



ONE POSSIBLE PLAN
For the case of Umorni Company
For the seminar for bankruptcy judges at Neum

MEANS FOR IMPLEMENTATION:

1. Business enterprise to carry forward in operation
2. Liquidation of unused machinery/equipment by trustee
3. All of debtor's other assets, including R. E. parcel #3, to be transferred to new business entity Zdravko Company, which will carry business operations forward with Umorni Company's present workforce
4. New business entity to assume responsibility for payment of debt under plan
5. Equity in new entity to be acquired consensually by Srecko Company, Gundjalo Company, Bank B (to extent of undersecured status) (those three taking total of 51%, pro rata to amount of claims), and new investor Spasko Spasic' (49%)
6. New business entity to enter into contract with Spasko Spasic' for his employment as general manager for term of 5 years

CLASSIFICATION OF CLAIMS AND TREATMENT:

1. *Secured classes:*
 - a. *Bank A:* Paid full amount of its claim with interest, in monthly installments, first lien in R.E. parcel #1 to be retained pending payment, payment period extended to 3 years.
 - b. *Bank B:* Claim divided between secured component (going-concern value remaining in R.E. parcel #1 after attachment of claim of Bank A) and unsecured component (remaining amount of claim). Secured portion to be paid in full with interest, monthly installments, payment period extended to 3 years, second lien against R.E. Parcel #2 to be retained pending payment. Unsecured portion to be exchanged for equity shareholding in Zdravko Company, a pro rata share of controlling 51% bloc with Srec'ko Company and Gundjalo Company.
 - c. *Bank C:* Unimpaired; to be paid in full per pre-bankruptcy contract, within 1.5 years as that contract provides
 - d. *Bank D:* Because current value of equipment to be retained is greater than amount of claim, proceeds of partial liquidation of equipment will be used to fund a partial distribution to priority wage claims and will not be paid to Bank D. Payment period extended to 3 years, payment in full with interest, monthly installments, lien in equipment to be retained pending payment.
2. *Employees' claims:* all components of wage claims that were reduced to judgment, priority and non-priority, to be placed in one class; claim to be paid

in full over 3 years, monthly installments, no interest, after principal amount has been reduced by application of proceeds of sale of excess equipment.

3. *Unsecured claimants who will receive equity in Zdravko Company*: the capital stock in Zdravko Company will be valued at 875,000 KM, with Srec'ko Company, Gundjalo Company, and Bank B (to the extent of the unsecured portion of its claim) to share pro rata in a 51% control bloc. (Spasko Spasic' will receive the remaining 49% of the shares in exchange for his capital infusion of 428,750 KM.)
4. *Unsecured claims (including taxes)*: In accordance with the status of its allowed claim, the state's claim for taxes will be treated as completely unsecured. That claim, and those allowed for the ten unsecured trade creditors, will share pro rata in a distribution in the amount of 200,000 KM, the value of the equity in the debtor in liquidation in bankruptcy. This distribution will be funded from the capital infusion by Spasko Spasic' and will be made by the trustee.
5. Due to the contingent status of any liability of Umorni Company, the *claims of the Social Funds* will not be assumed by Zdravko Company. Zdravko Company will not be deemed to have undertake liability to the Social Funds when it performs its duty to pay the employees' wage claims under the plan.

SUPERVISION WILL BE ORDERED over the implementation of the plan, including the formation of Zdravko Company, the capital infusion from Spasko Spasic' and its first application to unsecured claims, and Zdravko Company's payment of claims over the three years after confirmation of the plan.

After the payment of unsecured claims, the balance of the capital infusion from Spasko Spasic' may be applied to accelerated payment of employees' claims or secured claims, or to the improvement of the plant or the equipment, in the discretion of Mr. Spasic' and Zdravko Company's board.

ZDRAVKO COMPANY will not be liable for any of the pre-bankruptcy debts of Umorni Company, other than those that it is to specifically assume under the terms of the plan. Umorni Company will not receive a forgiveness of debt upon confirmation. However, because it will not have assets or an operating business the value of creditors' continuing rights against it will be zero.