or transportation, severe weather events (such as hurricanes, earthquakes, floods and blizzards), casualty events (such as explosions, fires or material equipment breakdown), acts of terrorism, pandemic disease, labor disruptions or other events (such as required maintenance shutdowns), could cause interruptions to our operations as well as the operations of our customers and suppliers. Losses from business disruptions could have a material adverse effect on our operations and financial results, particularly to the extent any such losses are not covered by insurance. Even if such losses are covered by insurance, we may be unable to recover insurance proceeds due us or there may be delays in the receipt of such reimbursements.

We depend on the services of key executive officers, whose loss could materially harm our business. Our key executive officers are important to our success because they have been instrumental in setting strategic direction, operating our business, identifying, recruiting and training key personnel and identifying expansion opportunities. Losing the services of any of these individuals would likely materially adversely affect our business, unless and until a suitable replacement could be found. We do not maintain key-man life insurance on our executive officers.

We are subject to operational risks relating to, among other things, equipment failure, production curtailment and shutdowns, including to our automated manufacturing and information processing systems. Our manufacturing processes depend on the uninterrupted operation of our production equipment. This equipment may, on occasion, be out of service as a result of unanticipated failures. Our manufacturing processes may experience shut-downs, down-time or periods of reduced production as a result of unanticipated equipment failure, human error or other circumstances. In the event of unanticipated equipment failure, we may experience loss of net sales due to reduced production, and we may be required to make unplanned and potentially significant expenditures to repair or replace faulty equipment.

We may not be able to consummate, manage, integrate and operate future acquisitions or joint ventures successfully. In the future, growth may result from domestic or international bolt-on acquisitions and joint ventures, as the pursuit of acquisitions and joint ventures is one of our strategies. We selectively evaluate acquisition and joint venture opportunities from time to time in the ordinary course of our business. There are no assurances, however, that any acquisition or joint venture opportunities will arise or, if they do, that they will be consummated, or that any needed additional financing will be available on satisfactory terms when required. Acquisitions and joint ventures involve risks that the businesses acquired or entered into will not perform in accordance with expectations, that business judgments concerning the value, strengths and weaknesses of businesses acquired or entered into will prove incorrect, that the acquired businesses or joint ventures may not be integrated or operated successfully and that the pursuit and/or operation or acquisitions may strain our management resources whether or not we are successful in completing any such acquisitions. We may become responsible for unexpected liabilities we failed or were unable to discover in the course of performing due diligence in connection with past and future acquisitions or joint ventures.

We may incur additional costs related to environmental matters. We are subject to a variety of laws relating to pollution and protection of the environment, including laws governing hazardous substances and their discharge or release into the environment. These laws expose us to liability related to our ongoing operations, the environmental condition of our current or former facilities and sites to which we have sent hazardous substances for disposal. In some cases, we may have liability for the conduct of others or for conduct that was legal when it occurred. These laws may impose liability for contamination at our facilities and for the migration of contaminants from our facilities to neighboring properties. For example, previous operations at our facilities, such as former wastewater treatment processes and chrome plating operations resulted in contamination requiring cleanup. Although we have previously identified, and have cleaned up a significant number of contaminated areas at our current and former facilities, unknown contamination still could be present at these sites. Remediation costs and any third party claims associated with such unknown contamination could be material. The costs of complying with future, more stringent environmental laws could have a material adverse impact on our financial condition and operations. We may incur significant capital or compliance costs in future years for environmental compliance, including in connection with obtaining, modifying and renewing our environmental permits for ongoing or expanding operations. If we fail to comply with environmental permits or other environmental requirements, we could face fines and other penalties and curtailment of our operations.

Changes in and our failure to meet the regulatory requirements applicable to our industry could adversely affect our business. We are subject to extensive regulation by governmental regulatory and industry authorities. Future changes that affect compliance costs could have a material adverse effect on our business, financial condition or results of operations. Our operations are subject to regulation of health and safety matters by the U.S. Occupational Safety and Health Administration and other laws and regulations. Claims may be asserted against us for work-related illnesses or injury, and our operations may be adversely affected by the further adoption of occupational health and safety regulations. If the cost of complying with any future occupational health and safety regulation is substantial or requires material changes to our operations, or if we are subject to substantial claims from work-related illness or injury, then there could be a material adverse effect on our business, financial condition or results of operations. Future developments, such as changes in laws and regulations or the enforcement thereof, more stringent enforcement or interpretation thereof and claims for property damage or personal injury could cause us to incur substantial losses or expenditures. Any new or modified laws or regulations, or the discovery of any currently unknown non-compliance or contamination, could increase the cost of producing our products.

We are currently required to comply with a number of quality assurance standards, and our failure to comply with such standards may result in the loss of existing customers or may hamper our ability to attract new customers. Our facilities' quality management systems have earned our facilities various industry certifications and accreditations. We also have various customer quality certifications which authorize us to supply products to specific customers. A failure to renew these various quality certifications in future audits may cause us to lose existing customers and threaten our ability to attract new customers.

We are subject to information system security risks and systems integration issues that could disrupt our internal operations. We are dependent upon information technology for the distribution of information internally and to our customers and suppliers. This information technology is subject to damage or interruption from a variety of sources, including but not limited to, computer viruses, security breaches and defects in design. There also could be system or network disruptions if new or upgraded business management systems are defective or are not installed properly, or are not properly integrated into operations.

We may be unable to adequately protect our intellectual property. While we believe our intellectual property, such as know-how, trade secrets, proprietary processes and proprietary trademarked products, has significant value, it is uncertain this intellectual property or any intellectual property acquired or developed by us in the future, will provide meaningful competitive advantage. Competitors may infringe on our intellectual property or successfully avoid it through design innovation. Policing unauthorized use of our intellectual property is difficult and expensive, and we may not be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the U.S. We rely on the know-how of our employees and unpatented proprietary processes. Although we try to protect this information, we do not maintain employment agreements with all of our employees, and employment or confidentiality agreements we may have with employees, consultants and third parties may offer only limited protection and may be breached.

We may be unable to obtain additional future capital on favorable terms, or at all, to support our capital intensive operations. Our business is capital intensive. We incur substantial expenditures to maintain, repair, upgrade and expand equipment and facilities to maintain compliance with safety standards and environmental laws or regulations and keep pace with customer requirements and competitive developments. Our success depends to a significant degree on our ability to further develop, update and make more efficient our facilities and process technology. We may increase our capital expenditures in order to expand and maintain our plants in the future and we may require additional capital to finance our future growth and development. Additional financing may not be available when needed on terms favorable to us or at all, and cash from operations may not be sufficient to cover any shortfalls created by the failure to obtain necessary additional financing. If we require additional capital and are unable to obtain such capital on acceptable terms, we may be unable to develop or enhance our products, take advantage of future opportunities, fully fund existing expansion plans or respond to competitive pressures.

The industries in which our customers operate have undergone substantial consolidation, and further consolidation among our customers could have a material adverse effect on us. Many of our customers operate in mature industries that have undergone consolidation. In certain of our end markets, there are only a limited number of large potential customers for our products. As our customers grow larger, and their respective industries become more concentrated, the few remaining large companies may develop greater bargaining power and adversely affect our competitive position. These large customers could, notwithstanding the barriers to entry, develop the capability of producing our products internally. Consolidation trends in our customers' industries have caused pricing pressure on our products, and continued consolidation in such industries may force prices lower and create incentives to use products other than ours.

Labor shortages, increased labor and employee benefit costs and the unionization of labor could negatively impact our business. A shortage of skilled labor or experienced sales and technical personnel could pose a risk to achieving optimal labor productivity and competitive costs, which could adversely affect our gross profit margins. In the event we experience a shortage of experienced labor or qualified sales and technical personnel or are unable to train the necessary amount of skilled laborers, there could be an adverse impact on our labor productivity and costs and our ability to expand production and therefore have a material adverse effect on our business, financial condition and results of operations. A significant number of our employees are subject to collective bargaining agreements. Our inability to negotiate acceptable labor agreements with our union-represented employees could result in, among other things, strikes, work stoppages or other slowdowns by the affected workers. Moreover, if our union-represented employees were to engage in a strike, work stoppage or other slowdown, we could experience significant disruptions to our operations, higher ongoing labor costs and the diversion of management's attention from operating our business. New legal requirements could increase the cost of our employee benefits and may lead to additional costs related to the implementation of new regulations and may impair our ability to provide the same level of coverage.

Some of our operations present significant risk of injury or death. The industrial activities conducted at our facilities present significant risk of serious injury or death to our employees, customers or other visitors to our operations. While we have in place policies and procedures to minimize such risks, we may nevertheless be unable to avoid material liabilities for an injury or death. Even though we maintain workers' compensation insurance to address the risk of incurring material liabilities for injury or death, there can be no assurance the insurance coverage will be adequate or will continue to be available on terms acceptable to us, or at all.

We are subject to risks from litigation that may materially impact our business, results of operations and financial condition. We face an inherent business risk of exposure to various types of claims and lawsuits. In the ordinary course of our business, we may be subject to various lawsuits, including intellectual property, workers' compensation, product liability, product warranty, environmental claims and antitrust claims, among others, and incur judgments or enter into settlements of lawsuits and claims that could have a material adverse effect on our results of operations in any particular period. If any of our products prove to be defective, we may be required to participate in government-imposed recalls involving such products, or be required to replace the products under a warranty claim. We may also be subject to litigation as a result of claims arising under our agreements to acquire our businesses. While we intend to maintain insurance coverage with respect to certain claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against any such claims.

Increasing insurance expenses, or inadequate coverage, could adversely impact our operating results. The nature of our business subjects us to product liability, property damage and personal injury claims. We maintain liability insurance coverage at levels based upon commercial norms in the industry in which we operate and our historical claims experience. In the event insurance premiums are increased, our insurance expense may also increase as our coverage expires or as our deductibles increase. If the number or severity of workers' compensation claims for which we are self-insured increases, we could suffer costs in excess of our reserves for workers' compensation claims. Even with respect to insured claims, an unusually large liability claim or a string of claims based on a failure repeated throughout our mass production process may exceed our insurance coverage. The availability of, and our ability to collect on, insurance coverage is often subject to factors beyond our control. Any accident or incident involving us, even if we are fully insured or not held to be liable, could significantly affect the cost and availability of insurance in the future. As a result, we may not be able to obtain insurance in the future on commercially reasonable terms, or at all.

If we pursue acquisitions and joint venture opportunities internationally, economic, political and other risks associated with foreign operations could adversely affect our business. Although all our facilities are currently located in the U.S. and have limited sales outside of the U.S. and Canada, we may in the future pursue acquisitions or joint venture opportunities internationally and may, as a result, become subject to risks associated with doing business worldwide. The risks of doing business in foreign countries include the potential for adverse changes in the local political climate, in diplomatic relations between foreign countries and the U.S. or in government policies, laws, treaties or regulations, terrorist and criminal activity that may cause social and economic disruption, logistical and communications challenges, costs of complying with a variety of laws and regulations, difficulty in staffing and managing geographically diverse operations, deterioration of foreign economic conditions, currency rate fluctuations, foreign exchange restrictions, differing local business practices and cultural considerations, restrictions on imports and exports or sources of supply, changes in duties or taxes, and compliance with the Foreign Corrupt Practices Act and similar worldwide anti-bribery laws. Many of these risks are largely beyond our ability to control.

We have incurred non-cash impairment charges arising from past acquisitions and we may incur additional impairment charges in the future. In accordance with generally accepted accounting principles, we test intangible assets, including goodwill, for impairment at least annually, or more frequently if events or changes in circumstances indicate goodwill may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, or value in use. Steel manufacturing and processing industries are highly cyclical. We are more likely than other companies in less cyclical industries to incur impairment losses due to variability in our earnings and cash flows. We may be required to record additional impairment charges in future periods if the fair value of any of our reporting units declines below the fair value of the related assets net of liabilities.

We have not been, and do not expect to be, subject to U.S. Securities and Exchange Commission ("SEC") reporting and Sarbanes-Oxley requirements. We are a privately held company and are not subject to SEC reporting and Sarbanes-Oxley requirements. We are not required to make or disclose our own assessment of, nor will our auditors make an independent assessment of, our internal controls and disclosure controls and procedures within the meaning of SEC rules, or have our disclosure subject to the rigor of SEC review, among other things. Effective internal controls are necessary for us to provide reliable financial reports and are designed to prevent fraud. Deficiencies in our internal controls may adversely affect our management's ability to record, process, summarize and report financial data on a timely and accurate basis, and to prevent fraud. Inferior internal controls could cause our owners and creditors to lose confidence in our reported financial information, which could have a negative effect on the market for our Notes. Our Noteholders do not benefit from the same protections afforded to investors who hold financial instruments issued by companies subject to such SEC reporting and Sarbanes-Oxley requirements.

Tax increases and changes in tax rules could adversely affect our financial results. The steel industry and our business are sensitive to changes in taxes. As a U.S. based company, we are more exposed to the effects of changes in U.S. tax laws than some of our major competitors. Our provision for income taxes and cash tax liability in the future could be adversely affected by changes in U.S. tax laws.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following summary historical financial information has been derived from the Company's audited financial statements which are included in this Annual Report for the years ending December 31, 2016, 2015, 2014, 2013 and 2012. The information is only a summary and should be read in conjunction with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's audited and historical financial statements and related notes appearing elsewhere in this Annual Report. The historical results included in this section and elsewhere in this Annual Report are not necessarily indicative of future performance.

Statement of Operations Data: *(in thousands)*	**For the Year Ended December 31,**				
	2016	**2015**	**2014**	**2013**	**2012**
Net sales	$397,132	$488,680	$568,389	$526,529	$473,150
Cost of goods sold	359,155	460,962	499,108	461,416	420,736
Gross profit	37,977	27,718	69,281	65,113	52,414
Selling, general and administrative expenses	27,900	29,286	25,762	27,203	22,193
Interest expense	36,206	35,848	29,538	31,293	25,623
Amortization of acquisition-related intangibles	7,637	8,355	8,355	8,116	5,486
Transaction & restructuring expenses	4,065	4,346	2,587	4,121	1,985
Loss related to disposition of closed facilities	2,250	853	502	-	-
Impairment charges	54,424	60,079	5,000	16,504	13,765
Other expenses (income)	(399)	460	(504)	(342)	(4,960)
Chapter 11 reorganization items (i)	751	-	-	-	-
Income tax benefit	(15,126)	(24,517)	(544)	(7,133)	(2,377)
Net loss	$ (79,731)	$ (86,992)	$ (1,415)	$ (14,649)	$ (9,301)
Adjusted EBITDA (ii)	$ 22,720	$ 18,580	$ 60,860	$ 55,758	$ 51,732

(i) Consists of legal and professional fees directly related to the Company's Chapter 11 bankruptcy process which is more fully described below and in Note 2 to the Company's Consolidated Financial Statements.

(ii) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") represents net loss before expenses for interest, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude items such as LIFO accounting-related expense (income), management fees, transaction or restructuring costs and other costs, each of which are not considered by management to be indicative of our core ongoing business results. We believe these measures are commonly used by analysts and investors to analyze and compare companies on the basis of operating performance that have different financing and capital structures and tax rates. EBITDA and Adjusted EBITDA are not substitutes for net income (loss) or any other performance or liquidity measure derived in accordance with U.S. generally accepted accounting principles ("GAAP"), and are non-GAAP financial measures as defined under the rules of the SEC.

Cash Flow Data: *(in thousands)*	**For the Year Ended December 31,**				
	2016	**2015**	**2014**	**2013**	**2012**
Net cash provided by (used in):					
Operating activities	$ 38,760	$ 15,134	$ 6,907	$ 25,646	$ 34,192
Investing activities	449	(46,565)	(22,240)	(129,103)	(11,209)
Financing activities	(23,130)	31,843	11,019	68,024	(795)
Capital expenditures	1,115	8,967	19,623	18,704	10,280
Depreciation expense	14,116	15,444	16,986	17,512	15,333
Amortization of acquisition-related intangibles	7,637	8,355	8,355	8,116	5,486

Balance Sheet Data: *(in thousands)*	**As of December 31,**				
	2016	**2015**	**2014**	**2013**	**2012**
Cash and cash equivalents	$ 16,516	$ 437	$ 25	$ 4,339	$ 39,772
Inventories	75,883	101,728	123,075	99,522	80,593
Property plant and equipment, net	96,881	125,563	118,592	119,630	96,063
Goodwill and intangible assets	80,198	130,156	189,501	201,763	159,559
Total assets	311,497	397,463	487,100	480,642	406,983
Long term debt, including current portion *(i)*	161,662	264,849	228,486	214,090	162,725
Liabilities subject to compromise *(ii)*	141,801	-	-	-	-
Total stockholder's equity (deficit)	(23,247)	56,732	142,997	148,993	140,946

(i) Long term debt at December 31, 2016 excludes $85,000 of unsecured notes which are included in "liabilities subject to compromise" in the Consolidated Balance Sheet and Note 2 to the Consolidated Financial Statements.

(ii) Consists of liabilities at the time of the Company's bankruptcy filing which have not yet been paid or authorized by the bankruptcy court and which remain subject to ongoing bankruptcy proceedings as more fully described in Note 2 to the Company's Consolidated Financial Statements.

The following table reconciles net loss to Adjusted EBITDA for the periods presented:

Adjusted EBITDA Calculation [(i)] *(in thousands)*	**For the Year Ended December 31,**				
	2016	**2015**	**2014**	**2013**	**2012**
Net loss	$ (79,731)	$ (86,992)	$ (1,415)	$ (14,649)	$ (9,301)
Interest expense, excluding amortization	31,392	31,736	26,155	27,944	22,448
Interest income	(16)	(23)	-	-	-
Depreciation & amortization	26,668	27,963	28,718	28,969	23,969
Benefit for income taxes	(15,126)	(24,517)	(544)	(7,133)	(2,377)
Transaction & restructuring expenses	4,065	4,346	2,587	4,121	1,985
Impairment related to closure of billet supplier	-	8,977	-	-	-
Inventory step-up expenses	-	308	-	734	8,287
LIFO expense (benefit)	(2,456)	3,005	(688)	(1,316)	(3,084)
Management fees	500	500	500	500	500
Other impairment charges	54,424	51,102	5,000	16,504	13,765
Loss related to disposition of closed facilities	2,250	853	502	-	-
Loss on disposal of fixed assets	(1)	514	45	84	167
Loss on early extinguishment of debt	-	808	-	-	-
Gain on acquisition related contingencies	-	-	-	-	(4,627)
Chapter 11 reorganization items	751	-	-	-	-
Adjusted EBITDA [(i)]	$ 22,720	$ 18,580	$ 60,860	$ 55,758	$ 51,732

[(i)] *Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") represents net loss before expenses for interest, income taxes, depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted to exclude items such as LIFO accounting-related expense (income), management fees, transaction or restructuring costs and other costs, each of which are not considered by management to be indicative of our core ongoing business results. We believe these measures are commonly used by analysts and investors to analyze and compare companies on the basis of operating performance that have different financing and capital structures and tax rates. EBITDA and Adjusted EBITDA are not substitutes for net income (loss) or any other performance or liquidity measure derived in accordance with U.S. GAAP, and are non-GAAP financial measures as defined under the rules of the SEC.*

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements in this discussion regarding market conditions and outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are subject to numerous risks and uncertainties described under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements." Our actual results may differ materially from those contained in or implied by any forward-looking statements. In this section, the terms "we," "our," "us" and the "Company" refer collectively to Optima Specialty Steel, Inc. ("OSSI") and its consolidated subsidiaries.

Company Overview

We are a leading independent manufacturer and processor of special bar quality ("SBQ") and merchant bar quality ("MBQ") hot rolled steel bars ("HRSB"), value-added precision-tolerance, cold drawn seamless tubes and high quality engineered cold finished steel bars ("CFSB") in the United States ("U.S."). Our specialty steel processing business is operated by our wholly-owned subsidiaries, KES Acquisition Company doing business as Kentucky Electric Steel ("KES"), Michigan Seamless Tube LLC ("MST"), Niagara LaSalle Corporation ("Niagara") and The Corey Steel Company ("Corey"), which was acquired on January 29, 2015.

Our products are sold at prices that reflect a spread over the cost of metal reflective of the value added by our manufacturing processes. As a result, our net revenue less raw material cost per ton is more stable than underlying steel billet and SBQ prices. Our processing operations require substantial technical expertise and specialized equipment to manufacture high quality engineered steel products, including pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing and specialty cold finished steel bars.

We sell our products directly to original equipment manufacturers ("OEMs"), as well as to distributors, also referred to as metal service centers, which then resell our products in smaller quantities to end users. The majority of our sales involve products specified to meet specific and sometimes unique customer demands, leading to strong customer relationships and recurring revenues. Our products encompass (a) hot rolled SBQ and MBQ steel bars produced by KES, (b) pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing produced by MST and (c) cold drawn bars, quench and tempered bars, Custom Cut® bars and blanks, free machining bars, Stressproof® steel bars, Fatigue-Proof® steel bars, e.t.d.® 150® bars, and other CFSB products produced by Niagara and Corey.

We sell products into diversified end markets such as transportation (including automotive), energy (including oil and gas shale extraction), agriculture, power generation and yellow goods/construction equipment end markets. Our products are sold to over one thousand customers in the United States, including metal service centers, component manufacturers and other metal processors. Sales to customers in countries other than the United States account for approximately three percent of our net sales.

We provide high-quality service to our customer base from our strategically located facilities across five states in the U.S. We have the installed capacity to roll approximately 250,000 tons of HRSB, to produce over 50,000 tons of seamless pressure and mechanical tube products and to process nearly 700,000 tons of CFSB. We have over two million square feet of plant under roof, affording us the ability to efficiently and effectively service our CFSB customer base from a concentrated set of core facilities.

Going Concern Basis of Presentation

The financial statements included in this annual report have been prepared using the going concern assumption which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

As more fully described in Notes 2 and 7 to the Consolidated Financial Statements, the Company's long term debt matured in December 2016, before the Company was able to negotiate replacement financing. As more fully described below, the Company filed a voluntary petition seeking relief under Chapter 11 of the United States Bankruptcy Code.

The Company's ability to continue normal operations is dependent upon its ability to emerge from bankruptcy as a going concern with adequate capitalization. Subject to emergence from Chapter 11 proceedings and establishment of a new capital structure, management believes the underlying business is sound and that cash flow from operations will be sufficient to fund post-emergence operations, debt service and other obligations.

Chapter 11 Filing

As more fully described in Note 2 to the Company's Consolidated Financial Statements, on December 15, 2016 (the "Petition Date"), Optima Specialty Steel, Inc. and its subsidiaries (collectively the "Debtors" or the "Company") filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), Case Number 16-12789, seeking relief under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). The Debtors continue to operate the business and manage its properties as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

The timing of the Company's emergence from bankruptcy is dependent upon court proceedings and negotiation among the parties involved. The Company intends to file a plan of reorganization with the Bankruptcy Court by July 14, 2017 and to emerge from bankruptcy by October 27, 2017 as stipulated by the debtor in possession financing arrangement summarized below.

On January 17, 2017, in connection with the Chapter 11 case, the Company filed motions seeking Bankruptcy Court approval of debtor-in-possession financing ("DIP Financing" or "DIP Loan"). On January 24, 2017, the Bankruptcy Court issued an order authorizing such financing on an interim basis. The final hearing and approval took place on February 28, 2017.

The DIP Loan provides for total financing of up to $211,662, consisting of $161,662 used to fully redeem the pre-petition 12.5% Senior Secured Notes and up to $50,000 of additional financing for operations and costs of the reorganization. The DIP Loan matures on October 31, 2017, and stipulates milestones including filing of a Chapter 11 Plan of Reorganization by July 14, 2017, with consummation of such plan to occur by October 27, 2017. Interest is payable monthly, in arrears, at LIBOR plus 10.0%. The DIP Loan is secured by super-priority liens on, and security interest in, substantially all Debtor assets.

Market Conditions and Outlook

Steel consumption in North America is highly correlated to the macroeconomic state of the broader economy and relative strength of the manufacturing sector. Throughout 2015 and 2016, North American steel companies, particularly those participating in the long products markets, were impacted by reduced demand from domestic energy producers, weakened iron ore and steel scrap pricing, weaker demand from the mining and agricultural sectors that support the sale of heavy equipment, and a strong U.S. Dollar that has encouraged steel consumers to look for product from offshore producers.

While continued lackluster market demand suppressed our 2016 sales volume, stabilization of pricing contributed to a solid improvement in profitability compared to 2015. The Company's products are sold at prices that reflect a spread over the cost of metal reflective of the value added by our manufacturing processes. As a result, our net revenue less raw material cost per ton is generally more stable than underlying steel billet and SBQ prices.

Rapid and sustained decreases in domestic steel scrap prices during 2015 drove down the commodity component of steel pricing, effectively resulting in inventory holding losses incurred by the Company throughout 2015. Holding gains or losses occur when steel prices change rapidly. Selling values are based on steel pricing at the time of sale even if the raw material is sourced from inventory purchased at an earlier prevailing market price point.

The #1 Chicago busheling scrap price, which is the determining factor of the hot rolled SBQ steel scrap surcharge and the CFSB steel scrap surcharge, fell from $351 per ton in January of 2015 to $160 per ton in December of 2015. This resulted in comparable declines in such steel scrap surcharges during 2015.

The #1 Chicago busheling price has since stabilized. During 2016, scrap pricing generally trended upward from $160 per ton in January to $235 per ton in December, recovering some, but not all of the ground lost during 2015. Even though the $227 per ton average scrap price for 2016 was lower than the $255 average scrap price for 2015, the monthly changes were at a more normal, less volatile pace, which helped mitigate inventory holding gains and losses, resulting in improved 2016 profitability even with lower volume compared to 2015.

We are cautiously optimistic that the domestic industrial manufacturing sector we serve will benefit from a more business-friendly tax, trade and regulatory policy stance from Washington D.C. This may lead industrials to ramp up inventory and production in 2017 and beyond to ensure they are poised to fully participate in a potential upturn. Even the depressed North American oil and gas sector is showing signs of life as a result of stabilizing oil prices, improved technology and expectation of a more favorable government policy environment.

It is also of note that the supply chain has reduced its inventory holdings considerably. Any upturn in demand at the service center customers we support could see a swift and corresponding impact in improved sales volumes for our operations. Supply chain stocking replenishment, sharing in the recovery of end markets served, as well as market share inroads are anticipated to bolster sales heading in 2017 and beyond. Volume recoveries from cyclical industry demand and consumption lows, as well as our recent cost and efficiency improvements, should enable improved financial performance for 2017 and beyond.

CFSB Reorganization

With the goal of better serving its customer base in a more efficient manner, the Company sought to reorganize its CFSB segment. This multi-year initiative concentrated on maximizing operating and commercial efficiency, while minimizing transportation and material handling costs. These efforts resulted in closure of the Company's CFSB plants in Buffalo, New York ("Buffalo") during 2016, Franklin Park, Illinois ("Franklin Park") during 2015, Griffith, Indiana ("Griffith") during 2014 and Florence, Kentucky ("Florence") during 2013. With the exception of Griffith, which is more fully described below, customers continue to be serviced from, and the primary machinery and equipment redeployed to, other CFSB facilities. This multi-year initiative to streamline CFSB operations is now complete, except for disposal of the Buffalo and Griffith real estate.

Results of Operations

Comparison of Twelve Months ended December 31, 2016 and December 31, 2015

The following table sets forth, for the periods indicated, amounts derived from the Company's Consolidated Statements of Comprehensive Loss in amount and as a percentage of net sales:

Total Company *(Dollars in thousands)*	For the year ended December 31, 2016		2015		2016 v. 2015 Variance	
	Amount	% of sales	Amount	% of sales	Amount	Percent
Net Sales	$ 397,132	100.0%	$488,680	100.0%	$ (91,548)	(18.7)%
Gross profit	37,977	9.6%	27,718	5.7%	10,259	37.0%
Selling, general & administrative expenses	27,900	7.0%	29,286	6.0%	(1,386)	(4.7)%
Interest expense	36,206	9.1%	35,848	7.3%	358	1.0%
Amortization of acquisition-related intangible assets	7,637	1.9%	8,355	1.7%	(718)	(8.6)%
Transaction and restructuring expenses	4,065	1.0%	4,346	0.9%	(281)	(6.5)%
Impairment related to closure of billet supplier	-	-	8,977	1.8%	(8,977)	(100.0)%
Other impairment charges	54,424	13.7%	51,102	10.5%	3,322	6.5%
Chapter 11 reorganization items	751	0.2%	-	-	751	-
Income tax benefit	(15,126)	(3.8)%	(24,517)	(5.0)%	9,576	(39.1)%
Net loss	(79,731)	(20.1)%	(86,992)	(17.8)%	7,261	(8.3)%
Adjusted EBITDA	22,720	5.7%	18,580	3.8%	4,140	22.3%
Hot Rolled Steel Bar Segment						
Net Sales, including sales to other segments	77,093	100.0%	117,055	100.0%	(39,962)	(34.1)%
Net Sales to third parties	61,364	79.6%	91,722	78.4%	(30,358)	(33.1)%
Gross profit	(7,250)	(9.4)%	(4,591)	(3.9)%	(2,659)	57.9%
Selling, general & administrative expenses	4,303	5.6%	4,071	3.5%	232	5.7%
Amortization of intangible assets	2,151	2.8%	2,869	2.5%	(718)	(25.0)%
Adjusted EBITDA	(7,999)	(10.4)%	(5,039)	(4.3)%	(2,960)	58.7%
Seamless Tube Segment						
Net Sales to third parties	60,279	100.0%	78,075	100.0%	(17,806)	(22.8)%
Gross profit	8,528	14.1%	11,345	14.5%	(2,817)	(24.8)%
Selling, general & administrative expenses	7,176	11.9%	7,961	10.2%	(785)	(9.9)%
Amortization of intangible assets	856	1.4%	856	1.1%	-	0.0%
Adjusted EBITDA	9,110	15.1%	12,273	15.7%	(3,163)	(25.8)%
Cold Finished Steel Bar Segment						
Net Sales to third parties	275,489	100.0%	318,883	100.0%	(43,394)	(13.6)%
Gross profit	36,077	13.1%	21,548	6.8%	14,529	67.4%
Selling, general & administrative expenses	19,063	6.9%	18,565	5.8%	498	2.7%
Amortization of intangible assets	4,630	1.7%	4,630	1.5%	-	0.0%
Adjusted EBITDA	28,497	10.3%	19,411	6.1%	9,086	46.8%

Net Sales and Gross Profit

Consolidated net sales decreased by $91.5 million, or 18.7%, to $397.1 million for the year ended December 31, 2016, from $488.7 million for the year ended December 31, 2015 due to continued tepid demand in North American steel and energy markets. Tons sold decreased by approximately 10.6% with the remainder of the 18.7% sales decline resulting from pricing, including mix. As noted in the Market Conditions and Outlook section above, the average scrap price fell to $227 per ton in 2016 from $255 in 2015. This 11.0% decrease negatively impacted sales dollars, but also reduced the cost of raw material purchases such that there was no gross profit erosion.

The rapidly declining price environment experienced throughout 2015 resulted in margin compression, as inventory previously purchased at higher prices was later sold at lower prevailing market values. This had a significant negative impact on 2015 gross profit. Normalization of pricing in 2016 supported a solid rebound in gross profit. Even though the $227 per ton average scrap price for 2016 was lower than the $255 average scrap price for 2015, the monthly changes were at a more normal and less volatile pace. Avoiding the volatile downdraft of prevailing steel scrap prices from 2015 that caused effective inventory holding losses, resulted in improved 2016 profitability on lower volume as compared to 2015. Consolidated gross profit increased by $10.3 million, or 37.0% to $38.0 million for the year ended December 31, 2016, from $27.7 million for the year ended December 31, 2015. The Company's gross profit percentage also increased to 9.6% for the year ended December 31, 2016, from 5.7% for the year ended December 31, 2015.

CFSB net sales decreased by $43.4 million, or 13.6%, to $275.5 million for the year ended December 31, 2016, from $318.9 million for the year ended December 31, 2015, as a result of continued weakness in North American steel consuming markets, particularly in the agriculture and heavy industry sectors. Tons sold decreased by approximately 8.5% with the remainder of the 13.6% sales decline resulting from pricing and mix. As noted above for consolidated results, the price decline negatively impacted sales dollars, but also reduced the cost of raw material purchases such that there was no gross profit erosion. Stabilization of pricing in 2016, compared to steadily falling prices in 2015, supported a solid rebound in gross profit. CFSB gross profit increased by $14.5 million, or 67.4% to $36.1 million for the year ended December 31, 2016, from $21.5 million for the year ended December 31, 2015. The CFSB gross profit percentage also increased to 13.1% for the year ended December 31, 2016, from 6.8% for the year ended December 31, 2015. CFSB 2016 gross profit was also bolstered by costs avoided from the closing of Niagara's Franklin Park and Buffalo plants in 2015 and 2016, respectively.

Seamless Tube net sales decreased by $17.8 million, or 22.8%, to $60.3 million for the year ended December 31, 2016, from $78.1 million for the year ended December 31, 2015. Weakness in the energy sector, an important market for MST, weighed on Seamless Tube sales. Considering its low volume, MST's gross profit remains robust at 14.1% for 2016 compared to 14.5% in 2015. Volume-driven margin erosion was limited by MST's continued focus on reducing its cost profile, both in terms of reduced labor and greater utilization of its most efficient production equipment. The relatively new pilger mill, which was placed in service during 2015, enables lower cost production and entrance into new markets, and is expected to continue to improve the Company's Seamless Tube sales and margins over time.

HRSB net sales to third parties decreased $30.4 million, or 33.1%, to $61.4 million for the year ended December 31, 2016, from $91.7 million for the year ended December 31, 2015. The combination of weakness in the end markets that KES participates in, as well as a shift in sales mix toward lower priced, less profitable MBQ products, led to a sales decrease that exceeded the 19.5% decline in tons sold. The sales decrease also stems from a management decision to discontinue production of round-shaped HRSB's and bring KES' focus back to its core strength, the rolling of flat-shaped HRSBs.

KES' gross profit (loss) was $(7.3) million or (9.4)% for the year ended December 31, 2016, as compared to $(4.6) million or (3.9)% for the year ended December 31, 2015. The margin erosion stems from a combination of lower volume and a less profitable product mix. In addition to an eventual cyclical sales recovery, KES expects to increase its market share during 2017 as its 2016 sales initiatives begin to bear fruit.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses declined 4.7%, or $1.4 million, to $27.9 million for the year ended December 31, 2016, from $29.3 million for the year ended December 31, 2015. As a percentage of sales, SG&A costs increased to 7.0% in 2016 from 6.0% in 2015 due to lower sales.

Transaction and Restructuring Expenses

The Company recognized $4.1 million and $4.3 million of transaction and restructuring expenses during the years ended December 31, 2016 and 2015, respectively. In both years, costs related to refinancing were the most significant components. Costs related to financing in 2016 consisted of legal, consulting, due diligence and other professional fees in connection with the Company's attempt to refinance its senior secured and unsecured notes. This process ended with the Company's Chapter 11 bankruptcy filing on December 15, 2016. Costs related to financing in 2015 consisted of the consent fee paid to the holders of the 12.5% Notes in connection with issuance of the 12.0% Notes, as more fully described in Note 7 to the Company's Consolidated Financial Statements. Other transaction and restructuring costs for both 2016 and 2015 include moving and severance costs in connection with closing and relocation of the Company's operations in Buffalo and Franklin Park. Transaction and restructuring costs are more fully described in Note 13 to the Company's Consolidated Financial Statements.

Interest Expense

Interest expense was relatively flat, increasing by $0.4 million or 1.0% to $36.2 million for the year ended December 31, 2016, from $35.8 million for the year ended December 31, 2015. The components of debt and interest expense are more fully described in Note 7 to the Company's Consolidated Financial Statements.

Impairment Related to Closure of Billet Supplier

As discussed in Notes 10, 11 and 13 to the Company's Consolidated Financial Statements, KES sourced a portion of its billet purchases from 2013 through 2015 from a dedicated third party supplier that fulfilled its sourcing needs from WSH. A portion of these billets were purchased on a cash-in-advance basis. In the face of sharply declining demand for steel products to service the oil and gas markets, WSH idled its operations in November of 2015. By early January 2016, given the continued downward pressure in the weak oil and gas markets WSH had previously served, WSH announced it would not reopen. Consequently, KES fully reserved for such unfulfilled prepayments, resulting in a $9.0 million write-down, during the fourth quarter of 2015, which is included in the Statements of Comprehensive Loss as *Impairment related to closure of billet supplier*.

Other Impairment Charges

As discussed in the Market Conditions and Outlook section above, the 2015 downturn across the North American steel industry persisted through 2016. In view of these challenging economic conditions, which led to financial performance below our expectations, management reviewed the Company's intangible and long-lived assets for potential impairment at September 30, 2016 and 2015.

Based on management's analysis, which is more fully described in Note 6 to the Consolidated Financial Statements, the Company recorded impairment charges of $33.1 million and $12.1 million against the carrying value of HRSB intangible assets and property, plant and equipment, respectively during 2016.

The Company also recorded impairment charges against the carrying value of its CFSB goodwill in the amounts of $7.5 million and $45.7 million in 2016 and 2015, respectively. In conjunction with the goodwill impairment analyses, the value of Niagara's trademarks and tradenames were written down by $0.9 and $2.2 million during 2016 and 2015, respectively. In addition, the MST tradename was written down by $0.9 million and $1.9 million during 2016 and 2015, respectively, and the KES tradename was written down by $0.4 million and $1.3 million during 2015. These non-cash impairment losses are reflected in the Company's Consolidated Statements of Comprehensive Loss as *Other impairment charges.*

Chapter 11 Reorganization Items

The Company incurred certain costs during 2016 which were directly related to the Chapter 11 reorganization process that commenced on December 15, 2016. Such costs consisted of legal and professional fees of approximately $0.8 million.

Income Tax Benefit

The income tax benefit for the year ended December 31, 2016 was $15.1 million, compared to $24.5 million for the year ended December 31, 2015. The Company's effective tax rate was approximately 15.8% and 22.0% for the years ended December 31, 2016 and 2015, respectively. In 2016, the effective tax rate varies from the statutory rate primarily due to the establishment of a valuation allowance to reduce the reported amount of deferred tax assets associated with net operating loss carryforwards that do not meet the more-likely-than-not standard for expected future realization, as well as the non-deductible nature of the impairment charges recorded within the CFSB segment. In 2015, the effective tax rate varies from the statutory rate primarily because of the non-deductible nature of the CFSB impairment charges noted above. The Company's net deferred tax liability decreased to $1.1 million at December 31, 2016 from $15.3 million at December 31, 2015. This change results primarily from an increase in tax loss carryforwards during 2016.

Net Loss and Adjusted EBITDA

The net loss of $79.7 million for the year ended December 31, 2016 improved by 8.3%, or $7.3 million, compared to the $87.0 million net loss for 2015. Adjusted EBITDA increased by 22.3%, or $4.1 million, to $22.7 million for the year ended December 31, 2016, from $18.6 million for the year ended December 31, 2015. These increases result from the factors noted above, particularly the gross profit improvement.

Results of Operations

Comparison of Twelve Months ended December 31, 2015 and December 31, 2014

The following table sets forth, for the periods indicated, amounts derived from the Company's Consolidated Statements of Comprehensive Loss in amount and as a percentage of net sales:

Total Company *(Dollars in thousands)*	For the year ended December 31, 2015		2014		2015 v. 2014 Variance	
	Amount	% of sales	Amount	% of sales	Amount	Percent
Net Sales	$488,680	100.0%	$568,389	100.0%	$(79,709)	(14.0)%
Gross profit	27,718	5.7%	69,281	12.2%	(41,563)	(60.0)%
Selling, general & administrative expenses	29,286	6.0%	25,762	4.5%	3,524	13.7%
Interest expense	35,848	7.3%	29,538	5.2%	6,310	21.4%
Amortization of acquisition-related intangible assets	8,355	1.7%	8,355	1.5%	-	-
Transaction and restructuring expenses	4,346	0.9%	2,587	0.5%	1,759	68.0%
Impairment related to closure of billet supplier	8,977	1.8%	-	-	8,977	-
Impairment of goodwill and intangible assets	51,102	10.5%	5,000	0.9%	46,102	922%
Income tax benefit	(24,517)	(5.0)%	(544)	(0.1)%	(23,973)	4,407%
Net loss	(86,992)	(17.8)%	(1,415)	(0.2)%	(85,577)	6,048%
Adjusted EBITDA	18,580	3.8%	60,860	10.7%	(42,280)	(69.5)%
Hot Rolled Steel Bar Segment						
Net Sales, including sales to other segments	117,055	100.0%	164,399	100.0%	(47,344)	(28.8)%
Net Sales to third parties	91,722	78.4%	135,968	82.7%	(44,246)	(32.5)%
Gross profit	(4,591)	(3.9)%	9,675	5.9%	(14,266)	(147.5)%
Selling, general & administrative expenses	4,071	3.5%	4,072	2.5%	(1)	0.0%
Amortization of intangible assets	2,869	2.5%	2,869	1.7%	-	-
Adjusted EBITDA	(5,039)	(4.3)%	8,289	5.0%	(13,328)	-
Seamless Tube Segment						
Net Sales to third parties	78,075	100.0%	113,357	100.0%	(35,282)	(31.1)%
Gross profit	11,345	14.5%	20,653	18.2%	(9,308)	(45.1)%
Selling, general & administrative expenses	7,961	10.2%	5,433	4.8%	2,528	46.5%
Amortization of intangible assets	856	1.1%	856	0.8%	-	-
Adjusted EBITDA	12,273	15.7%	23,384	20.6%	(11,111)	(47.5)%
Cold Finished Steel Bar Segment						
Net Sales to third parties	318,883	100.0%	$319,064	100.0%	(181)	(0.1)%
Gross profit	21,548	6.8%	39,156	12.3%	(17,608)	(45.0)%
Selling, general & administrative expenses	18,565	5.8%	9,642	3.0%	8,923	92.5%
Amortization of intangible assets	4,630	1.5%	4,630	1.5%	-	-
Adjusted EBITDA	19,411	6.1%	35,420	11.1%	(16,009)	(45.2)%

Net Sales and Gross Profit

Net sales decreased by $79.7 million, or 14.0%, to $488.7 million for the year ended December 31, 2015, from $568.4 million for the year ended December 31, 2014. As indicated in Note 3 to the Consolidated Financial Statements, Corey contributed $74.3 million to net sales during the year ended December 31, 2015. Without the addition of Corey, net sales would have decreased by approximately $154 million, or 27%, due to weak demand in North American steel and energy markets and declining steel scrap prices negatively impacting both volume and pricing.

Net sales reported for the CFSB segment were virtually unchanged, decreasing $0.2 million, or 0.1%, to $318.9 million for the year ended December 31, 2015, from $319.1 million for the year ended December 31, 2014. Without the addition of Corey, net sales for the CFSB segment would have decreased by approximately $74 million, or 23% for the reasons noted above. Seamless Tube segment sales improved steadily throughout 2014 and into the initial portion of the first quarter of 2015. However, weakness in the North American energy sector and the steel industry as a whole slowed down sales for MST. Seamless Tube sales decreased $35.3 million, or 31.1%, to $78.1 million for the year ended December 31, 2015, from $113.4 million for the year ended December 31, 2014. HRSB net sales to third parties decreased $44.2 million, or 32.5%, to $91.7 million for the year ended December 31, 2015, from $136.0 million for the year ended December 31, 2014. The decrease is attributable to weakness in North American steel consuming markets, particularly in the agriculture and heavy industry sectors, as well as declining steel scrap prices as noted above.

The Company's gross profit percentage decreased to 5.7% from 12.2% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. With the sales decrease noted above, non-cash fixed costs, such as depreciation expense, contributed to the reduced margin percentages in all three business segments. Inventory holding gains and losses also impact Company margins when steel prices fluctuate. The declining price environment experienced throughout 2015 resulted in margin compression as inventory previously purchased at higher prices was sold at lower prevailing market values. The cyclical impact of the decline in prevailing steel scrap pricing, combined with reduced volumes, had a significant impact on gross profit in all segments.

Gross profit for the CFSB segment decreased to 6.8% from 12.3% for the year ended December 31, 2015 as compared to 2014. The declining SBQ price environment of 2015 drove this variance.

Gross profit for the Seamless Tube segment decreased to 14.5% from 18.2% for the year ended December 31, 2015 as compared to 2014. The declining SBQ and energy price environment of 2015 drove this variance.

Gross profit (loss) for the HRSB segment declined to (3.9)% from 5.9% for the year ended December 31, 2015 as compared to 2014. This variance results in part from the economic and pricing factors noted above. Inventory holding losses for the HRSB segment were more significant than the other segments because of the relatively high $32.8 million HRSB inventory level at December 31, 2014.

Selling, General and Administrative Expenses

Selling, general and administrative, or SG&A, expenses increased by $3.5 million to $29.3 million for the year ended December 31, 2015, from $25.8 million for the year ended December 31, 2014, as a result of including $7.2 million of Corey activity in 2015. Without Corey, SG&A expenses would have decreased by $3.7 million. As a percentage of sales, SG&A expenses increased to 6.0% for the year ended December 31, 2015 from 4.5% for the year ended December 31, 2014, due to the decrease in net sales explained above.

Transaction and Restructuring Expenses

The Company recognized $4.3 million and $2.6 million of transaction and restructuring expenses during the years ended December 31, 2015 and 2014, respectively. The $4.3 million recognized for the year ended December 31, 2015 principally consists of a $1.8 million consent fee paid to the holders of the 12.5% Notes in connection with issuance of the 12.0% Notes. These costs are more fully described above and in Note 13 to the Company's Consolidated Financial Statements. The $2.6 million recognized for the year ended December 31, 2014 principally consists of $1.4 million in legal, accounting and other professional fees related to the Company undertaking to refinance its senior debt. The senior debt offering was cancelled as a result of market volatility and deterioration of credit market conditions.

Other transaction and restructuring costs for both 2015 and 2014 consist of severance and other costs in connection with closing and relocation of the Company's operations in Buffalo, Franklin Park, Griffith and Florence. As more fully described above and in Note 13 to the Consolidated Financial Statements, with the exception of Griffith, customers continue to be serviced from other Company facilities, with equipment redeployed from the redundant and closed operations to other CFSB facilities generally closer to the primary end markets served. The chrome plating equipment from Griffith was sold as the Company sought to exit what had become a relatively low margin commoditized product line.

Impairment Related to Closure of Billet Supplier

As discussed above and in Notes 10, 11 and 13 to the Company's Consolidated Financial Statements, KES sourced a portion of its billet purchases from 2013 through 2015, at prevailing market prices, from a dedicated third party supplier that fulfilled its sourcing needs, at negotiated arm's length prices, from Warren Steel Holdings, LLC ("WSH"), an affiliate of the Company. A portion of these billets were purchased on a cash-in-advance basis. In the face of sharply declining demand for steel products to service the oil and gas markets, WSH idled its operations in November of 2015. By early January 2016, given the continued downward pressure in the weak oil and gas markets WSH had previously served, WSH announced it would not reopen. Consequently, KES fully reserved for such unfulfilled prepayments, resulting in a $9.0 million write-down in 2015, which is included in the Statements of Comprehensive Loss as *Impairment related to closure of billet supplier.*

Interest Expense

Interest expense increased by $6.3 million to $35.8 million for the year ended December 31, 2015, from $29.5 million for the year ended December 31, 2014. The increase is primarily related to issuance of the Company's 12.0% Notes on January 29, 2015 in connection with the acquisition of Corey. The issuance of the $85.0 million of 12.0% Notes and concurrent redemption of the $35.0 million of 16.0% Notes is more fully described above and in Note 7 to the Company's Consolidated Financial Statements.

Impairment of Goodwill and Intangible Assets

As noted above, a downturn across the entire North American steel industry resulted from weakness in the energy, agriculture, mining and heavy industry sectors, as well as increased competition from imports driven by a strong U.S. Dollar. The resulting weakness led to industry-wide excess capacity, placing further pressure on pricing and volume. These challenging economic conditions led to financial performance below expectations, resulting in a $45.7 million impairment charge against the carrying value of CFSB goodwill for the year ended December 31, 2015. The impairment charge resulted from the aforementioned downturn in the steel industry and the resulting decreased sales and cash flows relative to expectations prior to 2015. In conjunction with this goodwill impairment analysis, the value of certain Niagara trademarks and trade names were also written down by $2.2 million. During the year ended December 31, 2014, we recorded a non-cash goodwill impairment charge of $5.0 million related to the KES acquisition. These non-cash impairment losses are reflected in the Company's Consolidated Statements of Comprehensive Loss as *Impairment of goodwill and intangible assets* and are more fully explained in Note 6 to the Consolidated Financial Statements.

Income Tax Benefit

The income tax benefit for the year ended December 31, 2015 was $24.5 million, compared to $0.5 million for the year ended December 31, 2014. The Company's effective tax rate was approximately 22.0% and 27.8% for the years ended December 31, 2015 and 2014, respectively. In 2015, the effective tax rate varies from the statutory rate primarily because of the non-deductible nature of the impairment charges noted above. In 2014, the effective tax rate varies from the statutory rate primarily due to the domestic production activities deduction. The Company's net deferred tax liability decreased to $15.3 million at December 31, 2015 from $32.9 million at December 31, 2014. This change results primarily from an increase in tax loss carryforwards during 2015.

Net Loss and Adjusted EBITDA

The net loss of $87.0 million for the year ended December 31, 2015 grew by $85.6 million when compared to the $1.4 million net loss of 2014. The cyclical weakness in the North American steel and energy markets that resulted in declining steel scrap prices and reduced volumes drove the unfavorable results, including the non-cash impairment charges noted above.

Adjusted EBITDA decreased by $42.3 million, to $18.6 million for the year ended December 31, 2015, from $60.9 million for the year ended December 31, 2014. Adjusted EBITDA is not impacted by non-cash impairment charges, which is the principal reason its year-over-year decline is less than the unfavorable change in net loss. Adjusted EBITDA sometimes approximates cash flow available for debt service and capital expenditures. As more fully

explained in the Liquidity and Capital Resources section, the Company's actual cash flow from operating activities was $15.1 million for the year ended December 31, 2015.

Liquidity and Capital Resources

Debt Maturities and Chapter 11 Filing

As more fully described in Notes 2 and 7 to the Consolidated Financial Statements, the Company's long term debt matured in December 2016, before the Company was able to negotiate replacement financing. As a result and as more fully described in Note 2 to the Consolidated Financial Statements, the Company filed a voluntary petition seeking relief under Chapter 11 of the United States Bankruptcy Code.

The Company's ability to continue normal operations is dependent upon its ability to emerge from bankruptcy as a going concern with adequate capitalization. Subject to emergence from Chapter 11 proceedings and establishment of a new capital structure, management believes the underlying business is sound and that cash flow from operations will be sufficient to fund post-emergence operations, debt service and other obligations.

The timing of the Company's emergence from bankruptcy is dependent upon court proceedings and negotiation among the parties involved. The Company intends to file a plan of reorganization with the Bankruptcy Court no later than July 14, 2017 and to emerge from bankruptcy no later than October 27, 2017 as stipulated by the debtor in possession financing arrangement which is more fully described below and in Notes 2 and 7 to the Consolidated Financial Statements.

Debtor in Possession Financing Arrangement

In connection with the Company's Chapter 11 filing, the Bankruptcy Court authorized establishment of a debtor in possession financing arrangement ("DIP Loan"). The DIP Loan provides for total financing of up to $211,662, consisting of $161,662 used to fully redeem the pre-petition 12.5% Senior Secured Notes and up to $50,000 of additional financing for operating purposes and costs of the reorganization. The DIP Loan matures on October 31, 2017 and the Agreement stipulates milestones, including filing of a Chapter 11 Plan of Reorganization by July 14, 2017, with consummation of such plan to occur by October 27, 2017. Interest is payable monthly, in arrears, at LIBOR plus 10.0%. The DIP Loan is secured by super-priority liens on, and security interest in, substantially all Debtor assets.

Other Matters

We expect our future cash needs will be primarily for working capital, capital expenditures and debt service obligations. To compete effectively, we invest in the maintenance of our assets, add new equipment to upgrade our capacity and enhance our productivity and add new services we can provide our customers. Our principal capital requirements have been to fund operations, including working capital, and the purchase and funding of capital improvements to our business and facilities.

Over a three year period, beginning in 2013, we invested approximately $19.0 million in a cold pilger mill and $6.0 million in an annealing furnace, both at MST, which are expected to increase operational efficiency and enable cost-effective entrance into new markets. MST invested approximately $2.6 million and $13.9 million toward these two projects during 2015 and 2014, respectively. The pilger mill was placed in service in 2015. These projects drove the Company's total capital expenditures to uncharacteristically high levels of $9.0 million, $19.6 million and $18.7 million during 2015, 2014 and 2013 respectively. Capital expenditures resumed a more typical annual pace of $1.1 million in 2016.

Our ability to make payments to fund working capital, capital expenditures, debt service obligations, strategic acquisitions and investments and joint ventures will depend on our ability to generate cash in the future, which is subject to general economic, financial, competitive, regulatory and other factors beyond our control. Any future indebtedness may impose various restrictions and covenants on us, which could limit our ability to respond to market conditions, to provide for unanticipated capital investments or to take advantage of business opportunities.

Cash Flows

The following table sets forth selected cash flow data for the Company for the periods indicated (in thousands):

	Year Ended December 31,		
Cash provided by (used in):	**2016**	**2015**	**2014**
Operating activities	$ 38,760	$ 15,134	$ 6,907
Investing activities	449	(46,565)	(22,240)
Financing activities	(23,130)	31,843	11,019
Net increase (decrease) in cash	$ 16,079	$ 412	$ (4,314)

Operating Activities

During the year ended December 31, 2016, net cash provided by operating activities totaled $38.7 million. The $79.7 million net loss reported was net of non-cash charges of $26.7 million for depreciation and amortization and $54.4 million of impairment charges. A decrease in inventory of $25.8 million and an increase in accounts payable, accruals and other non-current liabilities of $26.3 million were key drivers of the strong operating cash flow. The increase in accounts payable was principally driven by the Company's Chapter 11 filing on December 15, 2016, which is more fully described above and in Note 2 to the Consolidated Financial Statements.

During the year ended December 31, 2015, net cash provided by operating activities totaled $15.1 million. The $87.0 million net loss reported is net of non-cash charges, including $28.0 million for depreciation and amortization and $51.1 million for goodwill and intangible asset impairment charges. Decreases in inventory and receivables of $45.7 million and $19.6 million, respectively, drove the cash generation, which was partially offset by a $28.9 million reduction in accounts payable and accrued expenses.

During the year ended December 31, 2014, net cash provided by operating activities totaled $6.9 million. The $1.4 million net loss reported was net of non-cash charges, including $28.7 million for depreciation and amortization and the $5.0 million goodwill impairment charge. The net operating cash flow from these items was offset by increases to the Company's working capital, principally inventory.

Investing Activities

Apart from acquisitions, the Company's investing activities primarily result from capital spending for property, plant and equipment, which amounted to $1.1 million, $9.0 million and $19.6 million for the years ended December 31, 2016, 2015 and 2014, respectively. The higher capital spending in 2015 and 2014, compared to 2016, resulted from the pilger and annealing furnace projects at MST which are more fully described in the Liquidity and Capital Resources overview above.

During the year ended December 31, 2015, investing activities include the January 29, 2015 acquisition of Corey. During the year ended December 31, 2014, investing activities include a $4.9 million deposit to an escrow account in connection with the Corey acquisition.

Financing Activities

The Company's revolving credit facility expired on November 30, 2016. Financing activities included net payments of $23.0 million and $2.0 million against the Company's revolving credit facility during 2016 and 2015, respectively. During the year ended December 31, 2014 net borrowings on the Company's revolving credit facility totaled $11.0 million.

Other financing activities during 2015 include the acquisition of The Corey Steel Company on January 29, 2015 for $59.0 million. In connection with the Corey acquisition, the Company issued $85.0 million of senior unsecured notes bearing interest at 12.0% per annum payable semi-annually in arrears on March 15 and September 15 of each year. In addition to providing financing for the Corey acquisition, proceeds from the 12.0% Notes were used to redeem the $35.0 million of 16.0% Notes issued in connection with the 2013 acquisition of KES. As more fully described in Note 7 to the Company's Consolidated Financial Statements, the Company made an Excess Cash Flow Offer on March 31, 2015 in accordance with the 12.5% Notes trust indenture. The offer expired on April 30, 2015 with redemptions on May 5, 2015 totaling $13.3 million at par.

Excess Cash Flow Offer – 12.5% Notes

Under the 12.5% Senior Secured Notes Trust Indenture, the Company was required to make certain annual offers to purchase 12.5% Notes with excess cash flow, generally defined as the Company's net earnings before interest, income taxes, depreciation, amortization and other non-cash charges in excess of the cash obligations for debt service, income taxes and capital expenditures. Such offers were to be made within 90 days of each annual period at 103% of the principal amount thereof, together with accrued and unpaid interest to the date of purchase.

During 2015, the Company did not generate any excess cash flow, as defined in the Trust Indenture; therefore, no excess cash flow offer was made in 2016. The amount of the 2014 excess cash flow offer was $13.3 million at par and $13.7 million including the 3% premium. The offer expired April 30, 2015 with redemptions totaling $13.3 million at par, after proration and rounding, and $13.7 million inclusive of the 3% premium. On May 5, 2015, $13.1 million of 12.5% Notes were redeemed. The Company recorded a loss on debt extinguishment of $0.8 million consisting of the 3% redemption premium and $0.4 million of unamortized original issue discount and deferred financing costs related to the redeemed notes.

Revolving Credit Facility

Prior to its expiration on November 30, 2016, the Company maintained an asset based revolving credit facility with a domestic commercial lender. OSSI and its operating subsidiaries KES, MST, Niagara, and subsequent to its acquisition, Corey, were co-borrowers under the revolving credit facility. Advances under the revolving credit facility generally bore interest at a variable rate per annum equal to (i) the Eurodollar Rate (as defined) plus a margin of 2.25% or (ii) the Alternate Base Rate (as defined) plus a margin of 0.75%. A facility fee of 0.25% applied to the total amount committed under the revolving credit facility.

Liquidity

At December 31, 2016, the Company's liquidity consisted of $16.5 million in cash. At December 31, 2015, the Company's liquidity consisted of $0.4 million in cash and $7.4 million of availability under its revolving credit facility.

Critical Accounting Policies of the Company

Note 3 to the Company's Consolidated Financial Statements includes a summary of the significant accounting policies used in the preparation of its financial statements. The Company believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

Going Concern Basis

As more fully discussed above and in Notes 1 and 7 to the Company's Consolidated Financial Statements, the financial statements included in this annual report have been prepared using the going concern assumption which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

Principles of Consolidation

The consolidated financial statements include the accounts of OSSI and its subsidiaries, all of which are wholly-owned. All material intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Revenue from the sale of products is recorded when title and risk of loss pass to the customer and collection is reasonably assured. All costs billed to customers, including associated freight, are classified as revenue and the associated costs are included in cost of products sold. The Company monitors its exposure for sales claims and maintains allowances for anticipated losses after giving consideration to historical claims experience and the Company's ability to recover customer claims from vendors.

Acquisitions

Acquisitions are accounted for under the purchase method of accounting. Net assets are recorded at estimated fair value and operating results are included in the Company's financial statements from the date of acquisition.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash held in separate accounts, as adequate assurance for certain utility providers during Chapter 11 bankruptcy proceedings, is considered restricted cash. Such restricted cash balances were first established in January 2017. There was no restricted cash at December 31, 2016.

Accounts Receivable

The Company carries accounts receivable at sales value less an allowance for doubtful accounts. The Company competes in a niche sector of the steel industry and its business is affected by conditions within the broader steel industry and the automotive, energy, agricultural and machine tool industries. The Company grants trade credit to its customers consistent with industry practice. Exposure to losses on trade accounts receivable is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses after giving consideration to current delinquency data, historical loss experience, and economic conditions impacting steel service centers and original equipment manufacturers. The financial condition of its customers and the related allowance for doubtful accounts is periodically reviewed by management.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade accounts receivable, accounts payable and long-term debt. The recorded values of cash and cash equivalents, trade accounts receivable, and accounts payable approximate fair value based on their short-term nature. The carrying values of the Company's debt instruments vary from their fair values. Fair values are determined by reference to quoted market prices and observable inputs for these securities.

Inventories

Inventory is stated at the lower of cost or net realizable value. Cost is determined using a last-in, first-out ("LIFO") method for the Company's CFSB operations and a first-in, first-out ("FIFO") method for the Company's seamless tube and HRSB operations. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company maintains inventory reserves for estimated slow moving, obsolete and unmarketable inventory based on historical usage and assumptions about future demand and market conditions. We may be required to record additional inventory write-downs if actual market conditions are less favorable than those projected by our management. The Company records any amount required to reduce the carrying value of inventory to net realizable value as a charge to cost of products sold.

Property, Plant and Equipment

Investment in and additions to property, plant and equipment are stated at cost, and include expenditures that substantially increase the useful lives of existing property, plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. The Company provides for depreciation of property, plant and equipment at rates designed to depreciate such assets over their useful lives. Depreciation is computed on the straight-line method using lives of 3 to 15 years on machinery and equipment, furniture and fixtures and information technology, and 10 to 40 years on buildings and improvements. Capital projects which are in progress for more than one year are evaluated to determine if capitalization of interest is appropriate. Interest incurred for significant longer-term projects is capitalized at the Company's weighted average cost of debt.

When property, plant and equipment are identified as held for sale, we reclassify such assets to *Assets held for sale* on the Consolidated Balance Sheet and cease depreciation. These assets are evaluated for impairment and are carried at the lower of cost or estimated selling price less cost of sale. Assets under capital lease are included within property, plant and equipment and amortization is included in depreciation expense. Amortization of leasehold interests is generally based upon the shorter of the lease term or the life of the asset. The net present value of current

and long-term amounts due under capital leases are included in accrued expenses and other non-current liabilities on the Company's Consolidated Balance Sheets.

Goodwill

Goodwill is an intangible asset that represents future economic benefits, arising from other assets acquired in a business combination, which do not qualify for separate recognition. The Company's goodwill is tested for impairment on the first day of the fourth quarter of each year, or more often should indicators of possible impairment arise. If a reporting unit's carrying amount exceeds its estimated fair value, goodwill impairment is recognized to the extent recorded goodwill exceeds the implied fair value of that goodwill. Estimated fair values of reporting units are Level 3 measures and are developed primarily under an income approach that discounts estimated future cash flows using risk-adjusted interest rates.

Other Intangible Assets

Intangible assets consist of customer relationships, license agreements, trademarks, trade names and proprietary technology resulting from business combinations, as well as internal use software. Customer relationships, license agreements and proprietary technology are amortized over their useful lives of up to 15 years on a straight line basis.

Internal use software is amortized on a straight line basis using estimated useful lives of up to seven years. The Company evaluates the estimated useful lives of all its identified intangibles and any impairment on an individual basis whenever circumstances indicate the carrying value may not be recoverable. The Company's trademarks and trade names are considered to have an indefinite life, and as such are tested for impairment on the first day of the fourth quarter of each year, or more often should indicators of possible impairment arise, using a relief from royalty method. The principal assumptions used in the relief from royalty method relate to forecasting future operating results, royalty rates and applicable discount rates, which require considerable judgment.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. These estimates are based on historical experience and information available to management about current events and actions the Company may take in the future. Significant items subject to estimates and assumptions include the evaluation of the recoverability of the carrying value of long-lived assets and goodwill; valuation allowances for receivables, inventories and deferred income tax assets; legal and environmental liabilities; and assets and obligations related to employee benefit plans. Actual results could differ from those estimates and the differences could be material.

Evaluating Recoverability of Long-Lived Assets

The Company reviews the carrying values of its long-lived and identifiable intangible assets subject to amortization for possible impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. The Company assesses recoverability of these assets by estimating future undiscounted cash flows associated with the applicable asset group. The principal assumptions used in the undiscounted cash flow analysis relate to forecasting future operating results.

Deferred Financing Costs

Debt issuance costs are deferred and amortized over the term of the related debt under the effective interest method. Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with how debt discounts are reported. Deferred financing costs related to debt not yet issued are presented as an asset on the balance sheet.

Income Taxes

The Company files a consolidated U.S. federal income tax return that includes its wholly-owned U.S. subsidiaries. The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted statutory tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the Consolidated Statements of Comprehensive Loss in the periods in which the changes are enacted. Deferred tax assets are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more-likely-than-not that the deferred tax assets will not be realized. Tax benefits are recognized when it is more-likely-than-not that a tax position will be sustained upon examination by the taxing authorities based on the technical merits. The benefit from a position that has surpassed the more-likely-than-not threshold is the largest amount of benefit that is more than 50% likely to be realized upon settlement. The Company recognizes in accrued expenses the effects of uncertain tax positions. The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. The Company regularly makes a comprehensive review of its uncertain tax positions.

Comprehensive Income or Loss

Comprehensive income or loss is defined to include all changes in equity except those resulting from investments by owners and distributions to owners.

Valuation and Qualifying Accounts

The objectives of this item are met by the disclosures in the Company's Consolidated Financial Statements and Notes thereto.

Recently Issued Accounting Standards and Pronouncements

In November 2016, the FASB issued new accounting guidance to clarify how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to show the changes in the total of cash and cash equivalents, including restricted cash and restricted cash equivalents, in the statement of cash flows. As a result, entities will no longer present transfers between cash and restricted cash in the statement of cash flows. The Company did not have any restricted cash at December 31, 2016, but early-adopted this new guidance during the fourth quarter of 2016 with the expectation that restricted cash transactions will occur during 2017.

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will supersede most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In July 2015 the FASB decided to delay the effective date of the new revenue standard to be effective for interim and annual periods beginning on or after December 15, 2017 for public companies and December 15, 2018 for private companies. Companies may elect to adopt the standard at the original effective date for public entities, for interim and annual periods beginning on or after December 15, 2017, but not earlier. The guidance can be applied using one of two retrospective application methods. The Company is evaluating the impact of adopting this new standard on the consolidated financial statements.

In February 2016, the FASB issued new guidance related to the accounting for lease transactions. Under the new guidance, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease for lessees primarily will depend on its classification as a finance or operating lease. For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability. For operating leases, lessees will recognize a single total lease expense. For both types of leases, lessees will recognize a right-of-use asset and a lease liability. The standard is

effective for public companies for annual and interim periods beginning after December 15, 2018. For private companies, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. The Company is in the process of evaluating the impact of adopting this new standard to its consolidated financial statements.

Off-Balance Sheet Arrangements

We currently do not have any significant off-balance sheet arrangements.

Inflation

The effects of inflation on our operations were not significant during the periods presented in the Company's Consolidated Financial Statements.

Seasonality

Typically our sales volumes are higher in the first and second calendar quarters of each year. The months of July, November and December in the second half of the year have fewer business days due to plant shutdowns for vacations and statutory holidays. As a result, the first and second calendar quarters typically possess a greater number of shipping days and the average sales volume during such periods is generally higher than the average volumes during the third and fourth calendar quarters.

Qualitative and Quantitative Disclosures about Market Risk

We monitor market risks on an ongoing basis in order to assist us in our efforts to develop mitigation measures. Our operations are exposed to market risks primarily as a result of changes in commodity prices and interest rates.

Interest Rate Risk

As of December 31, 2016, the Company did not have any variable rate debt that would be exposed to market risk from fluctuations in interest rates. The Company's senior note obligations carry fixed rates of interest. The Company's asset based revolving credit facility carried a variable interest rate, but this credit line was paid in full when it expired on November 30, 2016. The DIP Loan, which was established in January 2017 and which is more fully described in Note 7 to the Consolidated Financial Statements, bears a variable interest rate of LIBOR plus 10.0%.

Commodity Price Risk

Raw materials account for a significant portion of our cost of goods sold and are subject to price volatility. We attempt to negotiate the best prices for our raw materials and energy requirements and to obtain prices for our steel products that match market price movements in response to supply and demand. The principal raw material we use in our manufacturing processes consists of steel billets at KES and SBQ steel at MST and within our CFSB segment. It is our practice to pass through changes in steel prices to our customers. We do this through the use of various surcharges as a component of our pricing, including a steel scrap surcharge for a majority of our products which generally mirrors a comparable steel scrap surcharge paid upon procurement of most of our raw materials. Should our steel suppliers change their pricing policies, we cannot assure we will be able to timely pass these price changes on to our customers, if at all. See "Risk Factors — Price fluctuations in raw materials could adversely affect our manufacturing costs."

Non-GAAP Financial Measures

In the section titled "Management's Discussion and Analysis of Results of Operations" and elsewhere in this Annual Report, we present Earnings Before Interest, Taxes, Depreciation and Amortization, or EBITDA, as net income (loss) before interest (income) expense, income taxes, depreciation and amortization expense. Adjusted EBITDA represents EBITDA adjusted to exclude LIFO accounting related expense (income), management fees, transaction and restructuring costs and other non-operating costs, each of which are not considered by management to be indicative of our core ongoing business results. We believe these measures are commonly used by analysts and

investors to analyze and compare companies on the basis of operating performance that have different financing and capital structures and tax rates.

EBITDA and Adjusted EBITDA are not substitutes for net income (loss), operating income (loss) or any other performance or liquidity measure derived in accordance with U.S. GAAP, and are non-GAAP financial measures as defined under the rules of the SEC. EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analyses of our results of operations as reported under GAAP. Some of these limitations are (i) not reflecting the significant effects that provision (benefit) for income taxes, interest expense and depreciation and amortization, have had, and are expected to have, on our results of operations, (ii) not reflecting our cash capital expenditures, or future requirements, for capital expenditures or contractual commitments, (iii) not reflecting changes in, or cash requirements for, our working capital needs, (iv) not reflecting the cash requirements necessary to service interest or principal payments on our debt, (v) showing depreciation and amortization as non-cash income or expense items that are reflected in our statements of cash flows and (vi) other companies in our industry calculating this measure differently from the way we do, limiting their usefulness as a comparative measure. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only for supplemental purposes.

Cautionary Note Regarding Forward-Looking Statements

This Annual Report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, and we intend that such forward-looking statements be subject to the safe harbor provisions of the U.S. federal securities laws. These forward-looking statements are included throughout this annual report, including in sections entitled “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and related matters such as our industry, business strategy, goals, expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. Forward-looking statements are, by definition, statements that are not historical in nature and relate to possible future events. They may be, but are not necessarily, identified by words such as “will,” “shall,” “believe,” “expect,” “plan,” “intend,” “may,” “anticipate” and similar expressions.

These forward-looking statements reflect our current views with respect to possible future events, are based on various assumptions, and are subject to known and unknown risks and uncertainties. These forward-looking statements are not guarantees or predictions of our future performance, and our actual results and future developments may differ materially from those projected in, and contemplated by, the forward-looking statements. As a result, undue reliance should not be placed on these forward-looking statements.

Many of these factors are beyond our ability to control or predict. Any, or a combination, of these factors could materially affect our future financial condition or results of operations and the ultimate accuracy of the forward-looking statements. Forward-looking statements set forth herein speak only as of the date of this Annual Report. Except as required by law, we undertake no obligation to update any of these forward-looking statements to reflect events or circumstances that may arise after the date of this Annual Report. Our actual results could differ materially from those anticipated in these forward-looking statements.

Among the factors that could cause actual results to differ materially are the risks and uncertainties described under “Risk Factors,” including the following:

- due to the Debtors’ restructuring process under Chapter 11 of the United States Bankruptcy Code, the Debtors’ future operations are uncertain and are affected by a number of risks and uncertainties over which the Company has little or no control and which may lead to potential adverse effects on the Debtors’ liquidity, results of operations, relationships with its employees, vendors and customers or its ability to continue as a going concern;
- the effect of national, regional and worldwide economic conditions generally and within our major end markets, including the risk of a prolonged or substantial economic downturn;
- actions by our competitors and customers that negatively affect our competitive profile;
- loss of significant sales volume from key customers;
- the effect of our customers relocating to offshore locations;

- fluctuations in pricing, quality or availability of raw materials (particularly steel), supplies, transportation, utilities and other items required by our operations;
- the effect of disruptions in the business of suppliers, customers, facilities and shipping operations due to adverse weather, general economic conditions, domestic and worldwide demand, competition, import duties, tariffs, currency exchange rates, casualty events, equipment breakdowns, labor issues, acts of war or terrorist activities or other causes beyond our control;
- loss of key supplier relationships;
- loss of key executive officers;
- disruption of our internal operations from, among other things, equipment failure, production curtailment and shutdowns, including with respect to manufacturing and information systems, or from production inefficiencies;
- our failure to successfully integrate our business operations after the completion of acquisitions;
- risks relating to possible future acquisitions and joint ventures;
- environmental, health and safety and other regulatory matters;
- the impact of judicial rulings and governmental regulations;
- requirements to comply with quality assurance standards;
- disruption of our internal operations from information system security risks and systems integration issues;
- failure to protect our intellectual property;
- the ability to obtain capital in the future on favorable terms, or at all;
- the effect of financial difficulties, consolidation and other changes within our customers or the end markets for our products;
- the effects of labor shortages, increased labor costs and the unionization of our labor force;
- risks associated with serious injury or death to our employees, customers and other visitors to our operations;
- adverse claims experience with respect to workers' compensation, product recalls or product liability,
- casualty events or other matters;
- insurance expenses or gaps in coverage;
- if we locate and pursue acquisitions and joint ventures internationally, risks associated with such international operations, including potential violations of the Foreign Corrupt Practices Act of 1977, as amended, and similar worldwide anti-bribery laws; and
- changes in tax laws or regulations.

For a more complete description of the risks and uncertainties facing our business that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see "Risk Factors." All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Contractual Obligations and Commitments

The following table presents a summary of our contractual obligations and commitments by period as of December 31, 2016.

		Payments due by period			
Description	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
12.5% Senior Secured Notes – principal [1]	$ 161,662	$ 161,662	-	-	-
12.5% Senior Secured Notes – interest [1]	20,208	20,208	-	-	-
12.0% Senior Unsecured Notes – principal [1]	85,000	85,000	-	-	-
12.0% Senior Unsecured Notes – interest [1]	10,200	10,200	-	-	-
Standby letters of credit	1,720	1,720	-	-	-
Capital leases	624	156	312	156	-
Operating leases	472	472	-	-	-
Total Contractual Cash Obligations [2]	$ 279,886	$ 279,418	$ 312	$ 156	$ -

[1] *As discussed above and in Notes 2 and 7 to the Consolidated Financial Statements, repayment of the Company's debt is subject to bankruptcy proceedings. In addition, the 12.0% Unsecured Notes, and accrued interest thereon, are included in the Company's Consolidated Balance sheet as liabilities subject to compromise. Since this table does not include interest related to the DIP loan, or subsequent financing arrangements, the interest included in this table includes one full year of interest on the existing debt at the respective contractual non-default rates.*

[2] *During the first quarter of 2017, in connection with the Company's Chapter 11 filing, the Bankruptcy Court authorized establishment of a DIP Loan which provides for total financing of up to $211,662, consisting of $161,662 used to fully redeem the pre-petition 12.5% Senior Secured Notes and up to $50,000 of additional financing for operating purposes and costs of the reorganization. The DIP Loan matures on October 31, 2017. Since the DIP loan did not exist at December 31, 2016, the related principal and interest is not reflected in this table.*

The expected timing of payment of the obligations discussed above is estimated based on current information. The timing of payments and actual amounts paid may differ depending on the timing of receipt of services, or, for some obligations, changes to agreed-upon amounts.

Optima Specialty Steel, Inc. and Subsidiaries
(Debtor in Possession)

2016 Consolidated Financial Statements

As of December 31, 2016
and Each of the Three Years in
the Period Ended December 31, 2016

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Report of Independent Auditors

Management and Board of Directors
Optima Specialty Steel, Inc.

We have audited the accompanying consolidated financial statements of Optima Specialty Steel, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive loss, stockholder's equity and cash flows for each of the three years in the period ended December 31, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Optima Specialty Steel, Inc. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code on December 15, 2016, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2 and 7. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young LLP

Chicago, Illinois
April 3, 2017

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Consolidated Balance Sheets
(in thousands except per share amounts)

	December 31, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 16,516	$ 437
Trade accounts receivable (net of allowance for doubtful accounts of $706 and $797, respectively)	28,495	27,871
Inventories	75,883	101,728
Prepaid expenses	5,743	1,912
Assets held for sale	—	3,036
Other current assets	3,993	5,943
Total current assets	130,630	140,927
Property, plant and equipment, net	96,881	125,563
Goodwill	23,833	31,294
Intangible assets, net	56,365	98,862
Other assets	3,788	817
Total assets	$ 311,497	$ 397,463
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$ 3,898	$ 21,418
Accrued expenses	14,693	15,082
Accrued interest	11,142	3,818
Debt	161,662	264,849
Total current liabilities	191,395	305,167
Accrued pension & post-retirement costs	—	17,661
Deferred income taxes	1,083	15,329
Other liabilities	465	2,574
Total liabilities not subject to compromise	192,943	340,731
Liabilities subject to compromise	141,801	—
Total liabilities	334,744	340,731
Stockholder's equity (deficit):		
Class A common stock, voting, $0.01 par value – 1,000 shares authorized and outstanding	—	—
Additional paid-in capital	164,294	164,294
Retained deficit	(183,680)	(103,949)
Accumulated other comprehensive loss	(3,861)	(3,613)
Total stockholder's equity (deficit)	(23,247)	56,732
Total liabilities and stockholder's equity (deficit)	$ 311,497	$ 397,463

The accompanying notes are an integral part of these consolidated financial statements.

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Consolidated Statements of Comprehensive Loss
(in thousands)

	For the year ended December 31,		
	2016	*2015*	*2014*
Net sales	$ 397,132	$ 488,680	$ 568,389
Cost of products sold, excluding depreciation and amortization	345,421	445,882	482,697
Depreciation and amortization expense	13,734	15,080	16,411
Gross profit	37,977	27,718	69,281
Selling, general and administrative expenses	27,900	29,286	25,762
Interest expense (contractual interest of $36,717, $35,848 and $29,538, respectively)	36,206	35,848	29,538
Amortization of acquisition-related intangible assets	7,637	8,355	8,355
Transaction and restructuring expenses	4,065	4,346	2,587
Loss related to disposition of closed facilities	2,250	853	502
Loss from early extinguishment of debt	—	808	—
Impairment related to closure of billet supplier	—	8,977	—
Other impairment charges	54,424	51,102	5,000
Other income	(399)	(348)	(504)
Chapter 11 reorganization items	751	—	—
Loss before income taxes	(94,857)	(111,509)	(1,959)
Income tax benefit	(15,126)	(24,517)	(544)
Net loss	(79,731)	(86,992)	(1,415)
Other comprehensive income (loss):			
Pension and other post-retirement benefits adjustment	(241)	1,134	(7,280)
Tax expense (benefit) related to pension and other post-retirement benefits adjustment	7	407	(2,699)
Other comprehensive income (loss)	(248)	727	(4,581)
Total comprehensive loss	$ (79,979)	$ (86,265)	$ (5,996)

The accompanying notes are an integral part of these consolidated financial statements.

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Consolidated Statements of Stockholder's Equity
(in thousands)

As of and for the years ended December 31, 2014, 2015 and 2016

	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Stockholder's Equity (Deficit)
Balance — January 1, 2014	$ —	$ 164,294	$ (15,542)	$ 241	$ 148,993
Net loss	—	—	(1,415)	—	(1,415)
Pension and other post-retirement benefits adjustment, $(7,280), net of tax benefit of $2,699	—	—	—	(4,581)	(4,581)
Balance — December 31, 2014	—	164,294	(16,957)	(4,340)	142,997
Net loss	—	—	(86,992)	—	(86,992)
Pension and other post-retirement benefits adjustment, $1,134, net of tax expense of $407	—	—	—	727	727
Balance — December 31, 2015	—	164,294	(103,949)	(3,613)	56,732
Net loss	—	—	(79,731)	—	(79,731)
Pension and other post-retirement benefits adjustment, $(241), net of tax expense of $7	—	—	—	(248)	(248)
Balance — December 31, 2016	$ —	$ 164,294	$ (183,680)	$ (3,861)	$ (23,247)

The accompanying notes are an integral part of these consolidated financial statements.

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Consolidated Statements of Cash Flows
(in thousands)

	For the year ended December 31,		
	2016	*2015*	*2014*
Cash flows from operating activities:			
Net loss	$ (79,731)	$ (86,992)	$ (1,415)
Adjustments to reconcile net loss to net cash provided by operations:			
Depreciation and amortization	26,668	27,963	28,718
Impairment charges	54,424	51,102	5,000
Deferred income taxes	(14,246)	(21,939)	(5,496)
Loss related to fixed asset dispositions	2,250	1,367	360
Loss from early extinguishment of debt	—	408	—
Change in operating assets and liabilities, net of acquisitions:			
Trade accounts receivable, net	(624)	19,630	(393)
Inventories	25,845	45,704	(23,553)
Other current and non-current assets	(2,153)	6,820	4,713
Accounts payable, accruals and other non-current liabilities	26,327	(28,929)	(1,027)
Net cash provided by operating activities	38,760	15,134	6,907
Cash flows from investing activities:			
Acquisitions, net of cash acquired	—	(43,531)	—
Withdrawal (deposit) from Corey acquisition escrow account	—	4,900	(4,900)
Capital expenditures	(1,115)	(8,967)	(19,623)
Proceeds from sales of fixed assets	1,564	1,033	2,283
Net cash provided by (used in) investing activities	449	(46,565)	(22,240)
Cash flows from financing activities:			
Advances from revolving credit facilities	—	19,000	28,019
Repayments on revolving credit facilities	(23,000)	(21,019)	(17,000)
Principal portion of capital lease payments	(130)	—	—
Proceeds from 12.0% Senior Unsecured Notes	—	85,000	—
Redemption of 16.0% Senior Unsecured Notes	—	(35,000)	—
Payment of early redemption premium on 16.0% Senior Unsecured Notes	—	(2,800)	—
Partial redemption of 12.5% Senior Secured Notes by Excess Cash Flow Offer	—	(13,338)	—
Net cash (used in) provided by financing activities	(23,130)	31,843	11,019
Net increase (decrease) in cash and cash equivalents	16,079	412	(4,314)
Cash and cash equivalents, beginning of period	437	25	4,339
Cash and cash equivalents, end of period	$ 16,516	$ 437	$ 25
Supplemental Cash Flow Information:			
Payment of Chapter 11 reorganization items	$ 751	$ —	$ —
Non-cash equipment purchases financed by capital lease	—	705	—
Interest paid on debt	21,494	31,004	28,193
Interest portion of capital lease payments	26	—	—
Cash paid (received) for income taxes:			
Payments	48	403	558
Refunds	(3,257)	(216)	(3,938)

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization, Nature of Operations and Basis of Presentation

Organization

Optima Specialty Steel, Inc., a Delaware corporation ("OSSI"), and its wholly-owned subsidiaries KES Acquisition Company, a Delaware corporation doing business as Kentucky Electric Steel ("KES"), Michigan Seamless Tube L.L.C., a Michigan single member limited liability company ("MST"), Niagara LaSalle Corporation, a Delaware corporation ("Niagara") and The Corey Steel Company, an Illinois corporation ("Corey"), comprise the "Company". Corey was acquired by the Company on January 29, 2015.

Nature of Operations

The Company is a leading independent manufacturer in the United States of hot rolled steel bars ("HRSB"), value-added precision-tolerance, cold drawn seamless tubes ("Seamless Tubing"), and high quality engineered cold finished steel bars ("CFSB"). As a specialty steel bar processing business, the Company processes steel billets and bars purchased from primary steel mills. The Company's operations utilize specialized equipment to manufacture hot rolled steel bars and further engineered steel products, including pressure-carbon, pressure-alloy, mechanical-carbon and mechanical-alloy tubing and specialty cold finished steel bars.

The Company operates in three business segments: (i) the production and sale of HRSBs operated by KES, (ii) the production and sale of seamless tubing operated by MST and (iii) the production and sale of CFSB operated by Niagara and Corey. Corey, which was acquired on January 29, 2015, is a CFSB processor operating from a single facility in Cicero, Illinois. Management operates these segments as separate business units. Selected financial data by segment is presented in Note 15.

KES operates a rolling mill in Ashland, Kentucky which produces special bar quality ("SBQ") and merchant bar quality ("MBQ") hot rolled steel bars. MST's facility in South Lyon, Michigan operates as a specialized manufacturer of seamless mechanical and pressure tubing for a diverse range of demanding industrial applications, primarily in North America. Niagara and Corey process SBQ steel coils and bars to produce CFSB through multiple plants located in the United States, for distribution primarily within North America.

Basis of Presentation – Going Concern

The financial statements included in this annual report have been prepared using the going concern assumption which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

As more fully described in Notes 2 and 7, the Company's long term debt matured in December 2016, before the Company was able to negotiate replacement financing. The Company's refinancing effort was challenged by the cyclical downturn in commodities such as oil and gas, coal and agricultural products, which led to weakness in the heavy industrial and long products sector of the steel industry in which the Company participates. This cyclical weakness also led to a more challenging capital markets environment in which to raise debt capital during the Company's 2016 refinancing efforts. As a result and as more fully described in Note 2, the Company filed a voluntary petition seeking relief under Chapter 11 of the United States Bankruptcy Code.

The Company's ability to continue normal operations is dependent upon its ability to emerge from bankruptcy as a going concern with adequate capitalization. Subject to emergence from Chapter 11 proceedings and establishment of a new capital structure, management believes the underlying business is sound and that cash flow from operations will be sufficient to fund post-emergence operations, debt service and other obligations.

2. Voluntary Chapter 11 Filing

On December 15, 2016 (the "Petition Date"), Optima Specialty Steel, Inc. and its subsidiaries (collectively the "Debtors" or the "Company") filed a voluntary petition in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), Case Number 16-12789, seeking relief under Chapter 11 of Title 11 of the United States Bankruptcy Code (the "Bankruptcy Code"). The Debtors continue to operate the business and manage its properties as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

The timing of the Company's emergence from bankruptcy is dependent upon court proceedings and negotiation among the parties involved. The Company intends to file a plan of reorganization with the Bankruptcy Court by July 14, 2017 and to emerge from bankruptcy by October 27, 2017 as stipulated by the debtor in possession financing arrangement which is summarized below.

Debtor in Possession Financing

On January 17, 2017, in connection with the Chapter 11 case, the Company filed motions seeking Bankruptcy Court approval of debtor-in-possession financing ("DIP Financing" or "DIP Loan"). On January 24, 2017, the Bankruptcy Court issued an order authorizing such financing on an interim basis. The final hearing and approval took place on February 28, 2017.

Terms and conditions of the DIP Loan are documented in the Senior Secured Super-Priority Debtor-in-Possession Credit Agreement dated as of January 27, 2017 among Optima Specialty Steel, Inc., Michigan Seamless Tube LLC, Niagara LaSalle Corporation, KES Acquisition Company, and The Corey Steel Company, as borrowers, Cortland Capital Market Services LLC, as administrative agent, and the other lenders party hereto from time to time (the "DIP Credit Agreement" or the "Agreement").

The Agreement provides for total financing of up to $211,662, consisting of $161,662 which was used to fully redeem the pre-petition 12.5% Senior Secured Notes on March 6, 2017, and up to $50,000 of additional financing for operating purposes and costs of the reorganization. On January 27, 2017, approximately $13,148 was utilized in payment of accrued interest to pre-petition Senior Secured Note Holders and an additional $1,831 was utilized in payment of fees related to the DIP Loan. Interest is payable monthly, in arrears, at LIBOR plus 10.0%. The DIP Loan is secured by super-priority liens on, and security interest in, substantially all Debtor assets.

The DIP Loan matures on October 31, 2017 and the Agreement stipulates milestones including filing of a Chapter 11 Plan of Reorganization by July 14, 2017, with consummation of such plan to occur by October 27, 2017. The Agreement permits prepayments prior to maturity, subject to terms and conditions. Prepaid amounts cannot be redrawn, thus any prepayments would result in a reduction of total funds available under the DIP Financing. Prepayments are mandatory in certain circumstances, such as sales of the collateral outside the normal course of business in accordance with the Agreement.

Financial Reporting During Chapter 11 Reorganization

The Company applied Accounting Standards Codification ("ASC") 852, Reorganizations, to the financial statements. ASC 852 applies to companies under bankruptcy protection and requires that financial statements, for periods subsequent to a Chapter 11 filing, distinguish transactions directly associated with the reorganization from those related to ongoing operation of the business. Such items are reported separately as *Chapter 11 reorganization items* in the Consolidated Statements of Comprehensive Loss and in the Consolidated Statements of Cash Flow.

In addition, the balance sheet must distinguish pre-petition liabilities that are subject to compromise through the Chapter 11 process from liabilities not subject to compromise. Liabilities subject to compromise are reported in the Consolidated Balance Sheets as *Liabilities subject to compromise.* The nature of Chapter 11 reorganization items and liabilities subject to compromise is more fully described below.

Liabilities Subject to Compromise

At the Petition Date, all liabilities, other than fully secured debt and interest thereon, were considered to be subject to compromise. Subsequent to the Chapter 11 filing, the Bankruptcy Court authorized payment of certain wages, employee benefits, property taxes and other obligations. The Company revises its estimates of liabilities subject to compromise following such Court decisions and payments.

Liabilities at December 31, 2016, and the estimated amounts subject to compromise, were as follows:

Description	Total Liability	Not Subject to Compromise	Subject to Compromise
Notes payable	$ 246,662	$ 161,662	$ 85,000
Accrued interest	13,692	11,142	2,550
Accounts payable	37,464	3,898	33,566
Accrued pension & post-retirement costs	18,185	—	18,185
Other accrued expenses	15,700	14,693	1,007
Deferred income taxes	1,083	1,083	—
Other liabilities	1,958	465	1,493
Total liabilities	$ 334,744	$ 192,943	$ 141,801

Chapter 11 reorganization items

The Company paid and incurred approximately $751 in costs subsequent to the Petition Date that were directly related to the Chapter 11 reorganization process, which consisted principally of legal and professional fees.

3. Summary of Significant Accounting Policies

Going Concern Basis

As more fully described in Note 1, the financial statements have been prepared using the going concern assumption which contemplates continuity of operations, realization of assets and satisfaction of liabilities in the ordinary course of business.

Principles of Consolidation

The consolidated financial statements include the accounts of OSSI and its subsidiaries, all of which are wholly-owned. All material intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Revenue from the sale of products is recorded when title and risk of loss pass to the customer and collection is reasonably assured. All costs billed to customers, including associated freight, are classified as revenue and the associated costs are included in cost of products sold. The Company monitors its exposure for sales claims and maintains allowances for anticipated losses after giving consideration to historical claims experience and the Company's ability to recover customer claims from vendors.

Acquisitions

Acquisitions are accounted for under the purchase method of accounting, with net assets acquired recorded at estimated fair values and operating results included in the Company's financial statements from the date of acquisition.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash held in separate accounts, as adequate assurance for certain utility providers during Chapter 11 bankruptcy proceedings, is considered restricted cash. Such restricted cash balances were first established in January 2017. There was no restricted cash at December 31, 2016.

Accounts Receivable

The Company carries accounts receivable at sales value less an allowance for doubtful accounts. The Company competes in a niche sector of the steel industry and its business is affected by conditions within the broader steel industry and the automotive, energy, agricultural and machine tool industries. The Company grants trade credit to its customers consistent with industry practice. Exposure to losses on trade accounts receivable is principally dependent on each customer's financial condition. The Company monitors its exposure for credit losses and maintains allowances for anticipated losses after giving consideration to current delinquency data, historical loss experience, and economic conditions impacting steel service centers and original equipment manufacturers. The financial condition of its customers and the related allowance for doubtful accounts is periodically reviewed by management.

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, trade accounts receivable, accounts payable and long-term debt. The recorded values of cash and cash equivalents, trade accounts receivable, and accounts payable approximate fair value based on their short-term nature. The carrying values of the Company's debt instruments vary from their fair values. The fair values were determined by reference to quoted market prices and observable inputs for these securities (Level 2 in the U.S. generally accepted accounting principles "GAAP" hierarchy). At December 31, 2016, the carrying value of the Company's secured debt instruments was $161,662 as compared to an estimated fair value of $153,579. The market value of the Company's unsecured debt was not estimable at December 31, 2016 because the Company is in bankruptcy and, as discussed in Note 2, the unsecured debt is a liability subject to compromise. At December 31, 2015, the aggregate carrying value of the Company's debt instruments was $264,849 as compared to an estimated aggregate fair value of $230,990.

Inventories

Inventory is stated at the lower of cost or net realizable value. Cost is determined using a last-in, first-out ("LIFO") method for the Company's CFSB segment. Cost is determined using a first-in, first-out ("FIFO") method for the Company's HRSB and seamless tube segments. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company maintains inventory reserves for estimated slow moving, obsolete and unmarketable inventory based on historical usage and assumptions about future demand and market conditions. The Company records any amount required to reduce the carrying value of inventory to net realizable value as a charge to cost of products sold.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Additions to property, plant and equipment are stated at cost and include expenditures for new facilities and those costs which substantially increase the useful lives of existing property, plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. Capital projects which are in progress for more than one year are evaluated to determine if capitalization of interest is appropriate. Interest incurred for significant longer-term projects is capitalized at the Company's weighted average cost of debt.

The Company provides for depreciation of property, plant and equipment at rates designed to depreciate such assets over their useful lives. Depreciation is computed on the straight-line method using lives of 3 to 15 years on

machinery and equipment, furniture and fixtures and information technology, and 10 to 40 years on buildings and improvements.

Assets under capital lease are included within property, plant and equipment and amortization is included in depreciation expense. Amortization of leasehold interests is generally based upon the shorter of the lease term or the life of the asset. The net present value of current and long-term amounts due under capital leases are included in accrued expenses and other non-current liabilities, respectively, on the Company's Consolidated Balance Sheets.

When property, plant and equipment are identified as held for sale, we reclassify such assets *to Assets held for sale,* on the Consolidated Balance Sheet and cease depreciation. These assets are evaluated for impairment and are carried at the lower of cost or estimated selling price less cost of sale. Estimated losses, as well as realized losses and gains, on sales of assets held for sale are reported as *Loss (gain) from sales of closed facilities* on the Consolidated Statements of Comprehensive Loss.

As more fully described in Notes 5 and 6, the Company recorded a $12,112 impairment charge against the carrying value of KES' property plant and equipment during 2016. The impairment charge is included in the Consolidated Statements of Comprehensive Loss as *Other impairment charges*.

Goodwill

Goodwill is an intangible asset that represents future economic benefits, arising from other assets acquired in a business combination, which do not qualify for separate recognition. The Company's goodwill is tested for impairment on the first day of the fourth quarter of each year, or more often should indicators of possible impairment arise. If a reporting unit's carrying amount exceeds its estimated fair value, goodwill impairment is recognized to the extent that recorded goodwill exceeds the implied fair value of that goodwill. Estimated fair values of reporting units are Level 3 measures and are developed primarily under an income approach that discounts estimated future cash flows using risk-adjusted interest rates.

As more fully described in Note 6, the Company recorded impairment charges of $7,461 and $45,734 against the carrying value of CFSB goodwill during 2016 and 2015, respectively. The impairment charges are included in the Consolidated Statements of Comprehensive Loss as *Other impairment charges*.

Other Intangible Assets

Intangible assets consist of customer relationships, license agreements, trademarks, trade names and proprietary technology resulting from business combinations. Intangible assets also include internal use software. Customer relationships, license agreements and proprietary technology are amortized over their useful lives of up to 15 years on a straight line basis. Internal use software is amortized on a straight line basis using estimated useful lives of up to seven years.

The Company evaluates the estimated useful lives of all its identified intangibles and any impairment on an individual basis whenever circumstances indicate the carrying value may not be recoverable. The Company's trademarks and trade names are generally considered to have an indefinite life, and as such are tested for impairment on the first day of the fourth quarter of each year, or more often should indicators of possible impairment arise, using a relief from royalty method. The principal assumptions used in the relief from royalty method relate to forecasting future operating results, royalty rates and applicable discount rates, which require considerable judgment.

As more fully described in Note 6, the Company recorded impairment charges against the carrying value of indefinite lived intangible assets during 2016 and 2015. These impairment charges are included in the Consolidated Statements of Comprehensive Loss as *Other impairment charges.*

Evaluating Recoverability of Long-Lived Assets

The Company reviews the carrying values of its long-lived and identifiable intangible assets subject to amortization for possible impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. The Company assesses recoverability of these assets by estimating future undiscounted cash flows associated with the applicable asset group. The principal assumptions used in the undiscounted cash flow analysis relate to forecasting future operating results. As more fully described in Note 6, the Company recorded a $32,725 impairment charge against the carrying value of KES' identifiable intangible assets during 2016. These impairment charges are included in the Consolidated Statements of Comprehensive Loss as *Other impairment charges.* All other asset groups had undiscounted cash flows which exceeded their carrying values.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting period. These estimates are based on historical experience and information available to management about current events and actions the Company may take in the future. Significant items subject to estimates and assumptions include the evaluation of the recoverability of the carrying value of long-lived assets and goodwill; valuation allowances for receivables, inventories and deferred income tax assets; legal and environmental liabilities; and assets and obligations related to employee benefit plans. Actual results could differ from those estimates and the differences could be material.

Deferred Financing Costs

Debt issuance costs are deferred and amortized over the term of the related debt under the effective interest method. Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with how debt discounts are reported. Deferred financing costs related to debt not yet issued are presented as an asset on the balance sheet.

Income Taxes

The Company files a consolidated U.S. federal income tax return that includes its wholly-owned U.S. subsidiaries. The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are measured using enacted statutory tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the Consolidated Statements of Comprehensive Loss in the periods in which the changes are enacted. Deferred tax assets are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more-likely-than-not the deferred tax assets will not be realized. Tax benefits are recognized when it is more-likely-than-not that a tax position will be sustained upon examination by the taxing authorities based on the technical merits. The benefit from a position that has surpassed the more-likely-than-not threshold is the largest amount of benefit that is more than 50% likely to be realized upon settlement. The Company recognizes in accrued expenses the effects of uncertain tax positions.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as a component of income tax expense. The Company regularly makes a comprehensive review of its uncertain tax positions.

Comprehensive Income or Loss

Comprehensive income or loss is defined to include all changes in equity except those resulting from investments by owners and distributions to owners.

Effects of Recent Accounting Pronouncements

In November 2016, the FASB issued new accounting guidance to clarify how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to show the changes in the total of cash and cash equivalents, including restricted cash and restricted cash equivalents, in the statement of cash flows. As a result, entities will no longer present transfers between cash and restricted cash in the statement of cash flows. The Company did not have any restricted cash at December 31, 2016, but early-adopted this new guidance during the fourth quarter of 2016 with the expectation that restricted cash transactions will occur during the first quarter of 2017.

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will supersede most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. Revenue should depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. In July 2015 the FASB decided to delay the effective date of the new revenue standard to be effective for interim and annual periods beginning on or after December 15, 2017 for public companies and December 15, 2018 for private companies. Companies may elect to adopt the standard at the original effective date for public entities, which is, for interim and annual periods beginning on or after December 15, 2016, but not earlier. The guidance can be applied using one of two retrospective application methods. The Company is evaluating the impact of adopting this new standard on the consolidated financial statements.

In February 2016, the FASB issued new guidance related to the accounting for lease transactions. Under the new guidance, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than twelve months. The recognition, measurement and presentation of expenses and cash flows arising from a lease for lessees primarily will depend on its classification as a finance or operating lease. For capital or finance leases, lessees will recognize amortization of the right-of-use asset separately from interest on the lease liability. For operating leases, lessees will recognize a single total lease expense. For both types of leases, lessees will recognize a right-of-use asset and a lease liability. The standard is effective for public companies for annual and interim periods beginning after December 15, 2018. For private companies, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. The Company is evaluating the impact of adopting this new standard to its consolidated financial statements.

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Notes to Consolidated Financial Statements
(in thousands except per share amounts)

4. Inventories

Inventory is stated at the lower of cost or net realizable value. Cost is determined using a last-in, first-out ("LIFO") method for the Company's CFSB segment. Cost is determined using a first-in, first-out ("FIFO") method for the Company's HRSB and seamless tube segments.

Inventories consisted of the following at December 31, 2016 and 2015:

	December 31,	
	2016	2015
Raw materials	$ 33,656	$ 57,254
Work-in-process	5,574	6,027
Finished goods	36,548	43,519
Gross inventory	75,778	106,800
Inventory reserves	(5,375)	(7,963)
Net inventory before LIFO adjustment	70,403	98,837
Adjustment to state inventories at LIFO (CFSB)	5,480	2,891
Net inventory	$ 75,883	$ 101,728
Net inventory, CFSB	$ 46,291	$ 62,911
Net inventory, HRSB	16,136	23,076
Net inventory, Seamless Tube	7,976	12,850
Net inventory before LIFO adjustment	$ 70,403	$ 98,837

Cost of sales increased by $4,494, $1,758 and $0 respectively, during the years ended December 31, 2016, 2015 and 2014 as a result of liquidation of LIFO layers.

5. Property, Plant and Equipment

Property, plant and equipment consisted of the following at December 31, 2016 and 2015:

	December 31,	
	2016	2015
Land and improvements	$ 11,091	$ 11,963
Buildings and improvements	34,342	39,466
Machinery and equipment	143,858	162,214
Furniture, fixtures and office equipment	3,146	3,173
Total in service, at cost	192,437	216,816
Accumulated depreciation	(95,686)	(91,558)
Total in service, net	96,751	125,258
Construction in progress	130	305
Property, plant and equipment, net	$ 96,881	$ 125,563

Depreciation of property, plant and equipment was $14,116, $15,444 and $16,986 for the years ended December 31, 2016, 2015 and 2014, respectively. Capital expenditures totaled $1,115, $8,967 and $19,623 during the years ended December 31, 2016, 2015 and 2014, respectively.

As more fully described in Note 6, the Company recorded an impairment charge against the carrying value of KES' property, plant and equipment. The impairment charge of $12,112 reduced total in service value at cost and accumulated depreciation by $20,842 and $8,730, respectively.

In December 2015, the Company entered into a 60 month capital lease for plant equipment valued at $705. Lease payments total $155 annually and $779 over the lease term, with an implicit interest rate of 4.0%. The equipment value is included in *Property, plant and equipment* on the Company's Consolidated Balance Sheets. The long term portion of the capital lease obligation is included on the Company's Consolidated Balance Sheets in *Other non-current liabilities* and the current portion is included in *Accrued expenses* as of the December 31, 2015. The respective amounts of the Company's capital lease obligations is reflected within *Liabilities subject to compromise* as of December 31, 2016, and are included within the *Other accrued expenses* (current portion) and *Other liabilities* disclosures more more fully described in Note 2.

6. Goodwill and Other Intangible Assets

Intangible assets other than software arise from acquisition accounting. During the years ended December 31, 2016, 2015 and 2014, changes in goodwill and other intangible assets resulted from amortization and impairment charges. The 2015 acquisition of Corey did not result in any acquired goodwill or intangible assets. Intangible asset balances and activity are summarized in the tables below.

Intangible assets consist of the following at December 31, 2016 and 2015:

	December 31, 2016			December 31, 2015		
	Historical Cost	Accumulated Amortization & Impairments	Carrying Value	Historical Cost	Accumulated Amortization & Impairments	Carrying Value
Intangible assets subject to amortization						
Customer relationships	$ 122,157	$ (73,248)	$ 48,909	$ 122,157	$ (33,186)	$ 88,971
License agreements	550	(279)	271	550	(224)	326
Proprietary technology	482	(273)	209	482	(241)	241
Capitalized software	1,348	(367)	981	1,256	(52)	1,204
Trade name (reclassified) *(i)*	2,290	(1,640)	650	-	-	-
Total	126,827	(75,807)	51,020	124,445	(33,703)	90,742
Intangible assets not subject to amortization						
Trade names	12,723	(6,728)	5,995	12,723	(5,148)	7,575
Trade name reclassification *(i)*	(2,290)	1,640	(650)	-	-	-
	10,433	(5,088)	5,345	12,723	(5,148)	7,575
Trademarks	1,030	(1,030)	-	1,030	(485)	545
Total	11,463	(6,118)	5,345	13,753	(5,633)	8,120
Net identified intangible assets			$ 56,365			$ 98,862
Goodwill	$ 112,032	$ (88,199)	$ 23,833	$ 112,032	$ (80,738)	$ 31,294

(i) *Subsequent to impairment of the KES trade name in 2016 the Company determined that the trade name no longer has an indefinite life and should be amortized.*

The following table summarizes changes to the net carrying amounts for intangible assets and goodwill during the years ended December 31, 2016, 2015 and 2014:

	Intangibles Subject to Amortization	Intangibles Not Subject to Amortization	Total Identified Intangible Assets	Goodwill
Balance on January 1, 2014	106,247	13,488	119,735	82,028
Additions to capitalized software	1,093	-	1,093	-
Amortization	(8,355)	-	(8,355)	-
Impairment - KES	-	-	-	(5,000)
Balance on December 31, 2014	$ 98,985	$ 13,488	$ 112,473	$ 77,028
Additions to capitalized software	163	-	163	-
Amortization	(8,406)	-	(8,406)	-
Impairment - CFSB	-	(2,185)	(2,185)	(45,734)
Impairment - KES	-	(1,290)	(1,290)	-
Impairment - MST	-	(1,893)	(1,893)	-
Balance on December 31, 2015	$ 90,742	$ 8,120	$ 98,862	$ 31,294
Additions to capitalized software	92	-	92	-
Amortization	(7,739)	-	(7,739)	-
Impairment - CFSB	-	(875)	(875)	(7,461)
Impairment - MST	-	(900)	(900)	-
Impairment - KES	(32,725)	(350)	(33,075)	-
Reclassify KES trade name	650	(650)	-	-
Balance on December 31, 2016	$ 51,020	$ 5,345	$ 56,365	$ 23,833

Amortization

Acquisition-related intangibles, which are eligible for amortization, are amortized on a straight line basis over their estimated useful lives ranging from 10 to 15 years (weighted average of approximately 15 years). Internal use software is amortized over a period of 5 years. Amortization of acquisition-related intangible assets was $7,637, $8,355 and $8,355 for the years ended December 31, 2016, 2015 and 2014, respectively. Software amortization was $102, $52 and $0 for the years ended December 31, 2016, 2015 and 2014. Future amortization is expected to be approximately $5,747 for each of the years ending December 31, 2017 to 2020 and $5,099 for the year ended December 31, 2021.

Impairment of HRSB Long-Lived Assets, Intangible Assets and Goodwill

The Company reviews the carrying values of its amortizable intangible assets, as well as its property, plant and equipment, for possible impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. The Company assesses recoverability of these long-lived assets by estimating future undiscounted cash flows associated with the applicable asset group. The principal assumptions used in the undiscounted cash flow analysis relate to forecasting future operating results.

The 2015 downturn across the North American long products steel industry persisted into and through much of 2016. The Company's CFSB and Seamless Tube segments continued to produce positive segment profit, but the HRSB segment suffered losses in 2016 and 2015 as the MBQ sector of the industry has been under greater competitive and market pressures than other sectors of the steel supply chain. In view of these challenging economic conditions, which led to financial performance below our expectations, management concluded an indicator of potential impairment existed for the long-lived assets of the HRSB reporting unit.

The Company performed a Step 1 impairment test to assess if HRSB definite lived intangible assets and property, plant and equipment were recoverable based on the estimated undiscounted cash flows of the asset group. These

estimated cash flows were not sufficient to recover the carrying value of the long-lived assets over their remaining useful lives. The Company proceeded to Step 2 and estimated the fair market value of the HRSB asset group, and its long-lived assets, with assistance from independent valuation professionals.

Based on the analysis performed at September 30, 2016, the Company recorded impairment charges of $33,075 and $11,988 against the carrying value of HRSB intangible assets and property, plant and equipment, respectively. The carrying value of KES' customer relationships intangible asset was reduced from $32,512 to zero, the carrying value of KES' software was reduced from $213 to zero, the carrying value of the KES trade name was reduced from $1,000 to $650 and the carrying value of KES' property, plant and equipment was reduced from $20,401 to $8,412 during the third quarter of 2016. During the fourth quarter, the Company further reduced the value of KES' property plant and equipment by $124 to $8,288, based on the final appraisal reports.

During 2016 and 2015, the North American steel industry downturn, as well as closure of a key billet supplier in 2015, which is more fully described in Note 10, resulted in a decrease in the Company's sales and cash flow projections for KES. As a result, the KES trade name was written down by $350 and $1,290 during the third quarter of 2016 and the fourth quarter of 2015, respectively. At October 1, 2014, challenging economic conditions and decreased sales and cash flow projections relative to expectations when KES was acquired led to a $5,000 impairment charge against the carrying value of KES' goodwill, reducing the carrying value of KES' goodwill to zero. These non-cash impairment charges are reflected in the Company's Consolidated Statements of Comprehensive Loss as *Other impairment charges* for the years ended December 31, 2016, 2015 and 2014, respectively.

Impairment of CFSB Goodwill and Other Intangible Assets

Goodwill and other identifiable intangible assets with indefinite lives, such as trademarks and trade names, are not amortized. These are tested for impairment annually and whenever events or changes in circumstances indicate the carrying amount of the asset may be impaired. The Company reviews its goodwill and indefinite lived intangible assets for impairment each October 1, and whenever events and circumstances indicate the carrying amount of an asset may not be recoverable.

A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include deterioration in general economic conditions, adverse changes in the markets in which an entity operates, increases in costs, or a trend of negative or declining cash flows over multiple periods, among others.

As a result of the 2015 steel industry downturn, which led to financial performance below expectations, management concluded an indicator of potential impairment existed for the CFSB reporting unit at August 31, 2015. The Company tested CFSB goodwill for impairment with assistance from third party valuation professionals, and recorded an impairment charge of $45,734 against the carrying value of CFSB goodwill for the year ended December 31, 2015. In conjunction with the goodwill impairment analysis, the value of the Niagara trade name and trademarks were also written down by $2,185. These non-cash impairment charges are reflected in the Company's Consolidated Statements of Comprehensive Loss as *Other impairment charges* for the year ended December 31, 2015.

In connection with the Company's annual review of the carrying value of indefinite lived intangible assets as of October 1, 2016, and in further view of volume declines that impacted the Company's CFSB reporting unit, the Company tested CFSB goodwill for impairment with assistance from third party valuation professionals, and recorded an impairment charge of $7,461 against the carrying value of CFSB goodwill for the year ended December 31, 2016. In conjunction with the goodwill impairment analysis, the value of the Niagara tradename and trademarks were also written down by $875. These non-cash impairment charges are reflected in the Company's Consolidated Statements of Comprehensive Loss as Other impairment charges for the year ended December 31, 2016.

Impairment of MST Trade Name

The 2016 and 2015 downturn in the North American steel industry, as well as the North American energy industry, an important end market for MST, resulted in a decrease in MST's sales projections. As a result, the MST trade

name was written down by $900 and $1,893 for the years ended December 31, 2016 and 2015. These non-cash impairment losses are reflected in the Company's Consolidated Statements of Comprehensive Loss as *Other impairment charges.*

7. Debt

As more fully described in Note 2, the Company filed a voluntary petition seeking relief under Chapter 11 of the Bankruptcy Code on December 15, 2016, which is an event of default under the Company's Senior Secured and Senior Unsecured Trust Indentures dated December 5, 2011 and January 29, 2015, respectively. Both trust indentures provide for amounts due thereunder to be automatically accelerated and immediately due and payable in the event of bankruptcy, with interest to accrue at default interest rates, which exceed the rates stated in the respective Notes Agreements by 2.00% per annum.

As a result of the Chapter 11 filing, the ability of the Company's creditors to enforce their respective rights under these agreements is stayed and creditor rights of enforcement are subject to the applicable provisions of the Bankruptcy Code. In accordance with ASC 852, the unsecured notes are presented as a liability subject to compromise. Post-petition (*i.e.*, post-bankruptcy filing) interest is recorded only if it is probable that it will be a priority claim. Accordingly, post-petition interest on the Senior Secured Notes is accrued at the default rate of 14.5%, and no post-petition interest has been accrued on the Senior Unsecured Notes.

At the Petition Date, the amount due to holders of the 12.5% Senior Secured Notes was approximately $171,766, consisting of principal of approximately $161,662 and accrued interest of approximately $10,104. At December 31, 2016, the accrued interest had increased to approximately $11,142. At the Petition Date, the amount due to holders of the 12.0% Senior Unsecured Notes was approximately $87,550 consisting of principal of approximately $85,000 and accrued interest of approximately $2,550. At December 31, 2016, these amounts were unchanged.

Company debt consisted of the following at December 31, 2016 and 2015:

	Outstanding at December 31,	
	2016	2015
12.5% Senior Secured Notes due December 15, 2016[(i)]	$ 161,662	$ 161,662
12.0% Senior Unsecured Notes due December 30, 2016[(ii)]	85,000	85,000
Asset Based Revolving Credit Facility due November 30, 2016[(iii)]	—	23,000
Total face amount	246,662	269,662
Less unamortized discount	—	(1,763)
Less unamortized deferred financing costs	—	(3,050)
Total net of discount and deferred financing costs	246,662	264,849
Less unsecured debt subject to compromise[(ii)]	(85,000)	—
Net debt outstanding	$ 161,662	$ 264,849

(i) The Senior Secured Notes were redeemed on March 6, 2017 with proceeds from the DIP Loan, which is more fully described in Note 2 and below.

(ii) The Senior Unsecured Notes are subject to compromise under the Chapter 11 bankruptcy proceedings as more fully described in Note 2.

(iii) The Company repaid the total $10,000 remaining balance outstanding on its revolving credit line with PNC Bank, N.A upon the November 30, 2016 expiration of the facility.

Interest expense consisted of the following for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
12.5% Senior Secured Notes ("12.5% Notes") [(i)]	$20,404	$ 20,787	$ 21,875
12.0% Senior Unsecured Notes ("12.0% Notes") [(ii)]	9,775	9,378	—
16.0% Senior Unsecured Notes ("16.0% Notes")	—	887	5,600
Asset-based revolving credit facility at variable rate	428	680	257
Interest portion of capital lease	26	—	—
Total interest at stated rates	30,633	31,732	27,732
Discount amortization	1,763	1,104	1,575
Deferred financing cost amortization	3,050	3,009	1,802
Direct financing fees	760	515	506
Total, including capitalized interest	36,206	36,360	31,615
Less capitalized interest [(iii)]	—	(512)	(2,077)
Total interest expense	$ 36,206	$ 35,848	$ 29,538

(i) Includes interest at the 14.5% default rate for the period from the Petition Date to December 31, 2016.

(ii) No interest was accrued on the unsecured notes after the petition filing. Contractual interest on the unsecured notes, for the period from the Petition Date to December 31, 2016, was $511 at the 14% default rate.

(iii) Capitalized interest related to construction of the pilger mill and annealing furnace at MST, which investment of approximately $25 million started in 2013 and was completed in early 2015.

Debtor in Possession Financing

As more fully described in Note 2, on February 28, 2017, the Bankruptcy Court issued a final order authorizing debtor-in-possession financing. The Agreement provides for total financing of up to $211,662, consisting of $161,662 which was used to fully redeem the pre-petition 12.5% Senior Secured Notes and up to $50,000 of new financing. The DIP Loan matures October 31, 2017 and permits certain prepayments prior to maturity. Any prepayment may not be redrawn, and would result in a reduction of the financing commitment.

Interest is payable monthly, in arrears, at LIBOR plus 10.0%. The DIP Loan is secured by super-priority liens on, and security interest in, substantially all Debtor assets. The Agreement specifies reporting requirements, restrictions, terms and conditions of a nature usual and customary for similar financing arrangements.

Redemption of the 16.0%, and Issuance of the 12.0%, Senior Unsecured Notes in 2015

On January 29, 2015, in connection with the acquisition of Corey, the Company issued $85,000 of Senior Unsecured Notes at face value, bearing interest at 12.0% per annum, payable semi-annually in arrears on March 15 and September 15 of each year. In addition to providing the financing for the Corey acquisition, approximately $40,000 of the proceeds from the 12.0% Notes were used to redeem the $35,000 principal amount of the 16.0% Notes, to fund the $2,800 early redemption premium on the 16.0% Notes, to pay a consent fee of $1,750 to the holders of the 12.5% Senior Secured Notes, and associated legal and professional fees.

Redemption of the 16.0% Notes was determined to be a debt modification. Accordingly, no loss on debt extinguishment was recognized and the $2,800 early redemption premium payment was capitalized as deferred financing costs and amortized to interest expense over the term of the 12.0% Notes. Unamortized original issue discount of $337 and unamortized deferred financing costs of $193 associated with the 16.0% Notes was amortized over the term of the 12.0% Notes. Third party costs incurred as part of the debt modification, principally the $1,750 consent fee paid to the holders of the 12.5% Notes, were expensed as incurred and are included in the Consolidated Statements of Comprehensive Loss as *Transaction and restructuring expenses* for the year ended December 31, 2015.

Excess Cash Flow Offer in 2015

Under the 12.5% Senior Secured Notes Trust Indenture, the Company was required to make certain annual offers to purchase 12.5% Notes with excess cash flow, generally defined as the Company's net earnings before interest, income taxes, depreciation, amortization and other non-cash charges in excess of the cash obligations for debt service, income taxes and capital expenditures. Such offers were to be made within 90 days of each annual period at 103% of the principal amount thereof, together with accrued and unpaid interest to the date of purchase.

During 2015, the Company did not generate any excess cash flow, as defined in the Trust Indenture; therefore, no excess cash flow offer was made in 2016. The amount of the 2014 excess cash flow offer was $13,343 at par and $13,744 including the 3% premium. The offer expired April 30, 2015 with redemptions totaling $13,338 at par, after proration and rounding, and $13,738 inclusive of the 3% premium. On May 5, 2015, $13,136 of 12.5% Notes were redeemed. The Company recorded a loss on debt extinguishment of $808 consisting of the 3% redemption premium and $408 of unamortized original issue discount and deferred financing costs related to the redeemed notes.

Description of 12.5% Senior Secured Notes

The 12.5% Senior Secured Notes were redeemed on March 6, 2017 using proceeds from the Company's debtor in possession financing arrangement.

On December 5, 2011, the Company issued $175,000 in aggregate principal amount of senior secured notes due December 15, 2016 at a stated coupon rate of 12.5%. The 12.5% Notes were issued in connection with the Niagara acquisition and were priced at 96.0% of par resulting in a yield to maturity of 13.62%. Interest was payable semi-annually in arrears on June 15 and December 15 of each year. The original issue discount of 4% or $7,000 was amortized using the effective interest method over the five year term of the 12.5% Notes. Debt discount amortization on the 12.5% Notes totaled $1,593, $921 and $1,392 the years ended December 31, 2016, 2015 and 2014, respectively.

Certain legal, accounting and other third party expenses were incurred in connection with the offering and issuance of the 12.5% Notes. The Company capitalized $7,929 of deferred financing costs in connection with the December 5, 2011 issuance of the 12.5% Notes, which amount was amortized to interest expense using the effective interest method over the five year term of the 12.5% Notes. Amortization of deferred financing costs related to the 12.5% Notes totaled $1,420, $1,576 and $1,576 for the years ended December 31, 2016, 2015 and 2014, respectively.

The 12.5% Notes were fully guaranteed, on a senior secured basis, by each of the Company's existing and future domestic subsidiaries. The 12.5% Notes and related guarantees were secured by a second-priority lien on the Company's existing and future inventory, trade accounts receivables and other rights to payment, deposit accounts and other related assets, and a first-priority lien on substantially all other Company assets, subject to permitted liens and specified excluded assets.

The Indenture under which the 12.5% Notes were issued contained covenants that, among other things, limited the ability of the Company and its subsidiaries to: pay dividends, redeem subordinated indebtedness; incur or guarantee additional indebtedness; issue preferred stock; create or incur liens; enter into sale-leaseback transactions; consummate a merger, consolidation or sale of all or substantially all of the Company assets; enter into transactions with affiliates; transfer or sell assets; engage in unrelated lines of businesses or take any action that would have a material adverse effect on the collateral securing the 12.5% Notes.

The Indenture governing the 12.5% Notes contained customary events of default. Generally, if an event of default were to occur, subject to certain exceptions, the trustee or the holders of at least 25% in aggregate principal amount of the then outstanding 12.5% Notes of any series could declare all of the 12.5% Notes to be due and payable immediately. During the years ended December 31, 2016, 2015 and 2014 the Company was in compliance with all covenants under the Indenture governing the 12.5% Notes until the Company filed for Chapter 11 bankruptcy protection on December 15, 2016, which filing constituted an event of default.

The 12.5% Notes were issued in a private placement and were not registered under the Securities Act or under the securities laws of any other U.S. or non-U.S. jurisdiction.

Asset Based Revolving Credit Facility

Prior to its expiration on November 30, 2016, the Company maintained an asset based revolving credit facility with a domestic commercial lender. OSSI and its operating subsidiaries KES, MST, Niagara, and subsequent to its acquisition, Corey, were co-borrowers under the revolving credit facility. Advances under the revolving credit facility generally bore interest at a variable rate per annum equal to (i) the Eurodollar Rate (as defined) plus a margin of 2.25% or (ii) the Alternate Base Rate (as defined) plus a margin of 0.75%. A facility fee of 0.25% applied to the total amount committed under the revolving credit facility.

8. Employee Benefits

The information below concerning the Company's benefit plans does not give any consideration to potential impacts that could arise from the bankruptcy proceedings described in Note 2 because such potential impacts cannot be estimated. Accordingly, the Company's benefit plan liabilities are included in the Consolidated Balance Sheets as *Liabilities subject to compromise* at December 31, 2016.

The Company maintains contributory salary deferral retirement plans (i.e., 401(k) plans) for substantially all of its employees. Total expense related to the Company's defined contribution plans was approximately $1,671, $1,839 and $2,001 for the years ended December 31, 2016, 2015 and 2014, respectively.

Niagara sponsors a contributory defined benefit pension plan that covers certain employees of its Indiana facilities, as well as various retiree health and welfare programs providing post-retirement benefits for eligible employees hired prior to certain specified dates. Niagara is also a party to a non-contributory defined benefit pension plan with a former executive.

The Company's contributory salary deferral retirement plans (i.e., 401(k) Plans) and Niagara's qualified contributory defined benefit pension plan have received favorable determination letters from the Internal Revenue Service and are exempt from federal income taxes.

Defined Benefit Plans

With respect to the Company's defined benefit pension & other post-retirement plans, the tables below provide a reconciliation of the changes in these plans' benefit obligations and fair value of assets for the years ended December 31, 2016, 2015 and 2014, and a statement of the funded status of these plans as of December 31, 2016 and 2014.

Settlements of $5,743 in 2015 resulted from lump sum payments made to 87 terminated vested plan participants as part of the Company's overall risk management strategy with respect to its pension plans. The plan's funding status was sufficient to enable payment of the entire settlement amount from plan assets. In connection with the settlement, the Company recognized a $652 non-cash actuarial loss in its Consolidated Statements of Comprehensive Loss as *Transaction and restructuring expenses* which are more fully described in Note 13. Curtailment amounts noted in the tables are principally related to closure of Niagara's Griffith facility, in 2014, which is more fully described in Note 13.

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Notes to Consolidated Financial Statements
(in thousands except per share amounts)

The following tables summarize the plans' benefit obligations, fair value of assets and funded status of these plans as of December 31, 2016 and 2014.

	Pension benefits		Other benefits	
Change in benefit obligation	*2016*	*2015*	*2016*	*2015*
Obligation, beginning of period	$45,702	$55,790	$ 782	$ 927
Service cost	209	598	3	3
Interest cost	1,767	2,002	30	34
Actuarial loss (gain)	1,052	(4,092)	(164)	(104)
Settlements	-	(5,743)	-	-
Plan participants' contributions	-	-	229	197
Benefit payments	(2,865)	(2,853)	(292)	(275)
Obligation, end of period	$ 45,865	$ 45,702	$ 588	$ 782
Change in fair value of plan assets[1]				
Fair value of plan assets, beginning of period	$28,226	$37,523	$ -	$ -
Actual return on plan assets	2,372	(1,235)	-	-
Settlements	-	(5,743)	-	-
Employer contributions	534	534	62	78
Plan participants' contributions	-	-	230	230
Benefit payments	(2,865)	(2,853)	(292)	(308)
Fair value of plan assets, end of period	$ 28,267	$ 28,226	$ -	$ -

[1] *Assets are valued using a market approach using observable inputs such as market prices in active markets (Level 1 and 2 in GAAP hierarchy).*

	Pension benefits		Other benefits	
Funded status *at December 31,*	2016	2015	2016	2015
Funded status	$ (17,598)	$ (17,476)	$ (588)	$ (781)
Unrecognized net actuarial loss (gain)	6,047	5,558	(385)	(266)
Unrecognized prior service cost	340	467	-	-
Cumulative employer contributions in excess of the net periodic benefit cost	$ (11,211)	$ (11,451)	$ (973)	$ (1,047)
Amounts recognized in the balance sheet *at December 31,*				
Current liabilities	$ 534	$ 534	$ 58	$ 62
Non-current liabilities	17,064	16,942	530	719
Net amount recognized	$ 17,598	$ 17,476	$ 588	$ 781
Amounts recognized in accumulated other comprehensive loss *at December 31,*				
Net actuarial loss (gain)	$ 6,047	$ 5,558	$ (385)	$ (266)
Prior service cost (credit)	340	467	-	-
Net loss (gain), pretax	$ 6,387	$ 6,025	$ (385)	$ (266)

The following table provides further information regarding the Company's pension plans as well as the amounts of accumulated benefit obligation and plan assets as of December 31, 2016 and 2015:

	Qualified pension plan		Non-contributory plan	
December 31,	*2016*	*2015*	*2016*	*2015*
Projected benefit obligation	$ 38,476	$ 38,396	$ 7,389	$ 7,306
Accumulated benefit obligation	38,441	38,345	7,389	7,306
Fair value of plan assets	28,267	28,226	-	-

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Notes to Consolidated Financial Statements
(in thousands except per share amounts)

The following tables provide details of net periodic cost (benefit) and other changes in plan assets and benefit obligations recognized in other comprehensive loss (income).

	Pension benefits			Other benefits		
Components of net periodic cost (benefit)	*2016*	*2015*	*2014*	*2016*	*2015*	*2014*
Service cost	$ 209	$ 598	$ 656	$ 3	$ 3	$ 5
Interest cost	1,767	2,002	1,991	30	33	42
Expected return on plan assets	(1,941)	(2,611)	(2,756)	-	-	-
Amortization unrecognized (gain)	-	-	-	(45)	(26)	(11)
Recognized prior service cost	127	127	71	-	-	-
Recognized net actuarial loss	132	32	-	-	-	-
Recognized loss (gain) due to curtailments	-	-	14	-	-	(63)
Recognized loss (gain) due to settlements	-	652	-	-	-	-
Net periodic cost (benefit)	$ 294	$ 800	$ (24)	$ (12)	$ 10	$ (27)
Other changes in plan assets and benefit obligations recognized in other comprehensive loss (income)						
Net actuarial loss (gain)	$ 620	$ (246)	$ 6,958	$ (164)	$ (104)	$ (1)
Recognized net actuarial gain (loss)	(132)	(32)	-	45	26	11
Prior service cost	-	-	624	-	-	-
Recognized prior service (cost)	(127)	(127)	(71)	-	-	-
Impact of curtailment on net (gain)	-	-	(227)	-	-	-
Impact of curtailment on prior service cost	-	-	(14)	-	-	-
Impact of settlement on prior service cost	-	(651)	-	-	-	-
Total recognized in other comprehensive loss (income), before tax effect	$ 361	$ (1,056)	$ 7,270	$ (119)	$ (78)	$ 10
Total recognized in net periodic benefit cost and other comprehensive loss (income),before tax effect	$ 656	$ (256)	$ 7,246	$ (131)	$ (68)	$ (17)

The net of tax amounts included within other comprehensive income (loss) arising from a change in pension and other post-retirement benefits was $(248), $727 and $(4,581) for the years ended December 31, 2016, 2015 and 2014, respectively.

Niagara provides certain health care benefits for eligible retired employees. Certain employees may become eligible for such benefits if they reach the normal retirement age while working for Niagara. These benefit costs are funded on a pay as you go basis.

For the measurement of other postretirement benefit obligations as of December 31, 2016, domestic healthcare costs were assumed to increase 7.0% in 2017, trending down over time to 4.5% in five years. Niagara has typically fully passed such cost increases on to its eligible retirees.

The assumptions used in the measurement of Niagara's benefit obligations and net periodic cost is shown in the following tables for the years ended December 31, 2016, 2015 and 2014, respectively:

	Pension benefits			Other benefits		
	2016	*2015*	*2014*	*2016*	*2015*	*2014*
Discount rate used to determine:						
Period expense	4.00%	3.75%	4.50%	4.00%	3.75%	4.50%
Year-end liability	3.85%	4.00%	3.75%	3.85%	4.00%	3.75%
Expected return on plan assets	7.20%	7.20%	7.80%	N/A	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A	N/A	N/A

Niagara bases its expected long-term rate of return on the market value of plan assets on a weighted average of the expected returns for the major asset classes in which it invests. Asset class expected returns are based on long-term historical returns, inflation expectations, forecasted gross domestic product and earnings growth, and other economic factors. Actuarial gains and losses in excess of 10% of the corridor are amortized on a straight-line basis over the average future service lives of the covered group at the measurement date.

The following table provides Niagara's weighted-average asset allocation at December 31, 2016 and 2015 by asset category, for its contributory defined benefit pension plan:

December 31,	*Target*	*2016*	*2015*
Equity mutual funds	40-50%	45%	45%
Fixed income mutual funds	50-60%	55%	55%
Cash and money market funds	Less than 5%	0%	0%
		100%	100%

An investment manager is utilized to manage the assets of Niagara's contributory qualified defined benefit pension plan. Niagara and the investment manager seek to structure such investments to optimize growth of the pension trust assets, while minimizing the risk of significant losses, in order to enable the plan to satisfy its benefit payment obligation over the expected life of such obligation. Niagara periodically reviews asset allocations with the investment manager in order to address expectations regarding future returns, the funded position of the plan, and market risks. Plan assets are valued at fair value using a market approach and observable inputs, such as quoted market prices in active and inactive markets (Level 1 and Level 2 inputs based on the GAAP fair value hierarchy). No plan assets are invested in Company stock.

Niagara expects to contribute approximately $1,328 to its pension and other postretirement benefit plans for 2017 and to recognize net periodic benefit expense of $342, which includes $127 for prior service cost recognition, $192 for loss recognition, $231 for service cost recognition, with the balance representing the excess of the expected return on plan assets over interest cost associated with the accrued benefit obligation.

The following table provides the amount of benefit payments, which reflect future service, as appropriate, expected to be paid directly by Niagara or from its contributory defined benefit pension plan:

Year ending December 31,	**Pension benefits**	**Other benefits**
2017	$ 3,048	$ 58
2018	3,050	56
2019	3,114	56
2020	3,121	43
2021	3,109	41
2022-2026	14,872	179

Multi-Employer Plans

MST participates in a multi-employer defined benefit pension plan, the Steelworkers Pension Trust ("SPT"). MST's contributions to the SPT are based on a fixed rate of 60 cents per eligible hour for 2016, 2015 and 2014. Contributions totaled $213, $237 and $285 for the years ended December 31, 2016, 2015 and 2014, respectively. MST's employees constitute less than one percent of the active participants in the SPT.

Participation in a multi-employer pension plan agreed to under the terms of a collective bargaining agreement differs from a traditional qualified single employer defined benefit pension plan. The SPT shares risks associated with the plan in the following respects:

a. Contributions to the SPT by MST may be used to provide benefits to employees of other participating employers;
b. If a participating employer stops contributing to the SPT, the unfunded obligations of the plan may be borne by the remaining participating employers;
c. If MST chooses to stop participating in the SPT, MST may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

On March 21, 2011, the Board of Trustees of the SPT elected funding relief which has the effect of decreasing the amount of required minimum contributions in near-term years, but will increase the minimum funding requirements during later plan years. As a result of the election of funding relief, the SPT's zone funding under the Pension Protection Act may be impacted.

In addition to the funding relief election, the Board of Trustees also elected a special amortization rule, which allows the SPT to separately amortize investment losses incurred during the SPT's December 31, 2008 plan year-end over a 29 year period, whereas they were previously required to be amortized over a 15 year period. MST's participation in the SPT for the annual periods ended December 31, 2016, 2015 and 2014 is outlined in the table below.

Pension Fund	Employer ID No. / Plan No.	Pension Protection Act Zone Status as of December 31[a]		FIP/RP Status Pending / Implemented[b]	Company Contributions (in thousands)			Surcharge Imposed[c]		Expiration Date of Collective Bargaining Agreement
		2016	2015		2016	2015	2014	2016	2015	
Steelworkers Pension Trust	23-6648508/ 499	Green	Green	No	$213	$237	$285	No	No	11/1/17

a. The zone status is based on information from the plan and is certified by the plan's actuary. Among other factors, plans in the green zone are at least 80% funded, while plans in the yellow zone are less than 80% funded and plans in the red zone are less than 65% funded.
b. Indicates if a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented.
c. Indicates whether there were charges to the Company from the SPT.

9. Stockholder's Equity (Deficit)

The Company is wholly-owned by its parent Optima Acquisitions, LLC. Common stock consists of 1,000 authorized shares of $0.01 par value stock. As of December 31, 2016, 2015 and 2014, there were 1,000 shares issued and outstanding. No dividends were paid during the years ended December 31, 2016, 2015 or 2014.

10. Financial, Customer, Supplier and Labor Concentrations

Financial and Credit Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and trade accounts receivable. The Company places its temporary cash investments with high credit quality financial institutions. At December 31, 2016 and 2015, the Company had approximately $16,734 and $2,299, respectively, of cash and cash equivalents in excess of federally insured limits. The Company has not experienced any losses on these accounts related to amounts in excess of insured limits.

Customer Concentration

During 2016, the Company had one customer for which sales exceeded 10% of total sales, with the percentage approximating 12%. During 2015, the Company had no customers for which sales exceeded 10% of total sales, however the Company's two largest customers each accounted for approximately 10% of total sales. During 2014, the Company had two customers for which sales exceeded 10% of total sales, with the percentages for each approximating 12% and 11%. Accounts receivable from these major customers represented approximately 7% and 5% of the Company's total accounts receivable as of December 31, 2016 and 2015, respectively.

Supplier Concentration

During 2016, the Company had three suppliers from which purchases exceeded 10% of total purchases, with the percentages for each approximately 22%, 17% and 12%. During 2015, the Company had four suppliers from which purchases exceeded 10% of total purchases, with the percentages for each approximating 23%, 18%, 15% and 13%. During 2014, the Company had four suppliers from which purchases exceeded 10% of total purchases, with the percentages for each approximating 14%, 13%, 11% and 10%.

As discussed in Note 13, during 2015 and 2014, KES sourced a portion of its billet purchases from a dedicated third party supplier that fulfilled its sourcing needs from WSH, an affiliate of the Company.

Labor Concentration

As of December 31, 2016 and 2015, approximately 63% and 64%, respectively, of the Company's workforce was subject to collective bargaining agreements which expire at various dates through May 2, 2020, with two scheduled to expire during 2017. The agreements for the Company's CFSB plant in South Holland, and MST's seamless tube plant in South Lyon Michigan, expire in July and November 2017, respectively.

11. Related Party Transactions

During the years ended December 31, 2016, 2015 and 2014, the Company paid a $500 management fee to its parent company, Optima Acquisitions, LLC, pursuant to an Intercompany Services Agreement under which the Company receives management, administrative, legal, consulting, monitoring, advisory, and other services.

During the year ended December 31, 2016, the Company entered into a Cooperation agreement with Felman Trading and Optima Ventures, affiliates of the Company, to acquire $6,064 of manganese ore from a third party. The ore was sold for $6,125, resulting in a gain of $61. This transaction is reflected on a net basis in the Consolidated Statements of Comprehensive Loss as $61 of *Other income.*

As more fully described in Note 13, during 2015 and 2014, KES sourced a portion of its billet purchases from a dedicated third party supplier that fulfilled its sourcing needs from WSH, an affiliate of the Company.

During the year ended December 31, 2011, and prior to the issuance of the 12.5% Notes described in Note 7 above, the Company advanced $50 to its parent company, OA. The advance amount outstanding was $43 as of December 31, 2016 and 2015 and is included in the Consolidated Balance Sheets as *Other assets*.

12. Commitments and Contingencies

The information below concerning the commitments and contingencies does not give any consideration to potential impacts that could arise from the bankruptcy proceedings described in Note 2 because such potential impacts cannot be estimated. Accordingly, the estimated liabilities presented below are included in the Consolidated Balance Sheets as *Liabilities subject to compromise* at December 31, 2016.

Contingencies

The Company is involved in various claims and legal actions in the ordinary course of business. In addition, the Company is subject to extensive environmental laws and regulations concerning, among other matters, water and air emissions and waste disposal. Under such laws, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended, the Company may be responsible for parts of the costs required to remove or remediate previously disposed wastes or hazardous substances at the locations they own or operate or at the locations which they arranged for disposal of such materials. The Company maintains insurance coverage to mitigate costs of this nature.

MST and the Michigan Department of Environmental Quality ("MDEQ") entered into a consent order effective April 7, 2004, outlining conditions under which existing environmental conditions would be investigated and, if necessary, mitigated. The consent order also intended to serve as a framework for cooperation between MST and MDEQ to ensure compliance with existing environmental laws and regulations. The consent order states MST is subject to regulations under Part 111 of the Natural Resources and Environmental Protection Act, but is exempted from remediation liability for certain pre-existing environmental conditions. MST believes it will need to conduct further actions in order to maintain compliance with existing regulations. Such actions may include assessment tasks, feasibility studies, clean-up activities, and long-term monitoring and maintenance tasks.

In accordance with the consent order, MST is required to make annual payments into a trust fund established to finance the corrective action and response activities by MST under the consent order. Annual amounts to be paid into the trust fund are determined by MDEQ based on the estimated annual costs of completing corrective action; however, the consent order limits MST's required annual payments for any subsequent year to $150. In accordance with the terms of the trust fund, the MDEQ will approve disbursements payable to MST from the then-available funds in the trust fund for the actual costs incurred by MST under the consent order. The balance in the trust fund at December 31, 2016 and 2015 was $209 and $304, respectively.

The Company estimated future costs associated with the consent order, based on engineering studies, total remediation, and on-going monitoring costs, to be $1,178 and $1,666 at December 31, 2016 and 2015, respectively. The current portion of the respective amounts are $125 and $121, and are reflected in the Consolidated Balance Sheets as *Liabilities subject to compromise* in 2016 and *accrued expenses* in 2015. The non-current portions of $1,053 and $1,545, respectively, are included in the Consolidated Balance Sheets as *Liabilities subject to compromise* in 2016 and *Other non-current liabilities* in 2015. Costs with firm estimates are discounted at a rate of 3%. The gross undiscounted amount was $999 and $1,666 at December 31, 2016 and 2015, respectively.

The gross undiscounted liability at December 31, 2016 is $1,184 and is expected to be paid over time as follows:

2017	$ 125
2018	35
2019	35
2020	35
2021	35
2022 to 2047	734

The Company estimated cleanup costs associated with Niagara's former Griffith, Indiana facility, which was closed in 2014, to be $119 and $77 at December 31, 2016 and 2015, respectively. These amounts are reflected in the Consolidated Balance Sheets as *Liabilities subject to compromise* in 2016 and *Accrued expenses* in 2015. During 2015, the Company received a letter from its environmental consultants indicating groundwater data was sufficient to demonstrate remediation has been completed. Subsequent review by the state of Indiana in January 2017 indicated follow-up action is required, including further soil testing and construction of a concrete surface barrier over the former plating tank pit area. The estimated cost of installing the concrete cap is included in the accrued liability amount.

In connection with the closure of WSH, the U.S. environmental protection agency (EPA) sent letters in June 2016 to WSH and other "potentially responsible parties", including the Company, identifying immediate actions that are necessary to address the release or threat of release of various hazardous substances, pollutants and contaminants at the WSH site. The EPA has since referred the matter to the Ohio Attorney General for prosecution. In October 2016, the Attorney General amended its complaint against WSH to name the Company and several Company officers as parties responsible for the WSH site and its environmental cleanup. The Company has notified its insurance carriers of the claims, has retained counsel and has solid arguments to defend against the lawsuit. No liability has been recorded on the Consolidated Balance Sheet relative to this matter as the Company believes its exposure is not probable or reasonably estimable.

Insurance

Under the Company's insurance programs, coverage is obtained for catastrophic exposures as well as those risks required to be insured by law or contract. The Company is responsible for a portion of certain expected losses relating primarily to medical and life benefits, workers' compensation, physical property losses, business interruption resulting from such loss and comprehensive general and product liability. Provisions for losses expected under these programs are recorded based upon the Company's estimates of the aggregate liability for claims. Certain estimates utilize actuarial assumptions followed in the insurance industry and are included in accrued expenses. In connection with these programs, the Company has provided its casualty insurance carriers with irrevocable standby letters of credit totaling $1,720, secured by a deposit held by the letter of credit issuer. The deposit amount at December 31, 2016 was $1,806 which is 105% of the maximum undrawn amount of such letters of credit. The deposit is included in *Other current assets* on the Consolidated Balance Sheet.

Corey participates in a workers' compensation and general liability insurance program operated by Liberty Mutual Group and The Stuart Insurance Group, Ltd ("Stuart"). Under the program, Corey is fully insured and can earn "good experience returns" when actual sustained losses are less than related underwriting losses estimated at the time when premiums were established. Good experience returns can also increase as a result of investment returns on excess premiums reinvested under the program. Based on quarterly statements from the program, the Company records changes to the cumulative good experience returns, related to loss experience, as an adjustment to insurance expense. Changes to cumulative good experience returns related to investment income are recorded as interest income.

Good experience returns earned in 2016 totaled $404, consisting of $393 related to favorable loss experience and $11 related to investment income. Good experience returns earned in 2015 totaled $597, consisting of $576 related to favorable loss experience and $21 related to investment income.

Cumulative unpaid good experience returns totaled $1,136 and $2,195 at December 31, 2016 and 2015, respectively. The related amounts included in the Consolidated Balance Sheets as *Other non-current assets* are $1,136 and $730 at December 31, 2016 and 2015, respectively. At December 31, 2015, the remainder of $1,465 was included in the Consolidated Balance Sheet as *Other current assets* as the Company requested and expected to receive payment of the good experience returns for all program years through and including 2012, which payment was received in March 2016.

13. Transaction & Restructuring Expenses, Disposition of Closed Facilities and Closure of Billet Supplier

Transaction and Restructuring Expenses

Transaction and restructuring costs described below do not include bankruptcy related costs of $751, which are more fully described in Note 2 and separately presented in the Consolidated Statements of Comprehensive Loss as *Chapter 11 reorganization items.*

The Company recognized $4,065, $4,346 and $2,587 of transaction and restructuring expenses during the years ended December 31, 2016, 2015 and 2014, respectively. These costs, which are more fully described below, are included in the Consolidated Statements of Comprehensive Loss as *Transaction and restructuring expenses*. There were no restructuring costs accrued as of December 31, 2016, as all such amounts had been paid.

	For the Years Ended December 31,		
	2016	2015	2014
Costs related to financing	$ 2,652	$ 1,750	$ 1,390
Operational optimization costs	775	562	682
Closed facility costs	467	168	70
Severance costs	-	448	224
Acquisition related costs	171	421	221
Settlement of lump-sum pension offer	-	652	-
Receivable write-off related to closure of billet supplier	-	345	-
Total transaction and restructuring expenses	$ 4,065	$ 4,346	$ 2,587

Costs Related to Financing

Costs related to financing in 2016 consist of legal, consulting, due diligence and other professional fees in connection with the Company's attempt to refinance its senior secured and unsecured notes. This process ended with the Company's Chapter 11 bankruptcy filing on December 15, 2016. These costs include professional fees in connection with bankruptcy contingency planning which were incurred prior to the Petition Date. Costs related to financing in 2015 consist of the consent fee paid to the holders of the 12.5% Notes in connection with issuance of the 12.0% Notes, as described in Note 7. Costs related to financing in 2014 were related to the Company undertaking to issue new senior secured notes through a Section 144A notes offering, with the intent to refinance its debt, increase liquidity and help finance the Corey acquisition. The offering was cancelled due to market volatility and deterioration of credit market conditions.

Operational Optimization, Severance and Closed Facilities Costs

Operational optimization, severance and closed facilities costs principally result from ongoing post-acquisition plant rationalization within the CFSB segment. Through recent acquisitions, including acquisitions preceding the Optima ownership period, the CFSB segment added five manufacturing facilities. In order to maximize operating and commercial efficiency among all CFSB facilities, and to minimize transportation and material handling costs, the Company has undertaken initiatives to optimize the effectiveness and efficiency of its CFSB operations. These initiatives have resulted in closure of the Company's CFSB plants in Buffalo, New York ("Buffalo") during 2016,

Franklin Park, Illinois ("Franklin Park") during 2015, Griffith, Indiana ("Griffith") during 2014 and Florence, Kentucky ("Florence") during 2013. With the exception of Griffith, customers continue to be serviced from, and the primary machinery and equipment redeployed to, other CFSB facilities.

Costs in 2016 principally relate to closure of the Buffalo facility. Costs in 2015 principally relate to closing Buffalo and Franklin Park. Costs in 2014 principally relate to closing Griffith. Closed facilities costs, such as utilities, are principally related to Buffalo and Griffith in 2016, Griffith and Franklin Park in 2015, and Griffith in 2014. The timing of restructuring related payments does not differ materially from the timing of restructuring expense recognition. The distribution of transaction and restructuring costs by business segment is included in Note 15.

Acquisition Related Costs

Acquisition related costs consist primarily of legal, accounting and other professional fees which are principally related to the acquisition of Corey.

Settlement of Lump Sum Pension Offer

Lump sum settlements of $5,743 were made from the Niagara Pension Plan in 2015 to 87 terminated vested plan participants as part of the Company's overall risk management strategy with respect to its pension plans. The plan's funding status was sufficient to enable payment of the entire settlement amount from plan assets without contribution from the Company in 2015. In connection with the settlement, the Company recognized a $652 non-cash actuarial loss in its Consolidated Statements of Comprehensive Loss as *Transaction and restructuring expenses*.

Closure of Billet Supplier

As discussed in Note 10 and 11, during 2015 and 2014, KES sourced a portion of its billet purchases from a dedicated third party supplier that fulfilled its sourcing needs from WSH. A portion of these billets were purchased on a cash-in-advance basis. In the face of sharply declining demand for steel products to service the oil and gas markets, WSH temporarily idled in November of 2015. By early January 2016, given the continued downward pressure in the weak oil and gas markets WSH had previously served, WSH announced it would not reopen.

While KES continues to maintain its legal right to collect value against prepayments for undelivered billets, doubt exists with respect to collectability. Consequently, KES fully reserved for such unfulfilled prepayments, resulting in an $8,977 charge during the fourth quarter of 2015, which is included in the Statements of Comprehensive Loss as *Impairment related to closure of billet supplier*. In connection with the closing of WSH, the Company recorded an additional $345 write-down to reserve for a third party receivable that also became uncollectable as a result of the WSH closing. This amount is included in the Statements of Comprehensive Loss within *Transaction and restructuring expenses*.

Disposition of Closed Facilities

Asset disposition activity in connection with operational optimization initiatives resulted in losses of $2,250, $853 and $502 during the years ended December 31, 2016, 2015 and 2014, respectively. The related sales and write down to net realizable value are more fully described below. The related gains and losses are reflected in the Consolidated Statements of Comprehensive Loss as *Loss related to disposition of closed facilities*.

The Company is actively marketing closed facilities with an estimated net realizable value of $2,570 and $3,036 at December 31, 2016 and 2015, respectively, following operational optimization initiatives. This property is more fully described below and is reflected in the Consolidated Balance Sheets as *Other assets* and *Assets held for sale* at December 31, 2016 and 2015, respectively. Closed facilities which are being marketed for sale at December 31, 2016 are not presented as *Assets held for sale* because sale of these properties is subject to bankruptcy court approval.

The components of *Loss related to disposition of closed facilities* are summarized in the table below:

	For the Years Ended December 31		
Description	2016	2015	2014
Write down of Buffalo real estate to net realizable value	$ 1,950	$ -	$ -
Write down of Griffith real estate to net realizable value	300	365	-
Loss on sale of Franklin Park real estate	-	238	-
Loss on sale of KES melt shop equipment	-	250	903
Loss on sale of Florence real estate	-	-	11
Gain on sale of Griffith equipment	-	-	(412)
Total loss related to disposition of closed facilities	$ 2,250	$ 853	$ 502

Closed facilities which are being marketed for sale are summarized below:

	December 31	
Description	2016	2015
Buffalo real estate *(i)*	$ 1,520	$ -
Griffith real estate *(i)(ii)*	1,050	1,350
Franklin Park real estate *(ii)*	-	1,686
Closed facilities which are being marketed for sale	$ 2,570	$ 3,036

(i) *Included in "Other assets" and "Assets held for sale" at December 31, 2016 and 2015, respectively. Closed facilities which are being marketed for sale at December 31, 2016 are not presented as "Assets held for sale" because sale of these properties is subject to bankruptcy court approval.*

(ii) *Reflected in the Consolidated Balance Sheets as "Assets held for sale" at December 31, 2015.*

Closure of Buffalo, New York and Franklin Park, Illinois CFSB facilities

During 2015, the Company approved and initiated the phase-out of its CFSB operations in Buffalo, New York and Franklin Park, Illinois. The Buffalo closure was completed during the third quarter of 2016 and the Franklin Park closure was completed during the third quarter of 2015. Customers continue to be serviced from, and the primary machinery and equipment was redeployed to, other CFSB facilities, principally in Warren, Michigan and Cicero, Illinois.

Buffalo Real Estate

The Buffalo real estate is included in the Consolidated Balance Sheets at its estimated net realizable value of $1,520 as of December 31, 2016. Since the net book value of the Buffalo real estate exceeded its estimated net realizable value, the excess of approximately $1,950 was written down during 2016 and recorded as a *Loss related to disposition of closed facilities* in the Consolidated Statements of Comprehensive Loss for the year ended December 31, 2016.

Griffith Real Estate

The Griffith real estate is included in the Consolidated Balance Sheets at its estimated net realizable value of $1,050 and $1,350 as of December 31, 2016 and 2015, respectively. Since the net book value of the Griffith real estate exceeded its estimated net realizable value, the excess of $300 and $365 was written down during 2016 and 2015, respectively, and was recorded as a *Loss related to disposition of closed facilities* in the Consolidated Statements of Comprehensive Loss for the years ended December 31, 2016 and 2015, respectively. As discussed in Note 12, the Company is in the final stages of completing an environmental cleanup at the Griffith site. The Company continues to market the vacant real estate.

Sale of Niagara's Franklin Park Facility

Niagara's Franklin Park, Illinois plant was listed for sale during 2015 and was included in the Consolidated Balance Sheets at its estimated net realizable value of $1,686 at December 31, 2015. Since the net book value of the Franklin Park real estate exceeded its estimated net realizable value, the excess of $238 was written down during 2015 and recorded as a *Loss related to disposition of closed facilities* in the Consolidated Statements of Comprehensive Loss for the year ended December 31, 2015. On May 3, 2016 the Company completed the sale of its Franklin Park. Sale proceeds, net of costs to sell, approximated the carrying value.

Sale of Niagara's Chrome-Plated Bar Product Line & Closure of Griffith, Indiana Operations

On August 1, 2014 the Company sold the operating and commercial assets associated with Niagara's chrome-plated bar product line to PTC Alliance ("PTC"). These assets consisted primarily of inventory and chrome plating production equipment located at Niagara's former Griffith, Indiana facility. Niagara no longer maintains chrome plating operations or operates its Griffith, Indiana facility. Niagara received a payment of $1,154 for the equipment and remaining finished goods inventory at closing, resulting in a gain on sale of approximately $412.

The gain on sale is included in the Consolidated Statement of Comprehensive Loss, within *Loss related to disposition of closed facilities.* The Griffith real estate was not included in the transaction with PTC. The Company is actively marketing the Griffith land and building. Exiting the chrome plating business did not have a significant impact on the Company's, as less than one percent of the Company's 2014 gross profit was contributed by the Griffith operation.

Sale of KES Melt Shop Assets

KES reached agreement in 2014 to sell the fixed assets associated with its inactive melt shop for $1,250. During 2015, $1,000 was received and is reflected in the Consolidated Statements of Cash Flows as *Proceeds from sale of fixed assets*. The assets were written down to net realizable value during 2014. During 2015, the agreement was renegotiated resulting in an additional loss of $250 reflected in the Consolidated Statements of Comprehensive Loss as *Loss related to disposition of closed facilities*.

14. Income Taxes

The components of the provision (benefit) for income taxes included in the Consolidated Statements of Comprehensive Loss are detailed as follows:

	For the year ended December 31,		
	2016	*2015*	*2014*
Current income tax expense (benefit)	$ (880)	$ (2,169)	$ 2,252
Deferred income tax expense (benefit)	(14,246)	(22,348)	(2,796)
Income tax benefit	$ (15,126)	$ (24,517)	$ (544)

A reconciliation of the statutory federal income tax rate and effective rate as a percentage of pre-tax income (loss) is as follows:

	For the year ended December 31,		
	2016	*2015*	*2014*
Tax benefit at statutory rate	$ (32,252)	$ (37,899)	$ (682)
State taxes, net of Federal benefit	(2,661)	(1,749)	121
Change in valuation allowance	16,992	—	—
Domestic production activities deduction	75	76	(188)
Non-deductible acquisition costs	—	5	35
Impairment of goodwill and intangible assets	2,664	15,550	212
Adjustment of prior year tax liability	(131)	(1,210)	(29)
Other	187	710	(13)
Income tax benefit	$ (15,126)	$ (24,517)	$ (544)

At December 31, 2016 and 2015 deferred tax liabilities and assets consisted of the following:

	December 31,	
	2016	*2015*
Deferred tax liabilities		
Property, plant and equipment	$ 9,424	$ 17,702
Intangible assets	—	12,862
Inventories	8,431	7,374
Deferred cancellation of indebtedness income	394	597
Other	587	957
Total deferred tax liabilities	18,836	39,492
Deferred tax assets		
Accrued expenses	1,708	2,472
Allowance for doubtful accounts	174	202
Intangible assets	925	—
Pension and postretirement benefit obligations	6,273	6,352
Net operating loss (“NOL”) carryovers	23,227	12,051
Other	3,466	4,111
Total deferred tax assets	35,773	25,188
Valuation allowance for deferred tax assets	(18,020)	(1,025)
Total deferred tax assets net of valuation allowance	17,753	24,163
Net deferred tax liabilities	$ 1,083	$ 15,329

The Company’s net deferred tax liability decreased to $1,083 at December 31, 2016 from $15,329 at December 31, 2015. This change results primarily from an increase in the tax benefit associated with NOL carryovers to $23,227 at December 31, 2016 from $12,051 at December 31, 2015, offset by an increase in the valuation allowance for deferred tax assets to $18,020 at December 31, 2016 from $1,025 at December 31, 2015. Federal NOL carryforwards total $62,140, of which $27,915 expire in 2035 and $34,225 expire in 2036. The Company has fully utilized its Federal tax loss carryback potential. State NOLs are generally higher than Federal due to the inability to carryback losses. State NOL carryforwards begin to expire in 2025 (Michigan), 2027 (Illinois), and 2035 for all other applicable state income taxing jurisdictions.

The Company evaluates tax positions taken on its various tax filings on an annual basis. As of the balance sheet date, the Company has determined all positions should be considered as more likely than not of being sustained upon audit. Accordingly, no reserve for uncertain tax positions has been recorded. The Company has established valuation allowances of $18,020 and $1,025, at December 31, 2016 and 2015, respectively, against the value of certain deferred tax assets for which it is not more likely than not that such deferred tax assets will be realized.

The Company files income tax returns in the U.S. and various states. With few exceptions, the Company is no longer subject to US federal tax examination for years before 2013 and state and local income tax examinations by tax authorities for years before 2012. The Company will file its 2016 consolidated federal tax return prior to October 16, 2017, at which point the statute will begin for 2016.

15. Segments

The Company operates in three distinct business segments: (i) the production and sale of HRSB, (ii) the production and sale of seamless tubing and (iii) the production and sale of CFSB, which includes the operations of Corey following its acquisition on January 29, 2015. Management operates these segments as separate business units and measures their performance based on Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"). Management believes Adjusted EBITDA provides the best measurement of segment performance and management regularly calculates Adjusted EBITDA in order to provide its stakeholders with this important financial performance metric.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") represents net income (loss) before expenses for (i) interest, (ii) income taxes and (iii) depreciation and amortization. Adjusted EBITDA, represents EBITDA adjusted to exclude items such as LIFO accounting-related expense (income), management fees, transaction or restructuring costs and other costs, each of which are not considered by management to be indicative of our core ongoing business results. We believe these measures are commonly used by analysts and investors to analyze and compare companies on the basis of operating performance that have different financing and capital structures and tax rates. EBITDA and Adjusted EBITDA are not substitutes for net income or any other performance or liquidity measure derived in accordance with U.S. GAAP, and are non-GAAP financial measures as defined under the rules of the Securities and Exchange Commission.

The accounting policies of the segments are the same as those described in Note 2. Transactions among segments are established based on negotiation among the parties and at prices which approximate market. Differences between segment totals and consolidated totals represent corporate costs, assets and consolidating eliminations.

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Notes to Consolidated Financial Statements
(in thousands except per share amounts)

The following tables provide certain performance and other information by reportable segment:

At and for the year ended December 31, 2016	HRSB	Seamless Tubing	CFSB	Corporate/ Eliminations	Consolidated
Net sales	$ 77,093	$ 61,119	$ 275,649	$ (16,729)	$ 397,132
Intersegment sales	15,729	840	160	(16,729)	-
Net sales to third parties	61,364	60,279	275,489	-	397,132
Segment profit (Adjusted EBITDA)	(7,999)	9,110	28,497	(6,888)	22,720
Trade accounts receivable, net	4,289	5,859	18,347	-	28,495
Goodwill	-	-	23,833	-	23,833
Segment assets	30,704	59,154	200,734	20,905	311,497
Capital expenditures	213	464	347	91	1,115
Depreciation expense	2,042	4,900	7,077	97	14,116
At and for the year ended December 31, 2015					
Net sales	$ 117,055	$ 78,083	$ 319,071	$ (25,529)	$ 488,680
Intersegment sales	25,333	8	188	(25,529)	-
Net sales to third parties	91,722	78,075	318,883	-	488,680
Segment profit (Adjusted EBITDA)	(5,039)	12,273	19,411	(8,065)	18,580
Trade accounts receivable, net	4,815	5,614	17,442	-	27,871
Goodwill	-	-	31,294	-	31,294
Segment assets	86,331	69,725	235,558	5,849	397,463
Capital expenditures	16	4,279	4,509	163	8,967
Depreciation expense	2,490	5,759	7,099	96	15,444
At and for the year ended December 31, 2014					
Net sales	$ 164,399	$ 113,357	$ 319,319	$ (28,686)	$ 568,389
Intersegment sales	28,431	-	255	(28,686)	-
Net sales to third parties	135,968	113,357	319,064	-	568,389
Segment profit (Adjusted EBITDA)	8,289	23,384	35,420	(6,233)	60,860
Trade accounts receivable, net	9,998	12,200	14,147	-	36,345
Goodwill	-	-	77,028	-	77,028
Segment assets	116,597	85,123	274,545	10,835	487,100
Capital expenditures	476	17,632	970	545	19,623
Depreciation expense	2,556	8,120	6,226	84	16,986

Optima Specialty Steel, Inc. & Subsidiaries (Debtor in Possession)
Notes to Consolidated Financial Statements
(in thousands except per share amounts)

The following tables reconcile the Company's segment profit (loss) (Adjusted EBITDA) to the respective net income (loss) attributable to each reportable segment:

For the year ended December 31, 2016	HRSB	Seamless Tubing	CFSB	Corporate/ Eliminations	Consolidated
Segment profit (Adjusted EBITDA)	$ (7,999)	$ 9,110	$ 28,497	$ (6,888)	$ 22,720
Depreciation and amortization	(4,240)	(5,756)	(11,763)	(4,909)	(26,668)
Interest expense, excluding non-cash amortization	(26)	-	(16,997)	(14,369)	(31,392)
Interest income	-	-	11	5	16
Benefit for income taxes	-	-	-	15,126	15,126
LIFO benefit	-	-	2,456	-	2,456
Transaction and restructuring expenses	-	-	(1,271)	(2,794)	(4,065)
Loss related to disposition of closed facilities	-	-	(2,250)	-	(2,250)
Gain (loss) on disposal of fixed assets	(4)	-	5	-	1
Management fees	(1,441)	(2,857)	(6,507)	10,305	(500)
Impairment charges	(45,188)	(900)	(8,336)	-	(54,424)
Chapter 11 reorganization items	-	-	-	(751)	(751)
Net loss	$ (58,898)	$ (403)	$ (16,155)	$ (4,275)	$ (79,731)
For the year ended December 31, 2015					
Segment profit (Adjusted EBITDA)	$ (5,039)	$ 12,273	$ 19,411	$ (8,065)	$ 18,580
Depreciation and amortization	(5,410)	(6,614)	(11,730)	(4,209)	(27,963)
Interest expense, excluding non-cash amortization	(18)	-	(17,751)	(13,967)	(31,736)
Interest income	-	1	21	1	23
Benefit for income taxes	8,259	-	8,538	7,720	24,517
LIFO (expense)	-	-	(3,005)	-	(3,005)
Transaction and restructuring expenses	(345)	-	(1,873)	(2,128)	(4,346)
Impairment related to closure of billet supplier	(9,751)	-	-	774	(8,977)
Inventory step-up expense	-	-	(308)	-	(308)
Loss on early extinguishment of debt	-	-	-	(808)	(808)
Loss related to disposition of closed facilities	(250)	-	(603)	-	(853)
Loss on disposal of fixed assets	-	(497)	(17)	-	(514)
Management fees	(1,063)	(2,633)	(5,692)	8,888	(500)
Impairment of goodwill and intangible assets	(1,290)	(1,893)	(47,919)	-	(51,102)
Net income (loss)	$ (14,907)	$ 637	$ (60,928)	$ (11,794)	$ (86,992)
For the year ended December 31, 2014					
Segment profit (Adjusted EBITDA)	$ 8,289	$ 23,384	$ 35,420	$ (6,233)	$ 60,860
Depreciation and amortization	(5,423)	(8,976)	(10,857)	(3,462)	(28,718)
Interest expense, excluding non-cash amortization	-	-	(16,872)	(9,283)	(26,155)
(Provision) benefit for income taxes	(756)	-	(2,834)	4,134	544
LIFO benefit	-	-	688	-	688
Transaction and restructuring expenses	-	-	(976)	(1,611)	(2,587)
Management fees	-	-	-	(500)	(500)
Impairment of goodwill and intangible assets	(5,000)	-	-	-	(5,000)
Gain (loss) on disposition of closed facilities	(903)	-	401	-	(502)
Loss on disposal of fixed assets	(1)	(44)	-	-	(45)
Net income (loss)	$ (3,794)	$ 14,364	$ 4,970	$ (16,955)	$ (1,415)

16. Selected Quarterly Financial Data (Unaudited)

The following table presents selected financial data by quarter:

	Quarters ended during 2016				
	March 31	June 30	September 30	December 31	Full Year
Net sales	$ 109,602	$ 101,217	$ 94,596	$ 91,717	$ 397,132
Gross profit	12,006	15,809	3,300	6,862	37,977
Loss before income taxes	(6,717)	(3,217)	(60,618)	(23,827)	(94,379)
Net loss	(4,192)	(2,088)	(52,941)	(20,510)	(79,731)
Adjusted EBITDA	5,423	10,609	3,992	2,696	22,720

As more fully described in Note 6, net loss for the quarter ended September 30, 2016 and December 31, 2016 include impairment charges of $45,963 and $8,461, respectively. As more fully described in Note 2, net loss for the quarter ended December 31, 2016 includes Chapter 11 reorganization items of $751, consisting principally of legal and professional fees.

	Quarters ended during 2015				
	March 31	June 30	September 30	December 31	Full Year
Net sales	$ 145,909	$ 132,203	$ 115,879	$ 94,689	$ 488,680
Gross profit	8,659	8,762	8,811	1,486	27,718
Loss before income taxes	(11,810)	(11,626)	(61,299)	(26,774)	(111,509)
Net loss	(7,893)	(6,789)	(56,418)	(15,892)	(86,992)
Adjusted EBITDA	5,600	7,892	4,958	130	18,580

As more fully described in Note 6, net loss for the quarter ended September 30, 2015 includes an estimated goodwill impairment charge of $50,000. The impairment calculation was finalized in December 2015 and a final impairment charge of $45,734 was determined. A true-up of $4,266 to reduce the estimated charge to the final $45,734 was recorded during the quarter ended December 31, 2015. In addition, as more fully described in Notes 11 and 13, the Company recorded a loss of $8,977 in connection with loss of a key supplier during the quarter ended December 31, 2015.

17. Subsequent Events

Debtor in Possession Financing

As more fully described in Note 2, on February 28, 2017, the Bankruptcy Court issued a final order authorizing debtor-in-possession financing of up to $211,662, consisting of $161,662 which was used to fully redeem the pre-petition 12.5% Senior Secured Notes on March 6, 2017, and provide up to $50,000 of new financing. The DIP Loan matures on October 31, 2017.

Other Subsequent Events

The Company's financial statements for the year ended December 31, 2016 were evaluated through April 3, 2017, the date the financial statements were available to be issued.

EXHIBIT C

OPTIMA SPECIALTY STEEL, INC.

5 Year Financial Projections

Prepared May 12, 2017

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The five year financial projections ("Projections"[1]) presented are of all holdings of the consolidated Debtors with Optima Specialty Steel, Inc. ("OSS") being the parent company of Michigan Seamless Tube LLC ("MST"); Niagara LaSalle Corporation ("NLS"); KES Acquisition Company d/b/a Kentucky Electric Steel ("KES"); and The Corey Steel Company ("CSC"), together with OSS referred to as "Optima".

I. PROJECTIONS

General Assumptions

The projections are based on the internal Optima forecasting process for 2017. It is a "bottoms up" process, beginning with customer level shipment volumes (based on direct communication with customers), and involves all levels of management from the subsidiary level up to the Board of Directors and Special Committee. Years beyond 2017 are based on volume growth at GDP rates, and historical operating metrics.

These Projections were initially prepared in February 2017, and updated to its current form in April 2017. The Projections reflect actual Q1-2017 results, and projections for the remainder of 2017 and beyond.

[1] Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to such terms in the Disclosure Statement.

Projected Income Statement

Income Statement	2016	2017	2018	2019	2020	2021
Tons Sold - Regular	307,997	348,625	366,100	374,427	381,918	389,562
Tons Sold - Conversion	36,807	40,964	38,905	39,687	40,480	41,290
Tons Sold - Trade	**344,804**	**389,589**	**405,005**	**414,114**	**422,398**	**430,852**
Inter/Intraco Tons Sold	(1)	-	-	-	-	-
Gross Tons Sold	**344,803**	**389,589**	**405,005**	**414,114**	**422,398**	**430,852**
Change from prior year		*13%*	*4%*	*2%*	*2%*	*2%*
$000's						
Gross Third-Party Sales	$ 393,472	$ 462,911	$ 483,663	$ 494,074	$ 503,956	$ 514,049
Intercompany Sales	(0)	(95)	(148)	(152)	(149)	(158)
Gross Sales	**393,472**	**462,816**	**483,515**	**493,922**	**503,806**	**513,891**
Sales Adjustments	(2,486)	3,067	3,476	3,597	3,705	3,817
Net Sales	**390,986**	**465,884**	**486,991**	**497,519**	**507,512**	**517,708**
Material Costs	236,872	283,428	296,877	302,617	307,609	313,463
Variable Manufacturing Labor	45,508	48,878	49,762	51,333	53,073	54,692
Variable Manufacturing Overhead	34,794	39,179	37,872	38,561	39,220	39,896
Fixed Manufacturing Costs (Excl. Depreciation)	20,185	21,741	22,037	22,723	23,444	24,201
Total Variable Manufacturing Costs	337,359	393,227	406,549	415,234	423,346	432,252
% Net Sales	*86.3%*	*84.4%*	*83.5%*	*83.5%*	*83.4%*	*83.5%*
SG&A (&Other)	23,507	25,135	25,086	25,481	25,882	26,290
Pre-Profit Sharing EBITDA	30,120	47,522	55,357	56,804	58,283	59,166
Profit Sharing & Incentive Expense	7,342	10,425	10,747	11,156	11,570	12,002
Adjusted EBITDA	22,778	37,097	44,610	45,648	46,713	47,163
% Margin	*5.8%*	*8.0%*	*9.2%*	*9.2%*	*9.2%*	*9.1%*
OTHER EXPENSES / (INCOME)						
Interest	31,377	19,148	7,840	7,840	7,840	7,840
Depreciation/Amortization	26,669	19,010	19,425	19,546	19,798	20,050
BK Professional Fees	770	21,860	-	-	-	-
Other	58,818	(266)	1,562	1,578	1,594	1,609
Total Other Expense/(Income)	117,635	59,752	28,827	28,964	29,232	29,499
Pre-Tax Income	(94,857)	(22,655)	15,783	16,684	17,481	17,664
Income Tax Expense	(15,126)	(11)	-	-	-	-
NET INCOME	**$ (79,730)**	**$ (22,644)**	**$ 15,783**	**$ 16,684**	**$ 17,481**	**$ 17,664**
% Margin	*-20.4%*	*-4.9%*	*3.2%*	*3.4%*	*3.4%*	*3.4%*

Projected Balance Sheet

Balance Sheet - OSS Consolidated ($000's)	2016	2017	2018	2019	2020	2021
ASSETS						
Current Assets						
Cash and Cash Equivalents	$ 16,516	$ 18,023	$ 57,678	$ 89,376	$ 122,560	$ 156,034
Trade Accounts Receivable	28,495	38,402	39,851	40,719	41,536	42,373
Inventories (FIFO)	75,883	85,786	88,029	89,769	91,343	93,128
Due from Affiliated Company	-	-	-	-	-	-
Other Current Assets	9,737	8,847	9,098	9,251	9,389	9,529
Total Current Assets	130,631	151,059	194,656	229,114	264,828	301,064
Long term assets						
Due from Affiliated Company	43	43	43	43	43	43
PP&E, Net	96,881	83,835	72,471	60,987	49,250	37,262
Goodwill/Intangibles	80,198	74,646	69,104	63,561	58,019	52,477
Investment in Subsidiary	-	-	-	-	-	-
Other Assets, Net	3,745	3,263	3,404	3,473	3,544	3,616
Total Long Term Assets	180,867	161,787	145,022	128,064	110,856	93,398
Total Assets	**$ 311,498**	**$ 312,847**	**$ 339,679**	**$ 357,179**	**$ 375,685**	**$ 394,462**
LIABILITIES & EQUITY						
Liabilities						
Current Liabilities						
Accounts Payable	$ 3,245	$ 15,192	$ 25,767	$ 25,957	$ 26,361	$ 26,834
Accounts Payable (Subject to Compromise)	34,219	-	-	-	-	-
Senior Secured Debt-Current	169,516	-	-	-	-	-
New DIP Funding	-	-	-	-	-	-
Junior Unsecured Debt-Current (Subject to Compromise)	87,500	-	-	-	-	-
Other Current Liabilities	19,630	19,187	19,600	20,180	20,759	21,356
Total Current Liabilities	314,110	34,379	45,367	46,138	47,120	48,190
Long Term Liabilities						
Long Term Debt	-	105,000	105,000	105,000	105,000	105,000
Other Non-Current liabilities	20,634	19,943	20,003	20,049	20,091	20,134
Total Long Term Liabilities	20,634	124,943	125,003	125,049	125,091	125,134
Total Liabilities	**334,744**	**159,321**	**170,370**	**171,187**	**172,211**	**173,324**
Equity						
Common Stock	0	0	0	0	0	0
Additional Paid-in-Capital	164,294	364,294	364,294	364,294	364,294	364,294
Retained Earnings	(183,679)	(206,324)	(190,541)	(173,857)	(156,376)	(138,712)
Other	(3,861)	(4,444)	(4,444)	(4,444)	(4,444)	(4,444)
Total Equity	(23,246)	153,525	169,309	185,992	203,474	221,138
Total Liabilities & Equity	**$ 311,498**	**$ 312,847**	**$ 339,678**	**$ 357,179**	**$ 375,685**	**$ 394,462**

Projected Cash Flow Statement

Cash Flow Statement - OSS Consolidated ($000's) (1)	2016	2017	2018	2019	2020	2021
Operating Activities						
Net Income (Loss) for the period	$ (79,730)	$ (22,644)	$ 15,783	$ 16,684	$ 17,481	$ 17,664
Non-cash adjustments	81,093	19,010	19,425	19,546	19,798	20,050
	1,363	**(3,634)**	**35,208**	**36,230**	**37,279**	**37,714**
Changes in non-cash working capital						
Accounts Receivable (net)	(624)	(9,907)	(1,449)	(868)	(818)	(836)
Inventory (net)	25,845	(9,904)	(2,242)	(1,740)	(1,574)	(1,785)
Accounts Payable	16,046	(22,272)	10,575	191	404	473
Interest Payable	2,550	(12,904)	-	-	-	-
Other	(14,002)	2,203	82	405	412	428
Cash flow from Operating Activities	**31,178**	**(56,419)**	**42,173**	**34,218**	**35,703**	**35,994**
Financing Activities						
Debt (Net Draws/Paydowns)	(12,646)	(141,661)	-	-	-	-
Intercompany Debt	(0)	0	-	0	(0)	(0)
Paid in Capital	-	200,000	-	-	-	-
Other	-	-	-	-	-	-
Cash Flow from Financing	**(12,646)**	**58,339**	**-**	**0**	**(0)**	**(0)**
Investing Activities						
Purchase of tangible & intangible property	(2,453)	(2,163)	(2,519)	(2,519)	(2,519)	(2,519)
Other	(0)	1,750	-	-	-	-
Cash Flow from Investments	**(2,453)**	**(413)**	**(2,519)**	**(2,519)**	**(2,519)**	**(2,519)**
Net Increase (Decrease) in Cash	16,079	1,507	39,654	31,698	33,184	33,474
Cash Beginning of Period	437	16,516	18,023	57,678	89,376	122,560
Cash End of Period	**$ 16,516**	**$ 18,023**	**$ 57,678**	**$ 89,376**	**$ 122,560**	**$ 156,034**

(1) Statement of cash flow is for illustrative purposes only and is not intended to be compliant with GAAP

II. PROJECTION ASSUMPTIONS

Revenue

Revenue on a consolidated basis for 2017 represents a 18% YOY increase, which is driven by a 13% increase in shipment volumes (inclusive of regular and conversion tons) with a return to 2015 levels. Selling price assumptions reflect a stable price environment at current levels; pricing remains constant throughout the five year projection period, with minor movements attributable to mix at the subsidiary level.

Shipment volumes

2017 volume is projected to be 13% better than 2016, which was considered a down market year, but consistent with levels previously achieved in 2015. 2018 is projected at a 4% growth rate; 2019-2021 is projected at modest growth of 2% per year. The largest growth is expected at MST, with a 47% increase over 2016. This is in line with previously achieved shipment levels at MST and consistent with Q1-2017 results, driven by a recovery in the energy market. KES is expected to increase volumes by 14% over 2016, and will continue to support NLS with intercompany base materials.

Sales pricing and material margins

Optima expects to improve on its 2016 material margin/ton; ranging from $541-$546 per ton shipped, supported by the larger growth in MST volumes which are significantly higher margin products. Selling prices overall are up 4%; current market conditions may support higher pricing. Any changes to selling price would be offset by changes in material price thereby holding the projected material margins and limiting price fluctuations to inventory positons. Scrap recovery price per ton is expected to be lower than 2016 based on current market conditions, mix, and geographic location.

Employee assumptions

Manufacturing labor costs are projected to increase in 2017 based on an increase in wages per employee and increased medical costs with increases of 4% per year thereafter. 2018 increases are partially offset by reductions in overtime. Headcount is projected to increase by 28 FTE's to 795 (direct and supervisor) in 2017 and 10 FTE's to 805 in 2018 to support higher volumes and fill vacancies. Projected hourly labor rates are slightly higher than 2016 based on increases in the direct labor headcount and reductions in overtime. Projected annual salary for supervision labor is higher from 2016 based on employee mix. The Projections provide for an annual increase in employee wages of 2%. Costs of employee healthcare benefits are projected to increase at a 4% annual rate.

Working capital - Inventory

Inventory levels reflect an increase in days-on-hand of two days from 2016 to 2017 but are reduced by two days in subsequent years. The reductions are largely from management initiatives at KES. As with selling price, raw material prices are assumed to have stabilized at current levels and are projected to remain relatively constant throughout the projection period. The largest increase in inventory levels are projected at Optima's CSFB facilities of NLS and CSC, accounting for 14 thousand of the 21 thousand tons added over the projection period.

Working capital – Receivables

Accounts receivable days (DSO) levels are consistent with Optima's 2016 experience. DSO is projected at 27 throughout the projection period.

Working capital – Payables

Accounts payable days (DPO) for 2016 is historically high as a result of Optima's liquidity issues at the end of the year (89 days). DPO assumptions are conservative at 16 days throughout 2017 as Optima operates in Chapter 11. Growth in DPO from 2017 to 2018 of 12 days reflects a return to more normal levels. Although DPO is held at 28 days in the out years of 2018 – 2021, further improvement may be achieved as Optima distances itself from its Chapter 11 process.

Capital spending

Capital expenditures are projected to support maintenance requirements, and no new significant growth opportunities are assumed. 2017 is projected at $2 million of maintenance capital spending with 2018 and beyond projected at $2.5 million of annual capital spending.

Debt, exit financing

Projections reflect exit financing on July 31st, 2017. Exit financing includes $105 million new term loan (7% APR, monthly interest payments, no principle payments), $35 million ABL (undrawn), and $200 million of equity contribution. Projections reflect confirmation of a Plan of Reorganization and settlement of pre-petition claims occurring in August 2017. Full payment of "roll up" and "new money" DIP ($179 million), full payment of junior unsecured term loan ($88.1 million), full payment of unsecured and admin claims ($34.8 million). The unsecured notes include payment of post-petition interest of 1.05% APR while the unsecured and admin claims include payment of post-petition interest of 3.00% APR. Transaction costs include payment of outstanding professional fees and debt issuance costs of $9.1 million.

Pro Forma Cap Table	Pre-Trans.	Adjust.	Pro Forma
New Money DIP Loans	$19.1	($19.1)	-
Roll-Up DIP Loans	159.9	(159.9)	-
$35MM Exit ABL	-	-	-
Exit Term Loan	-	105.0	105.0
Total Secured Debt	**$179.0**	**($74.0)**	**$105.0**
Unsecured Notes	88.1	(88.1)	-
Total Debt	**$266.6**	**($162.1)**	**$105.0**
Less: Cash	(10.8)	6.0	(4.8)
Net Debt	**$255.7**	**($156.1)**	**$100.2**
Net Leverage	*10.9x*		*4.3x*
Additional Equity	-	$200	$200

Sources	$	Uses	$
OA Investment	$200.0	Repay New Money DIP	$19.1
Exit Term Loan	105.0	Repay Roll-Up DIP	159.9
$35MM Exit ABL	-	Repay Unsec. Notes	88.1
B/S Cash	10.8	Repay Unsecured Claims	34.8
		Transaction Fees	9.1
		B/S Cash	4.8
Total Sources	**$315.8**	**Total Uses**	**$315.8**

Memo:

Pro Forma Liquidity

Cash	$4.8
Undrawn Revolver	35.0
Total Liquidity	**$39.8**