

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE MIDDLE DISTRICT OF TENNESSEE  
NASHVILLE DIVISION**

<b>IN RE:</b>	)	
	)	
<b>AMERICAN HISTORIC RACING</b>	)	<b>BK No. 06-06626-MH3-11</b>
<b>MOTORCYCLE ASSOCIATION, LTD.,</b>	)	
	)	
<b>Debtor.</b>	)	

**DISCLOSURE STATEMENT TO ACCOMPANY PLAN OF REORGANIZATION  
PROPOSED BY DEBTOR IN POSSESSION DATED AUGUST 6, 2007**

The Debtor in Possession, American Historic Racing Motorcycle Association, ("Debtor"), submits this Disclosure Statement pursuant to 11 U.S.C. §1125, in connection with its proposed solicitation of acceptance of its Plan of Reorganization ("Plan"). The purpose of this Disclosure Statement is to provide creditors who will vote on the acceptance of the Plan with adequate information so as to allow them to make an informed decision about the Plan.

**I. INTRODUCTION**

On November 10, 2006, the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (the "Code"). Since the filing of the petition, the Debtor has remained in possession of its property as Debtor in Possession. No Trustee has been appointed, nor has a committee of unsecured creditors been appointed.

The Bankruptcy Court has conditionally approved this Disclosure Statement, subject to final approval after notice and a hearing. Creditors whose claims are "impaired," as defined in 11 U.S.C. §1124, and outlined in the Plan, have received ballots with which to vote for acceptance or rejection of the Plan. Creditors whose claims are not impaired under 11 U.S.C. §1124 are deemed to have accepted the Plan, will not receive ballots, and will not vote. Class I of the Plan lists creditors who are not impaired by the Plan. As explained hereinafter, the Debtor is

a not-for-profit corporation and the unsecured creditors will be paid in full; therefore, the Debtor's Plan is confirmable under the absolute priority rule.

Each creditor whose claim is impaired may vote on the Plan. The Bankruptcy Code provides that if two-thirds in amount and more than one-half in number of all allowed claimants voting in a class of claimants accepts the Plan, that class is deemed to have accepted the Plan. If every impaired class accepts the Plan, and if certain technical requirements set forth in 11 U.S.C. §1129 are met, after a hearing upon notice to all parties, the Court will confirm the Plan and distribution under the Plan will proceed. If one or more classes of claims dissent from their proposed treatment under this Plan, the Debtor may ask the Court to confirm the Plan anyway if at least one class has accepted the Plan and if the Debtor can meet the requirements of 11 U.S.C. §1129(b).

## **II. DISCLAIMERS**

This Disclosure Statement contains information supplementary to the Plan and is not intended to take the place of the Plan itself. Each creditor is urged to study the Plan to determine the Plan's impact upon its interests. The financial information contained in this Statement has not been audited. An audit of this information would be quite time consuming and costly, and, therefore, would not be in the best interests of the creditors or the estate. Neither the Debtor nor its attorney can warrant or represent the accuracy of any financial projections or discussion in future events beyond the date of confirmation.

This Disclosure Statement, together with the Plan itself, is the only information authorized by the Debtor to be distributed to creditors. Any representations other than those made herein or in the Plan should not be relied upon in making your decision of whether or not to accept the Plan.

### **III. TAX CONSEQUENCES**

The Debtor is unaware of any potential material federal tax consequences of the Plan to the Debtor, any successor to the Debtor, or hypothetical investors typical of the holders of claims or interests in this case. However, the Debtor has not sought or received advice concerning this subject from a tax professional.

### **IV. HISTORY OF THE DEBTOR**

#### **A. Pre-Bankruptcy**

The Debtor is a member-owned not-for-profit corporation that sanctions, organizes, and promotes historic motorcycle races for amateur riders.

The Debtor is a defendant in a lawsuit pending in the United States District Court, Eastern District of New York styled *Team Obsolete Ltd.; Team Obsolete Products Ltd.; Team Obsolete Promotions Inc.; Robert T. Iannucci, Jim Redman, Rick Vesco as Executor of the Estate of Don Vesco; Dave Roper; Lon McCroskey, M.D.; Erik Green and John Kain* ("Team Obsolete Parties") v. *A.H.R.M.A. LTD., and American Motorcyclist Association, Inc.*, Case Number CV 01 1574 (the "District Court Action"). The District Court Action was filed against the Debtor in March, 2001, and the litigation remained pending when it was stayed by the Chapter 11 petition filing on November 10, 2006.

Prior to the District Court Action, the Debtor's insurance carrier, Reliance, became insolvent and was placed in receivership. This was not known by the Debtor until it sought coverage of the District Court Action claims. Subsequently, limited coverage in the amount of \$300,000.00 was provided by the Wisconsin Insolvency Fund, designed to provide some protection in cases of insolvency. The Debtor's cost from the District Court Action prior to the filing of the bankruptcy case was approximately \$877,571.24. Of this amount approximately \$401,005.52 has been paid out of pocket by the Debtor, and approximately \$176,565.72 remains

owed and is listed on Schedule F of the Debtor's schedules. Just prior to the Chapter 11 filing, the estimated fees to get to trial were stated by counsel to be in excess of \$300,000.00. The Debtor had inadequate resources to pay the outstanding and projected legal costs to continue litigation of the District Court Action. The Debtor so advised its counsel, who then filed a Motion to Withdraw from representation on October 10, 2006. The Debtor subsequently filed this Chapter 11 case on November 10, 2006.

Pre-petition, the Debtor created a mechanism to fund help for members injured at AHRMA events. Donations made by members for this purpose were denoted as the "Benevolent Fund", though they were never segregated from the Debtor's other assets. The Benevolent Fund provides assistance of up to \$1,000.00 for any incident at an AHRMA event, which is requested and found appropriate and worthy of assistance by the Board of Trustees. Applications involving exceptional circumstances, but not associated with an AHRMA event, may also be considered. To date, all approved Benevolent Fund payments have been made.

Because contributions to the Benevolent Fund were and continue to be part of the Debtor's general operating funds, a portion of them were required to be used to pay litigation expenses in the District Court Action. This was done in order to maintain the going concern, and very existence of AHRMA. Though there is no legal obligation to do so, it is the intention of the Debtor to replenish funds attributable to the Benevolent Fund in the same amount that was used to fund the District Court Action. This will be done as and when funds in excess of those required to maintain the continuing operation of the Debtor become available.

## **B. Post-Bankruptcy**

On November 14, 2006, the Debtor filed a Motion to Estimate the Claim of the Team Obsolete Parties ("Motion to Estimate"). The Team Obsolete Parties responded to the Motion to

Estimate by filing a Motion to Dismiss the bankruptcy case, a Motion to Transfer Venue, a Motion to Abstain, and a Motion for Relief from the Automatic Stay. The Team Obsolete Parties subsequently withdrew the Motion to Dismiss and the Motion for Relief from the Automatic Stay. On February 12, 2007, the Court entered an Order Granting the Motion to Estimate and denied the Motion to Transfer Venue and the Motion to Abstain.

On June 28, 2007, the Court entered an Agreed Order Regarding the Claims of the Team Obsolete Parties, in which the Team Obsolete Parties agreed not to pursue or assert any claims against the Debtor in any forum, venue, or jurisdiction and agreed that their claims shall not be allowed under 11 U.S.C. §502 of the Bankruptcy Code. The Team Obsolete Parties also acknowledged in the Agreed Order that their prepetition claims shall be discharged in a confirmed plan of reorganization which provides for such discharge.

## **V. ASSETS OF THE DEBTOR**

### **A. Real Property**

At the time of the bankruptcy filing, the Debtor did not own any real property.

### **B. Personal Property**

At the time of the bankruptcy filing, the Debtor had personal property, which was listed on Schedule B and Amended Schedule B of the bankruptcy schedules as having a value of \$83,262.98, consisting of the following:

Checking Accounts	\$67,500.00
Accounts Receivable/Deposits	\$5,339.98
Office Equipment and Merchandise	\$10,423.00
<b>TOTAL</b>	<b>\$83,262.98</b>

In addition to the above-referenced personal property, the Debtor listed a claim ("Receivership Claim") against Reliance Insurance Co. ("Reliance"), which is the Debtor's previous insurance carrier that is currently in a receivership proceeding ("Reliance

Receivership"). The value of the Receivership Claim was listed as unknown. The Debtor continues to investigate and pursue the Receivership Claim. The Debtor believes that there will be a significant disbursement to claimants of the Reliance Receivership. However, the Receiver has not indicated when such disbursement might be made, nor the amount which will be disbursed. The Debtor also listed a licensing agreement with Metro Racing, which it believes is of insignificant value. In addition, the Debtor listed intellectual property, including trademarks, the AHRMA Rule Book and member handbook used in connection with promoting and sanctioning race events. The value of the intellectual property is unknown.

**C. Preferential Transfers**

The Debtor states that it has analyzed the payments made within the 90 days prior to November 10, 2006, to estimate what payments might be recoverable as preferences under 11 U.S.C. §§547 and 550, and it has also analyzed payments made to insiders since the inception of the business. At this time, the Debtor believes that all such payments were made in the ordinary course of business.

**VI. LIABILITIES OF DEBTOR**

**A. Administrative Expense Claims**

Crocker & Niarhos, bankruptcy counsel for the Debtor, will have an administrative claim against the estate for any attorney fees incurred and necessary to effect confirmation of the Debtor's Plan. Prior to the commencement of this case, the Debtor paid Crocker & Niarhos a total of \$25,000.00. The sum of \$1,039.00 was disbursed to pay the filing fee in this case, and the balance of \$16,542.38, after payment of all pre-petition expenses and charges, was held in escrow as a retainer for services to be rendered in the bankruptcy case. On February 13, 2007, Crocker & Niarhos filed its First Application for Compensation for accrued fees and expenses for the time period of November 10, 2006 through January 31, 2007 in the amount of

\$39,032.92. An Order Awarding Compensation and Reimbursement of Expenses was entered on March 8, 2007, with a total amount due of \$22,490.54, after application of the \$16,542.38 retainer. On June 25, 2007, Crocker & Niarhos filed its Second Application for Compensation for accrued fees and expenses for the time period of February 1, 2007 through May 31, 2007 in the amount of \$41,313.56. An Order Awarding Compensation and Reimbursement of Expenses in the amount of \$41,313.56 was entered on July 18, 2007. As of July 31, 2007, accrued fees and expenses total an additional \$7,874.50; however, no fee application has yet been made. It is anticipated that the necessary continued representation of the Debtor will not exceed an additional \$25,000.00 (depending on the complications associated with confirming the Chapter 11 Plan of the Debtor). All attorney fees are subject to Court approval, and any amounts in excess of the initial retainer, when approved, will be payable from the Debtor's continuing revenue. There are presently no fees due and payable to the United States Trustee.

A claim will be made for payment of these fees from the Reliance Receivership, as costs of litigation in resolution of the District Court Action. To the extent the Debtor pays these fees prior to disbursement of the claim by the Reliance Receivership, the Debtor shall have the right of subrogation to such payment from the Reliance Receivership.

The Debtor employed Colleen A Charrette, CPA CVA, as accountant pursuant to an Order entered on March 26, 2007, for its ongoing general tax issues. Colleen Charrette may have an administrative claim against the estate for any accounting fees incurred and necessary in providing accounting services to the Debtor; however, no fee application has yet been made. It is anticipated that Colleen Charrette will continue to provide accounting services to the Debtor and additional fees and expenses will be incurred as a result. All accounting fees are subject to

Court approval, and any amounts, when approved, will be payable from the Debtor's continuing revenue.

The Debtor employed Bendelow Law Firm, P.C. and Edward M. Bendelow, P.C. as special counsel to continue in his role as general counsel to the Debtor. An Agreed Order was entered on June 28, 2007, authorizing this employment of special counsel. Bendelow Law Firm, P.C., and Edward M. Bendelow, P.C., will have an administrative claim against the estate for any legal fees incurred as special counsel pursuant to the Agreed Order. The Debtor is in the process of preparing a fee application on behalf of special counsel. Additionally, it is anticipated that Bendelow Law Firm, P.C., and Edward M. Bendelow, P.C., will continue to provide legal services to the Debtor and additional fees and expenses will be incurred as a result. All legal fees are subject to Court approval, and any amounts, when approved, will be payable from the Debtor's continuing revenue.

A claim will be made for payment of these fees from the Reliance Receivership, as costs of litigation in resolution of the District Court Action. To the extent the Debtor pays these fees prior to disbursement of the claim by the Reliance Receivership, the Debtor shall have the right of subrogation to such payment from the Reliance Receivership.

There are presently no fees due and payable to the United States Trustee, and there are no other unpaid post-petition liabilities.

**B.     Secured Claims**

There are no secured claims in this case.

**C.     Unsecured Priority Claims**

There are no unsecured priority claims in this case.



**D. General Unsecured Claims**

The Debtor scheduled \$207,112.72 in general unsecured, non-priority claims owed at the time of the bankruptcy filing. Additional claims have been filed in this case, increasing the total general unsecured, non-priority claims owed at the time of the bankruptcy filing to approximately \$236,000.00. The claims filed post-petition are subject to objection by the Debtor and are not deemed allowed.

**E. Insider Claims**

There are insider claims on behalf of two board members of the Debtor: Fred Mork and Jeff Smith. The total amount of these claims is \$20,000.00, which represents one \$10,000.00 loan to the Debtor from each insider.

**F. Unexpired Leases and Executory Contracts**

The Debtor has not scheduled any unexpired leases or executory contracts. The various agreements with racetracks into which the Debtor regularly enters are not executory contracts, as they are for single annual events, negotiated each year. In addition, the licensing agreement with Metro Racing could be construed as an executory contract allowing Metro Racing to sell merchandise using the AHRMA logo in return for a fee for goods sold, and the Debtor will assume this contract under the Plan.

**G. Members of Debtor**

The Debtor is a nonprofit corporation that is owned by the members. As a non-profit corporation, the Debtor was not formed for the pecuniary gain or profit of its members; and the net earnings or any part of them, and/or any assets upon liquidation or otherwise, is not distributable to its members, directors, officers, or other private persons.

#### **H. Co-Debtors**

The American Motorcycle Association ("AMA") is a co-defendant in the District Court Action. As with the Debtor, the claims against AMA are disputed, unliquidated, and contingent.

### **VII. FINANCIAL CONDITION OF THE DEBTOR**

#### **A. Post-Petition Operations**

The Debtor has continued to operate its business during the post-petition period from its post-petition revenues. No Debtor in Possession financing has been obtained. The Debtor's detailed monthly operating reports are available for inspection and copying at the Court Clerk's Office.

#### **B. Expected Future Income**

The Debtor expects to continue to earn income from its operations from sanctioning, organizing, and promoting historic motorcycle races for amateur riders. A more detailed list of the Debtor's anticipated income and expenses for the four-year period following Plan Confirmation is attached hereto as **Exhibit A**. The Debtor expects to have sufficient income to make all Plan payments.

### **VIII. SUMMARY OF THE PLAN**

#### **A. Classification of Claims and Interests**

The Claims of creditors and ownership interest holders under the Plan are divided into the following classes:

- Class 1    Allowed Administrative Claims
- Class 2    Disputed, contingent and unliquidated claims of Team Obsolete Parties
- Class 3    Unsecured Claim of Westerman Ederer Miller & Sharfstein, LLP
- Class 4    Unsecured Claims of Jeff Smith, David Pierce, and Fred Mork

Class 5 Unsecured claim of Bendelow Law Firm, P.C. and Edward M. Bendelow

Class 6 General Unsecured Claims

Class 7 Ownership Interest of Members

**B. Treatment of Claims**

The following is a summary of treatment provided in the Plan to each Class of Claims and Interest:

1. Class 1 Claims: Quarterly fees owed to the United States Trustee will be paid on or before Confirmation. The remaining holders of Class 1 Allowed Claims, shall be fully paid within 10 business days of the latter of: (i) the entry and finality of an order of the Court allowing such claim or (ii) the Effective Date of the Plan, or as otherwise deferred by agreement between the holder of the Claim and the Debtor. The Debtor shall continue to make post-confirmation quarterly fee payments to the United States Trustee until the Plan has been substantially consummated and the Debtor has filed with the Court a Motion for Final Decree pursuant to 11 U.S.C. §350. Any administrative claims representing a liability incurred in the ordinary course of business of the Debtor may be paid in cash in the ordinary course of the Debtor's business after the Confirmation Date. Class 1 Claims include professional fees and reimbursable expenses as stated, but not limited to the particular claims noted in subsection VI, A, beginning on page 6 hereof.

2. Class 2 Claims: Class 2 consists of the disputed, contingent and unliquidated claims of the Team Obsolete Parties. As stated before, the Court ordered estimation of these claims under 11 U.S.C. §502(c) by Order of February 12, 2007. Subsequently, the Debtor and Team Obsolete Parties entered into an Agreed Order providing that these claims "shall not be allowed under 11 U.S.C. §502 of the Bankruptcy Code." Additionally, the Agreed Order

provides that the pre-petition claims of the Team Obsolete Parties "shall be discharged in a confirmed plan of reorganization which provides for such discharge." In consideration of the Team Obsolete parties' agreement to this treatment of its claims, the Debtor agreed to not to pursue or assert any claim for attorneys' fees and costs against the Team Obsolete Parties. Therefore, pursuant to the Agreed Order of June 28, 2007, the Team Obsolete Party claims are not allowed, and will be discharged in the Debtor's Plan.

3. Class 3 Claims: Class 3 consists of the Unsecured Claim of Westerman Ederer Miller & Sharfstein, LLP in the amount of \$170,621.20. The Class 3 Claimant shall be paid in full in 84 equal monthly installments in the amount of \$2,031.20.

A claim has been made against the Reliance Receivership for payment of the Class 3 Claim. Pending the resolution of the Receivership Claim, the Debtor shall pay the monthly installments in the amount of \$2,031.20 to the Class 3 Claimant, beginning on the effective date of the Plan until payment of the Receivership Claim. In the event that Class 3 Claimant is not paid in full from the net proceeds of the Receivership Claim and/or the monthly payments of \$2,031.20 per month, then the remaining balance shall be paid by the Debtor to the Class 3 Claimant in the amount of \$2,031.20 per month until the Class 3 Claimant is paid in full. In the event that the proceeds from the Receivership Claim, the disbursed monthly payments of \$2,031.20 per month, and/or any other disbursed proceeds pay the Class 3 Claimant in full, then the monthly payments shall cease. A claim will be made for payment of these fees from the Reliance Receivership, as costs of litigation in resolution of the District Court Action. To the extent the Debtor pays the Class 3 Claimant prior to disbursement of the Receivership Claim, the Debtor shall have the right of subrogation to such payment from the Reliance Receivership. No interest shall be paid to the Class 3 Claimant.

4. Class 4 Claims: Class 4 consists of the Unsecured Claims of Jeff Smith, David Pierce, and Fred Mork in the amount of \$10,000.00 for each claimant. The Class 4 Claimants are individual members of the Debtor who loaned money to the Debtor prior to the filing of the bankruptcy case. These members will not be entitled to share in any proceeds from the Receivership Claim. The Class 4 Claimants shall be paid in full in 84 equal monthly installments in the amount of \$119.05 per claimant. No interest shall be paid to Class 4 Claimants.

5. Class 5 Claims: Class 5 consists of the Unsecured Claim of Bendelow Law Firm, P.C., and Edward M. Bendelow. Mr. Bendelow serves as general outside counsel to the Debtor. The Class 5 Claimant shall be paid in full in 84 equal monthly installments in the amount of \$354.34.

A claim has been made against the Reliance Receivership for payment of the Class 5 Claim. Pending the resolution of the Receivership Claim, the Debtor shall pay the monthly installments in the amount of \$354.34 to the Class 5 Claimant, beginning on the effective date of the Plan until payment of the Receivership Claim. In the event that Class 5 Claimant is not paid in full from the net proceeds of the Receivership Claim and/or the monthly payments of \$354.34 per month, then the remaining balance shall be paid by the Debtor to the Class 5 Claimant in the amount of \$354.34 per month until the Class 5 Claimant is paid in full. In the event that the proceeds from the Receivership Claim, the disbursed monthly payments of \$354.34 per month, and/or any other disbursed proceeds pay the Class 5 Claimant in full, then the monthly payments shall cease. A claim will be made for payment of these fees from the Reliance Receivership, as costs of litigation in resolution of the District Court Action. To the extent the Debtor pays the Class 5 Claimant prior to disbursement of the Receivership Claim, the Debtor shall have the right

of subrogation to such payment from the Reliance Receivership. No interest shall be paid to the Class 5 Claimant.

6. Class 6 Claims: Class 6 consists of the remaining Allowed Unsecured Claims of the Debtor. Based upon the amount of claims in Class 6, totaling less than \$6,000.00, Class 6 Claimants shall be paid in full in 24 equal monthly pro rata installments based upon their Allowed Claim amounts.

7. Class 7 Interests: Class 7 consists of the ownership interests of the members of the Debtor. This Class shall retain ownership of the Debtor.

**C. Summary of Other Provisions of the Plan**

1. Legally Binding Effect. Confirmation of the Plan will bind the Debtor and all creditors and Interest holders, whether or not they accept the Plan. Confirmation will also discharge the Debtor from all debts that arose before the Confirmation Date. The distributions of consideration provided for in the Plan will be in exchange for and in complete settlement, satisfaction and discharge of all Claims and Interests, including any Claim for interest after the Petition Date. On the Confirmation Date, all creditors shall be precluded from asserting any Claim against the Debtor or its property based upon any transaction or other activity of any kind that occurred prior to the Confirmation Date.

2. Modification of the Plan. The Debtor may propose amendments to or modifications of the Plan at any time prior to the Confirmation Date provided that the amended Plan satisfies the requirements of the Code. If the circumstances warrant, after the Confirmation Date and before substantial consummation of the Plan, the Debtor may modify the Plan, provided that the Plan as modified, meets the requirements of the Code, and the Court, after a hearing, confirms the Plan as modified. Unless, within the time fixed by the Court, a creditor

changes its previous acceptance or rejection of the Plan, such previous election shall be deemed applicable to the amended Plan.

3. Post-Confirmation Jurisdiction. The Court shall retain exclusive jurisdiction over this Chapter 11 case for the purpose of determining any matters pertaining to the Plan or the Confirmation Order, as well as determining all disputes, suits or controversies arising out of the Plan and its interpretation, enforcement or consummation. Persons reading this Disclosure Statement should refer to the Plan for a more detailed discussion of the Court's continuing jurisdiction over the Debtor and this case.

4. Post-Confirmation Reporting. Pursuant to Local Rules of court, the reorganized Debtor shall file with the Court, within 30 days following the Effective Date of the Plan, a report of the action taken and progress made toward Plan consummation. The Debtor shall also file such a report by such a report by March 15 and September 15 of each year of the Plan until the case is closed. These reports will be on file with the Clerk of the Bankruptcy Court, Customs House, 701 Broadway, Nashville, Tennessee 37203.

## **IX. LIQUIDATION ANALYSIS**

To obtain confirmation of the Plan, the Debtor must show that each holder of an impaired Claim or Interest has accepted the Plan, or that each holder will receive or retain under the Plan on account of the holder's Claim or Interest, property of a value, as of the Effective Date of the Plan, that is not less than the amount such holder would receive or retain if the Debtor's assets were liquidated under Chapter 7 of the Code on said date.

The Debtor's Plan proposes to pay all Administrative and Unsecured Claims in full. The following liquidation analysis could provide an estimated return of approximately thirty percent to general unsecured creditors, depending on the valuation of the Receivership Claim<sup>1</sup>:

Assets	\$83,262.98
Assets Liquidated	\$83,262.98
Less 10% for Liquidation Expenses and 5% Trustee Commission/Trustee Attorney's Fees	\$12,489.45
Liquidation Value of Assets	\$70,773.53
Secured Claims:	\$0
Approximate Administrative Claims (other than Chapter 7 Trustee)	\$10,000.00
Approximate Priority Claims	\$0
Approximate Total Secured, Administrative and Priority Claims	\$10,000.00
Net Proceeds Available to General Unsecured Creditors	\$60,773.53

In summary, if the assets are liquidated for approximately \$83,262.98, a hypothetical liquidation of the Debtor's assets would be sufficient to pay unsecured creditors approximately 30 cents on the dollar. The Plan provides for the payment of all Administrative and Unsecured Claims in full. Accordingly, the Debtor believes that the distribution proposed in the Plan is preferable to a Chapter 7 liquidation. Therefore, acceptance of the Plan is in the best interest of creditors.

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<sup>1</sup> This liquidation analysis assumes no recovery on the Receivership Claim.



## **X. CONFIRMATION PROCEDURES**

The Plan cannot be consummated unless it is confirmed by the Court. Confirmation of the Plan requires that, among other things, either (i) each Class of Claims or Interests that is impaired by the Plan has voted to accept the Plan by the requisite majority, or (ii) the Plan is determined by the Court to be fair and equitable, as defined by the Code, with respect to Classes of Claims or Interests that have rejected the Plan. The Code also requires that the confirmation of the Plan be in the "best interests" of all holders of Claims and Interests. The Debtor believes that the Plan meets the confirmation requirements of the Code.

### **A. Creditors Eligible to Vote**

Only the votes of Classes whose Claims or Interests are impaired by the Plan will be counted in connection with the confirmation of the Plan. Generally, and subject to the specific provisions of §1124 of the Code, a Class is "impaired" if its legal, equitable or contractual rights attaching to the Claims or Interests of that Class are modified by the Plan. In determining acceptance of the Plan, votes will be counted only if submitted by a holder of an Allowed Claim or Allowed Interest. Claims or Interests may be Allowed by the Court for voting purposes only.

Classes 1, 2 and 7 of the Plan include Classes of Claims that are not impaired under the Plan. All other classes are impaired in the Plan.

### **B. Acceptance Necessary to Confirm the Plan**

For the Plan to be accepted and thereafter confirmed, it must be accepted by at least one Class of Claims which is impaired by the Plan. Under §1126 of the Code, the impaired Class is deemed to have accepted the Plan if: (i) with respect to a Class of Claims, votes representing at least two-thirds in amount and more than one-half in number of Allowed Claims that have voted in that Class have accepted the Plan, and (ii) with respect to a Class of Interests, votes representing at least two-thirds in amount of those Allowed Interests that have voted have

accepted the Plan; provided that the vote of any holder of an Allowed Claim or Allowed Interest whose acceptance or rejection of the Plan was not made in good faith, as determined by the Court, will not be counted.

If a Class of Claims has been impaired by the Plan, the impaired class must accept the Plan. Otherwise, the Court, in order to confirm the Plan, must independently determine that the Plan provides to each holder of a Claim or Interest, as the case may be, of such Class a recovery which has a value, as of the Effective Date, at least equal to the value of the distribution which such holder would receive or retain if the Debtor was liquidated under Chapter 7 of the Code on the Effective Date.

**C. Absolute Priority Rule**

The Plan proposes that the members of the Debtor shall retain their membership interests in all property of the estate. Because the Debtor is a non-profit corporation, the Debtor was not formed for the pecuniary gain or profit of its members, and the net earnings or any part of them is not distributable to its members, directors, officers, or other private persons. Therefore, members could not retain the Debtor's assets upon liquidation, and the absolute priority rule does not apply to this case. Further, the Plan proposes payment in full to Unsecured Creditors. The Absolute Priority Rule provides that a plan is fair and equitable with respect to a rejecting class if the rejecting class receives payment in full over time with interest or as long as no class junior to it receives a distribution under the plan. As demonstrated by the Liquidation Analysis in the Debtor's Disclosure Statement, the Debtor believes that the Plan presents the best option available to maximize the return to all creditors.

**D. Confirmation Without Unanimous Acceptance**

Section 1129(b) of the Code provides that the Plan may be confirmed by the Court despite not being accepted by every impaired Class if: (i) at least one impaired Class of Claims,

excluding the Claims of insiders, has accepted the Plan; and (ii) the Court finds that the Plan does not discriminate unfairly and is fair and equitable to the rejected Classes. Among other things, such a finding would require a determination by the Court that the Plan provides that no holder of an Allowed Claim or Allowed Interest junior to the rejecting Class will receive or retain property or payment under the Plan until or unless such rejecting Class is paid in full.

The Debtor reserves the right pursuant to §1129(b) of the Code to request the Court to confirm the Plan if all of the applicable requirements of §1129(a) of the Code have been met. In addition, the Debtor reserves the right pursuant to §1126(e) of the Code to request the Court to strike any ballot rejecting the Plan cast by any holder of a Claim or Interest which was not cast in good faith.

**E. Hearing on Confirmation of the Plan**

The Court will set a hearing on confirmation of the Plan to determine whether the Plan has been accepted by the requisite number of holders of Claims and Interests and whether the other standards for confirmation of the Plan have been satisfied. The hearing may be adjourned from time to time without further written notice other than an announcement in open Court.

**F. Notice**

Because the Debtor has over 5,000 members, it is cost prohibitive to mail copies of the Disclosure Statement and Plan of Reorganization to the members. Therefore, the members of the Debtor shall be provided notice of the Disclosure Statement and Plan of Reorganization by the Debtor posting the documents on the web site of the American Historic Racing Motorcycle Association upon approval of the Disclosure Statement. The members will be provided an opportunity to object to the Plan of Reorganization after receiving notice. Notice to the members through the website shall constitute all notice required under the Bankruptcy Code and Bankruptcy Rules.

Dated: August 6, 2007

Respectfully submitted,

/s/ Timothy G. Niarhos

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/s/ J.D. Janiec

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