UNTIED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	:	
	:	
Astrocade, Inc.	:	Case No. 2-82-04677
fka Astrovision, Inc.	:	
	:	EIN: 52-1190634
Debtor.	:	

NOTICE TO HOLDERS OF CLAIMS AND INTERESTS
OF APPLICATIONS FOR FEES AND EXPENSE REIMBURSEMENTS

On February 22, 1984 applications for compensation and reimbursement of expenses were filed as follows and are available for review by interested persons in the Clerk's office:

A. Carlisle, Patchen, Murphy & Allison, Attorneys for the Estate filed its Third Application for Interim Compensation in the amount of $39,959.50 and for reimbursement of expenses in the sum of $649.27. This Application covers the period from October 29, 1983 through January 27, 1984.

B. Scott, Walker & Kuehnle, Attorney for the Debtor and Debtor in Possession and Special Counsel for the Trustee filed its Second Application for Interim Compensation for the period December 21, 1982 through April 18, 1983 as Attorney for the Debtor and Debtor in Possession in the amount of $57,000.00. (Interim compensation has previously been allowed for this period in the amount of $10,000 and the Applicant received a $40,000.00 retainer to be applied to the compensation allowed for this period.) For the period April 19, 1983 through January 31, 1984 the Applicant is requesting as Attorney for the Chapter 11 Trustee Interim compensation in the amount of $44,000.00 and reimbursement of expenses in the amount of $1,490.63. (The Applicant was previously allowed interim compensation in the amount of $12,000.00 for the period April 19, 1983 through June 30, 1983 as partial interim compensation.)

Unless written objection to such Applications along with a request for hearing on such objection is filed with the Court and served on Craig M. Stewart, Carlisle, Patchen, Murphy & Allison, 100 East Broad Street, Columbus, Ohio 43215 and George R. Nickerson, Scott, Walker & Kuehnle, 50 West Broad Street, Columbus, Ohio 43215 within twenty (20) days after this date such Applications will be decided by the Court upon the representations included in such Applications without further hearing. If an objection is filed and served a hearing will be held with respect to these Applications on March 14, 1984 at 9:30 a.m., Court Room 130, United States Bankruptcy Court for the Southern District of Ohio, Eastern Division.

ARNOLD M. MALECH
Clerk, U.S. Bankruptcy Court

By _____
Deputy Clerk

Dated and Mailed to
All Parties in Interest
2/23/84

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:	:	
	:	
Astrocade, Inc.	:	Case No. 2-82-04677
fka Astrovision, Inc.	:	
	:	EIN: 52-1190634
Debtor.	:	

NOTICE TO HOLDERS OF CLAIMS AND INTERESTS
OF MOTION FOR AUTHORITY TO COMPROMISE CLAIMS

On January 19, 1984 the Trustee and Debtor filed a Motion for Authority to Compromise Claims which is available for review by interested persons in the Clerk's office.

The Motion seeks authority to compromise a number of significant claims and approve a Settlement Agreement between and among the Union Bank, Nitron, Inc., James H. Guerin, Sierratronics, the Trustee and the Debtor. The proposed compromise which is summarized in the Second Amended Disclosure Statement, resolves all prepetition claims among these parties, fixes the amount of claims of secured creditors, provides for the distribution of collateral to secured creditors, provides for the transfer of certain personal property to the Debtor and other personal property to James H. Guerin, releases numerous claims, and restricts Nitron, Inc. from certain activity in competition with the Debtor.

Unless written objection to such Motion, along with a request for a hearng on such Motion is filed with the Court and served on Counsel for the Estate, Craig M. Stewart, Carlisle, Patchen, Murphy & Allison, 100 East Broad Street, Columbus, Ohio 43215 and Counsel for the Debtor, George R. Nickerson, Scott, Walker & Kuehnle, 50 West Broad Street, 35th Floor, Columbus, Ohio 43215 within twenty (20) days after this date, such Motion will be considered by the Court without further notice or hearing.

ARNOLD M MALECH
Clerk, U.S. Bankruptcy Court

By Judy L Ehlers
Deputy Clerk

Dated and mailed to
all parties in interest

2-14-84

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re:
Astrocade, Inc.
fka: Astrovision, Inc.

Case No. 2-82-04677
E.I.N. 52-1190634

Debtor.

ORDER FIXING TIME FOR ACCEPTANCE OR REJECTION OF PLAN AND SETTING DATE FOR HEARING ON PLAN CONFIRMATION

By Order dated February 13, 1984, a copy of which is attached hereto as Exhibit "A", this Court approved Debtor's Second Amended Disclosure Statement for purposes of §1125 of the Bankruptcy Code. Therefore, IT IS HEREBY ORDERED:

1. That March 12, 1984, is fixed as the final date upon which the holders of claims and interests may file acceptances or rejections of Debtor's Third Amended Plan of Reorganization (the "Plan").

2. That all Plan acceptances and rejections shall be mailed or otherwise delivered to the Clerk of the U.S. Bankruptcy Court at the following address:

   Arnold M. Malech, Clerk
   U.S. Bankruptcy Court
   85 Marconi Boulevard
   Columbus, Ohio 43215

3. That a hearing shall be held on March 14, 1984, at 9:30 a.m., in Room 130, United States Bankruptcy Court, 85 Marconi Boulevard, Columbus, Ohio to consider the results of the Plan voting and to consider such other matters as may properly come before the Court at that time. The hearing may be adjourned from time to time by announcement made in open court without further written notice to parties in interest.

4. That a hearing on confirmation of the Plan shall be held on March 14, 1984, at 9:30 a.m., in Room 130, United States

jm/lb/160

Bankruptcy Court, 85 Marconi Boulevard, Columbus, Ohio. Any party in interest who wishes to object to the confirmation of the Plan must file written objection with this Court and serve a copy thereof upon counsel for the Debtor, as identified below, on or before March 12, 1984. Said hearing on confirmation may be adjourned from time to time by announcement made in open court without further written notice to parties in interest.

BY ORDER OF THE COURT.

Dated at Columbus, Ohio
February 13, 1984

Thomas M. Herbert
U.S. Bankruptcy Judge

Counsel for the Debtor:
George R. Nickerson, Esq.
Scott, Walker & Kuehnle
50 West Broad Street
Columbus, OH 43215
Tele: (614)469-1700

Trustee and Counsel for the Estate
Craig M. Stewart
Carlile Patchen Murphy & Allison
100 East Broad Street
Columbus, OH 43215
Tele: (614) 228-6135

Copies to:

Trustee
Counsel for Debtor
Counsel for Creditors Committee
All parties in interest

jm/lb/160

COPY

ENTERED
ARNOLD M. MALECH CL
U. S. BANKRUPTCY COU

FEB 13 1984

SOUTHERN DISTRICT OF
BY _____ DEPUTY CLERK

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re: Case No. 2-82-04677

Astrocade, Inc. E.I.N. 52-1190634
fka: Astrovision, Inc.

Debtor.

ORDER APPROVING SECOND AMENDED DISCLOSURE STATEMENT

This matter came on for hearing pursuant to written notice to all holders of claims or interests in this proceeding for the purpose of determining whether the Disclosure Statement which was filed by the Debtor on December 21, 1983 and amended on January 16, 1984, and February 10, 1984, contains adequate information with respect to the Third Amended Plan of Reorganization which was filed by the Debtor on February 10, 1984. Upon consideration, this Court finds that said Second Amended Disclosure Statement does contain "adequate information" -- as that term is defined in §1125(a) of the Bankruptcy Code -- with respect to the Debtor's Third Amended Plan of Reorganization. Accordingly, it is hereby ORDERED that said Second Amended Disclosure Statement be and it hereby is, approved for purposes of §1125 of the Bankruptcy Code.

IT IS SO ORDERED.

Dated at Columbus, Ohio
February 13, 1984

Thomas M. Herbert
U.S. Bankruptcy Judge

Copies to:

Trustee
Counsel for Debtor
Counsel for Creditors Committee
All Parties in Interest

CARLILE PATCHEN MURPHY & ALLISON
100 EAST BROAD STREET
COLUMBUS, OHIO 43215

3rd Febr

Zacks, Luper & Wolinetz Co., L.P.A.

Attorneys at Law

1200 LeVeque Tower

50 West Broad Street

Columbus, Ohio 43215-3374

AREA CODE 614
TELEPHONE 221-7663

ARNOLD O. ZACKS
FREDERICK M. LUPER
BARRY H. WOLINETZ
MARK J. SHERIFF
K. WALLACE NEIDENTHAL
STANLEY L. MYERS
WILLIAM B. LOGAN, JR.
ROGER T. WHITAKER
GORDON P. SHULER
NODINE MILLER
HENRY P. WICKHAM, JR.
JEFFREY R. JINKENS
DEBORAH P. ECKER
MARK S. MILLER
MICHAEL J. WEISZ
J. MICHAEL NESSER
AMYSUE TAYLOR

JOHN T. SHARPE
COUNSEL

February 13, 1984

TO: THE CREDITORS OF ASTROCADE, INC.

The undersigned is co-counsel to the Official Creditors' Committee of Astrocade, Inc. The purpose of this letter is to express the Committee's support for the attached Plan of Reorganization.

The Committee arduously negotiated with the debtor and the Plan proponents to obtain the best possible Plan for creditors. The Committee believes that the enclosed Plan is the only viable alternative to liquidation.

The Committee recommends acceptance of this Plan by execution of the appropriate acceptance form. Please return the acceptance as soon as possible so that confirmation may be obtained on March 14, 1984.

Yours truly,

Fred M Lup

Frederick M. Luper
Co-Counsel to
Official Creditors' Committee

FML:mt
Enclosure

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re: Case No. 2-82-04677

Astrocade, Inc. E.I.N. 52-1190634
fka: Astrovision, Inc.

Debtor.

BALLOT FOR ACCEPTING OR REJECTING PLAN

The Plan referred to in this ballot can be confirmed by the Court and thereby made binding on you if it is accepted by the holders of two-thirds in amount and more than one-half in number of claims in each class and the holders of two-thirds in amount of equity security interests in each class voting on the plan. In the event the requisite acceptances are not obtained, the Court may nevertheless confirm the plan if the Court finds that the Plan accords fair and equitable treatment to the class rejecting it. To have your vote count you must complete and return this ballot.

The undersigned after having received Astrocade Inc.'s Third Amended Plan of Reorganization and Second Amended Disclosure Statement, together with the Court's Order and Notice dated February 13, 1984 by signing below, hereby

[ ] Accepts

[ ] Rejects

[Check ONE Box]

the Third Amended Plan of Reorganization of Astrocade, Inc.

Dated:_____

_____
Name (Please print or type)

By_____
Authorized signature

This ballot must be received by Clerk, United States Bankruptcy Court, 85 Marconi Blvd., Columbus, Ohio 43215 no later than March 12, 1984.

jm/lb/223

CARLILE PATCHEN MURPHY & ALLISON
100 EAST BROAD STREET
COLUMBUS, OHIO 43215

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

1984 FEB 10 AM 11:35

In re	:	
	:	
Astrocade, Inc.	:	Case No. 2-82-04677
fka Astrovision, Inc.	:	EIN: 52-1190634
	:	
Debtor.	:	

THIRD AMENDED PLAN OF REORGANIZATION

Craig M. Stewart, Chapter 11 Trustee, Astrocade, Inc., a Delaware Corporation and the Debtor herein, and Parent Industries, Inc., hereby propose the following plan of reorganization:

ARTICLE I

DEFINITIONS

For the purpose of this plan of reorganization the following definitions shall apply unless the context otherwise requires:

1. "Court" shall mean the United States Bankruptcy Court for the Southern District of Ohio, Eastern Division.

2. "Code" shall mean the Bankruptcy Code of 1978 as set forth in Title 11 of the United States Code.

3. "Chapter 11" shall mean Chapter 11 of the Code.

4. "Confirmation" shall mean the entry by the Court of a final order confirming the plan of reorganization of the Debtor under Chapter 11.

5. "Effective Date" shall mean thirty (30) days after the date on which the confirmation becomes final and nonappealable.

6. "Debtor" shall mean Astrocade, Inc.

7. "Plan" shall mean this plan of reorganization as amended or supplemented.

8. "Official Creditors Committee" shall mean that Creditors

Committee appointed by Order of the Court dated January 4, 1983 and any successor members thereto.

9. "Arcades", "Cassettes", and "Hand Controls" are terms of art used in the video game industry referring to the products sold by the Debtor during the term of this plan.

ARTICLE II

CLASSIFICATION OF CLAIMS AND INTERESTS

Claims are classified with respect to the Debtor as follows:

Class A-1: All debts having priority under §507(a)(1) of the Code.

Class A-2: All debts having priority under §507(a)(3) of the Code.

Class A-3: All debts having priority under §507(a)(6) of the Code.

Class B-1: All allowed claims of James H. Guerin.

Class B-2: All allowed claims of Nitron, Inc.

Class B-3: All other allowed secured claims.

Class C-1: All other allowed claims, including unsecured claims.

Class D-1: Interests of equity security holders.

ARTICLE III

CLASSES OF CLAIMS NOT IMPAIRED

The following classes of claims are not impaired under the plan of reorganization and each claim within the following classess shall be paid in full, or at the election of the Debtor, the property in which the holder of a claim has an interest shall be abandoned thereto within thirty (30) days following the final determination of such claim.

1. Class A-2.

2. Class B-3.

ARTICLE IV

CLASSES OF IMPAIRED CLAIMS

The following classes of claims are, or may be, impaired and will treated as follows in full satisfaction of the claims within each class:

1. Class A-1: Each allowed claim in Class A-1 shall be paid its prorata share of all allowed claims within this class until all such claims are paid in full from the following funds:

   a) Upon the allowance of such claims the funds remaining in the possession of the Trustee on the effective date after distribution of one million dollars to James H. Guerin pursuant to §IV.3(a), $500,000 to Nitron, Inc. pursuant to §IV.4, and the reservation of operating capital for the Debtor in the amount of $150,000 for the period from confirmantion through July 31, 1984. In the event that the amount of such remaining funds plus the amount of any interim compensation paid to claims in Class A-1 is less than $300,00.00, Parent Industries, Inc. shall contribute sufficient cash so that at least $300,000.00 is available for payments in this Class A-1 upon the effective date;

   b) After the initial distribution pursuant to §IV.1(a), all accounts receivable and all proceeds of inventory remaining after distribution to Class C-1, but prior to any further distribution to Class B-1.

2. Class A-3: All allowed claims included in Class A-3 shall be paid in full with interest at the rate from time to time established pursuant to §6621 of the Internal Revenue Code in deferred cash payments of a value, as of the effective date of the plan, equal to the allowed amount of such claim in equal consecutive quarterly installments sufficient to fully amortize said claims within six years after the date of assessment.

3. Class B-1: The claim of the Union Bank shall be satisfied by James H. Guerin ("Guerin") upon such terms as are mutually agreed upon by the Union Bank and Guerin and Guerin shall become subrogated pursuant to §509 of the Code to the rights of

Union Bank to the extent of all payments made by Guerin to the Union Bank with respect to the Debtor's liability. The allowed claim of Guerin plus interest thereon at the prime rate of the Union Bank shall be secured by the continuation of a security interest in all of the Debtor's assets and paid in full as follows subordinate to the obligations to Classes A-1 and C-1 set forth herein:

a) One million dollars from the postpetition collection of prepetition accounts receivable from Montgomery Ward & Co., Incorporated.

b) All accounts receivable and all proceeds of inventory or other pre-petition assets of the Debtor.

c) All funds held in trust by Scott, Walker & Kuehnle which the Bankruptcy Court orders to be paid to the Debtor or the Union Bank in connection with "Union Bank v. Astrocade, Inc." Case No. 2-82-04677, Adversary No. 2-83-0020 United States Bankruptcy Court for the Southern District of Ohio, Eastern Division.

d) All monies received by Astrocade from Montgomery Ward & Co., Incorporated for the cancellation of purchase orders dated prior to October 29, 1982.

e) Commencing after confirmation consecutive monthly installments of Two Hundred Thousand Dollars and 00/100 ($200,000.00) provided and to the extent that the Debtor has sufficient cash with which to make such payments in any given month after payment of or reserving funds for all current operating expenses and payments to other classes under this plan.

4. Class B-2 The allowed claim of Nitron, Inc. shall be satisfied and paid as follows:

Five Hundred Thousand Dollars and 00/100 ($500,000.00) from the postpetition collection of prepretition accounts receivable from Montgomery Ward & Co., Incorporated.

5. Class C-1: All allowed claims included in Class C-1 shall be paid their prorata share of all allowed claims within this class by the plan escrow agent from the plan escrow fund.

a) The plan escrow fund shall be composed of royalties paid by the Debtor with respect to sales by the Debtor commencing with the fourth calendar quarter of 1983 and continuing for a period of five years following the confirmation of the plan according to the following schedule:

(1) For each sale of currently produced arcades, $5.00 if the sale price of the arcade is $150.00 or more, $4.00 if the sale price of the arcade is between $141.00 and $150.00, $3.00 if the sale price of the arcade is between $131.00 and $140.00, $2.00 if the sale price of the arcade is between $110.00 and $130.00; and $1.00 if the sale price of the arcade is below $110.00.

(2) $.50 for each cassette

(3) $.25 for each pair of hand controls

(4) 5% of any royalties received by the Debtor.

(5) Any new products sold by Debtor shall yield a similar royalty payment, but not to exceed the above schedules. Such royalty to either be negotiated by agreement with the Creditors Committee or submitted to the Court, upon proper notice and application for a judicial determination of the proper royalty payment.

b) Payments by the Debtor to the plan escrow fund shall be made within thirty (30) days following the end of each calendar quarter commencing with the first calendar quarter after the effective date based upon net receipts during the preceding calendar quarter (or such additional period for which royalties are due and unpaid in the case of the initial payment) taking into account the Debtor's usual practice relating to reserves established for return, defects, or other allowances.

c) Each payment made hereunder shall be accompanied by a report certified by the Debtor or its authorized agent showing the number and type of products sold during the preceding quarter for which a royalty is due. The Debtor shall keep true and accurate records in sufficient detail to permit verification of the royalty reports and payments to be made hereunder. Debtor shall provide the plan

escrow agent annually with a letter from the Debtor's independant accountants certifying the Debtor 's compliance with the reporting requirements and royalty payments. The plan escrow agent may rely upon such reports as conclusive evidence of the royalty payments due from the Debtor, however, the plan escrow agent shall not be precluded from reasonably requesting or receiving any other records which it may deem necessary to properly calculate any payments to be made or received hereunder.

d) Commencing with the next calendar quarter after the final determinaton of all claims in Class C-1 the plan escrow agent shall make distributions to creditors in this Class C-1 on a quarterly basis within fifteen (15) days after the receipt of the royalty from the Debtor.

6. Class D-1 The interests of all allowed claims in Class D-1 shall be canceled.

ARTICLE V

MEANS OF EXECUTION OF THE PLAN OF REORGANIZATION

As consideration for the issuance of all of the Debtor's newly created common stock to Parent Industries, Inc. upon confirmation of the plan James H. Guerin will defer repayment of all cash collateral used during the Chapter 11 proceedings (in the approximate amount of $350,000) for which a super priority was granted by the Court and will defer payments in Class B-1 not to exceed $500,000 (other than the distribution of the initial one million dollars pursuant to §IV.3(a) of this Plan) which funds shall be used by the Debtor to pay allowed claims in classes A-1 and A-2, to cure defaults in executory contracts being assumed, and to provide the Debtor with initial operating capital. Parent Industries, Inc. will contribute cash to the extent required such that at least $300,000.00 (less the amount of any interim compensation paid) is available to pay claims in Class A-1 and at least $150,000.00 is available to the Debtor as operating

capital for the period from confirmation through July 31, 1984. The payment of allowed claims in classes B-2 and B-3 shall be made from the collateral securing such claims. The payment of claims in class B-1 shall be made from the collateral securing such claims and from funds generated through the continued operation of the Debtor's business. The payment of allowed claims in classes A-3 and C-1 and any unpaid allowed claims in Class A-1 shall be made from funds generated through the continued operation of the Debtor's business.

The manufacture of arcades, cassettes, and hand controls shall be performed pursuant to an Agreement between the Debtor and Daejin Audio Co. Ltd., a corporation organized and existing under the laws of Korea.

The Board of Directors shall be initially composed of five members including Leon E. Wolford, Ray George, Michael Peck, Robert Jacobson, and an individual mutually agreeable to Parent Industries, Inc. and the Creditors Committee.

ARTICLE VI

PROVISIONS REGARDING DEBTOR'S SECURITIES

As of the effective date of the plan, the Debtor's Corporate Charter or Articles of Incorporation shall be revised and amended to the extent required by §1123 of the Code. All of the existing securities of the Debtor shall be cancelled and all of the shares of a newly created class of common stock of the Debtor shall be issued to Parent Industries, Inc.

ARTICLE VII

DEFAULT

The occurrence of any of the following shall constitute an "Event of Default" under this plan:

(a) The failure of the Debtor to pay any of the royalty payments, which failure remains uncured for a period of twenty (20) days, after written notice to Debtor, unless such payment has been postponed in accordance with the provisions of this plan;

(b) The failure of the Debtor to comply with any of the convenants contained in this plan, which failure remains uncured for a period of twenty (20) days after the Debtor has received written notice by certified mail, return receipt requested, of such failure;

(c) The entry of a decree or order for relief by a court of competent jurisdiction in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law or the appointment of a receiver, liquidator, assignee, custodian, trustee or other similar official for all or any substantial part of the property of the Debtor, and the continuance of any such decree, order or appointment unstayed and in effect for a period of sixty (60) consecutive days.

(d) The commencement by the Debtor of a voluntary case under the federal bankruptcy laws, as now constituted or hereinafter amended, or any other applicable federal or state bankruptcy, insolvency or similar law, or the making by it of any assignment for the benefit of creditors;

(e) The entry of a judgment by a court of competent jurisdiction against the Debtor and the scheduling of a sale of any substantial part of its assets pursuant to any formal legal proceeding instituted against the Debtor, and the Debtor shall not have discharged or vacated the lien of such judgment or legal proceedings within at least five (5) days before the date scheduled for such sale; and

(f) The failure of the Debtor to pay any taxes as a result of which any action shall have been taken to foreclose upon any lien for such taxes on the Debtor's property.

Upon occurrence of an Event of Default, which remains uncured for twenty (20) days after notice, then the Creditors Committee may declare a default under the plan, and Debtor shall then be liable to the creditors for the difference between the amount paid and 50 percent of the creditors' claims in Class C-1.

ARTICLE VIII

EXECUTORY CONTRACTS

The Debtor specifically affirms and assumes the Executory Contract dated August 15, 1980 between Bally Manufacturing Corporation and Astrovision, Inc. together with all subsequent addenda and modifications thereto. The Debtor specifically affirms and assumes any obligations to end consumers created by the standard warranty given with each product sold with respect to both pre-petition and post-petition sales. The Debtor may by separate document, affirm and assume certain additional executory contracts and unexpired leases, including contracts for development of software programs, leases for office space, equipment, and machinery used by the Debtor in the ordinary course of business within thirty (30) days

following the effective date. This affirmation and assumption of executory contracts shall be effective upon the effective date at which time the Debtor shall cure any and all defaults and provide adequate assurance of future performance. All executory contracts and unexpired leases of the Debtor not assumed in writing, shall be deemed rejected as of the effective date, and the claim arising from such rejection shall be included with Class C-1.

ARTICLE IX

GENERAL PROVISIONS

Jurisdiction of the Court

The Court shall retain jurisdiction of these proceedings to determine the classifications, validity and amount of claims; to allow or disallow any and all claims herein to which any proper party to these proceedings objects, including the Debtor; to determine damages suffered by any party to an executory contract rejection; to conduct hearings on valuation, as necessary; to determine whether the Debtor is entitled to recover against any person or persons on any claim, whether arising out of avoidable preference or other cause of action available by or to a trustee in bankruptcy; fixing compensation, allowances and reimbursement of expenses for administrative claimants; to determine the rights of the Debtor against other parties through adversary proceedings; to hear and determine controversies concerning and to adjudicate interests in the property of the Debtor; and to secure the execution of the provisions of this plan of reorganization or any amendment or modification hereof.

Trustee and Plan Escrow Agent

Craig M. Stewart, 100 East Broad Street, Columbus, Ohio 43215 shall continue to serve as Chapter 11 Trustee in all matters pending at the date of confirmation to be compensated as provided by the Code and Mr. Stewart shall also be the plan escrow agent. The plan escrow agent shall be entitled to a fee of one (1%) percent per year of disbursements made by him payable from the plan escrow fund. The Trustee and plan escrow agent may hire counsel whose fees shall be paid from the plan escrow fund after notice and a hearing upon application to the Court. The Trustee and Plan Escrow Agent shall be authorized to make all payments set forth in this plan without application to or separate authority from the Court.

Creditor's Committee

A. In the event of the death or resignation of any member of the Creditors Committee, the creditor whom he represented may substitute a successor in his place. In the event that such creditor shall fail to designate a successor within thirty (30) days after such vacancy shall have occurred, the remaining members of the Committee shall have the right to designate a successor from among the General Unsecured Creditors. If the Committee is notified in writing that any member of the Committee is no longer associated with the creditor by whom he was nominated, such member of the Committee shall be deemed to have resigned from the Committee, and the vacancy shall be filled in the manner specified above.

B. If any member of the Creditors Committee assigns his claim or releases the Debtor from payment of the balance of his claim, such act shall constitute a resignation from the Committee. The

assignee of the claim of any member of the Committee shall not be entitled to nominate a new member of the Committee. Until a vacancy on the Committee is filled the Committee shall function in its reduced number. In the event of the death or resignation of the Chairman of the Committee, his successor shall be elected by the remaining members of the Committee.

C. The Creditors Committee may act in either a meeting or by writing (including telegram and cable). The actions of a majority of the Committee, whether in meeting or expresed in writing, shall for all purposes constitute the action of the Committee. A majority of the Committee shall constitute a quorum at a meeting. Meetings of the Committee shall be called either by the Chairman of the Committee, its Secretary or its counsel, on such notice to all members an in such manner as the Committee may deem advisable. The Committee may retain such other persons as it may, in its sole discretion, deem neccessary and advisable.

D. The individual members of the Creditors Committee shall serve without compensation, but shall receive reimbursement of reasonable expenses incurred as a result of serving on the Committee. In the event that services are reasonably required of counsel or accountants for the Committee subsequent to confirmation, the Debtor shall pay, after notice and a hearing upon application to the Court, all allowed fees and expenses.

Full Satisfaction and Release of Claims

Upon confirmation the provisions of this plan shall constitute full and complete satisfaction of the claims and interests as set forth herein. All creditors of the Debtor shall be deemed to have

waived and released all rights or claims arising out of transactions with or relating to the Debtor against the Debtor, Nitron, Inc., Union Bank, James H. Guerin and their successors and assigns, including without limitation the distribution of payments pursuant to this plan to all classes including Class B-1, and any right or claim arising out of the sale of inventory of the Debtor to Nitron, Inc. by agreement dated June 22, 1982 because of any failure to comply with the Bulk Transfer or Sales provisions of the Uniform Commerical Code.

Except as set forth in this Plan of Reorganization and the Disclosure Statement pertaining thereto, as of the effective date the Debtor, its shareholders officers, directors, employees, agents, successors and assigns, Raymond George, and the Trustee shall be deemed to release and forever discharge the Union Bank, James H. Guerin, PHD Associates, Michael Peck, ESI London, and their officers, directors, employees, agents, successors and assigns from all actions, causes of action, claims, demands, and liabilities of every nature and description, in law or in equity, whether known or unknown, arising out of or by reason of any transaction or relationship between the parties relating to the Debtor prior to the effective date. Upon the effective date, the Debtor and Trustee shall dismiss with prejudice and release all claims made in Astrocade, Inc. vs. James Guerin, et al., Adversary No. 2-83-0063 and Astrocade, Inc. vs. ESI London, et al., Adversary No. 2-83-0064 pending in the United States Bankruptcy Court for the Southern District of Ohio Eastern Division.

Upon the effective date of the plan, the Debtor, its shareholders, officers, directors, employees, agents, successors and assigns

James H. Guerin, PHD Associates, Michael Peck, ESI London, their agents, successors and assigns shall be deemed to release and forever discharge Raymond George and his successors and assigns from all actions, causes of action, claims, demands, and liabilities of every nature and description in law or in equity, whether known or unknown, arising out of or by reason of any transaction or relationship between the parties relating to the Debtor prior to the effective date. The Union Bank and James H. Guerin shall dismiss with prejudice Union Bank vs. Raymond George, Case No. 83CV-03-1674 pending in the Franklin County, Ohio Court of Common Pleas.

Financial Reporting

The Debtor shall, during the term of the plan employ a firm of accountants reasonably acceptable to the Creditors Committee who shall prepare and deliver to the Debtor, the Creditors Committee and its counsel quarterly and annual financial statements. The Debtor shall allow during reasonable hours any member of the Creditors Committee or accountant appointed by said Creditors Committee to review the Debtor's books and records.

ASTROCADE, INC.

Dated: 2/10/94

By _____
Raymond George

PARENT INDUSTRIES, INC.

By _____
James H. Guerin

_____
Craig M. Stewart, Trustee

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF OHIO
EASTERN DIVISION

In re	:	
	:	
Astrocade, Inc.	:	Case No. 2-82-04677
fka Astrovision, Inc.	:	
	:	EI#: 52-1190634
Debtor.	:	

SECOND AMENDED DISCLOSURE STATEMENT

I. INTRODUCTION

On December 29, 1982 Astrocade, Inc. formerly known as Astrovision, Inc. filed its voluntary petition for reorganization pursuant to Chapter 11 of Title 11 of the United States Code with the United States Bankruptcy Court for the Southern District of Ohio. Between the date of the filing of the petition and April 13, 1983 Astrocade continued in possession of its property and, as Debtor in Possession, managed its property and operated its business. On April 13, 1983 Craig M. Stewart was appointed to serve as Trustee in the Chapter 11 proceeding and since that time has assumed possession of the Debtor's property and operated the Debtor's business. On October 7, 1983 a Plan of Reorganization was filed by Craig M. Stewart, Chapter 11 Trustee, Astrocade, Inc., the Debtor, and Parent Industries, Inc. On 2/10/84 a Third Amended Plan of Reorganization was filed and is the plan referred to herein. Pursuant to 11 U.S.C. §1125 this Second Amended Disclosure Statement is being filed for the Court's approval for submission to all of the known holders of claims or interests with respect to the Debtor to solicit the acceptance of the Plan of Reorganization. The purpose of this Disclosure Statement is to provide the holders of claims against or interests

in the Debtor with adequate information about the Debtor, its business, and the Plan of Reorganization to make an informed judgment with respect to accepting or rejecting the terms of the Plan.

The information contained in this Disclosure Statement has been submitted by the Debtor's management based upon the Debtor's records, current market conditions, past experience, and generally available market reports and studies pertaining to the video game industry. The information contained herein has not been subject to a certified audit. The accuracy of the information in this Disclosure Statement is dependant upon the accuracy of the sources used by management in its preparation. Although great effort has been made to be accurate in all material respects, the Debtor is unable to warrant or represent that all of the information contained herein is without inaccuracy. Neither the Bankruptcy Court nor any other party to this proceeding has passed upon the accuracy of the information contained herein. No representations, other than those set forth herein concerning the Debtor, (particularly as to its future business operations or value of its property) are authorized by the Debtor, the Trustee, or Parent Industries,Inc. Any representations or inducements made to secure acceptance or rejection of the Plan of Reorganization which are other than as contained in this Disclosure Statment should not be relied upon in arriving at a decision, and such additional representations and inducements should be reported to counsel for the Debtor. Scott, Walker & Kuehnle, Counsel for the Debtor has not verified the information set forth in this Disclosure Statement,

although Counsel has no actual knowledge of any inaccuracies.

Each holder of a claim or interest is encouraged to read the contents of this Disclosure Statement before making a decision to accept or reject the Plan of Reorganization. Particular attention should be directed to the provisions of the Plan affecting or impairing claims or interests. The summary of the Plan is set forth in this Disclosure Statement is qualified in its entirety by reference to the full text of the Plan, a copy of which is attached hereto as Exhibit A. The terms used in the Disclosure Statement have the same meaning as defined in the Plan unless the context otherwise requires.

II. General History and Background

The company was incorporated in the State of Delaware on July 3, 1980 as Astrovision, Inc. By Certificate of Amendment filed April 2, 1982 the company changed its name to Astrocade, Inc. to avoid confusion with other companies using names similar to Astrovision. The Company was formed by Raymond George together with a small investment group organized primarily by James H. Guerin for the purpose of acquiring the rights to manufacture and market the Bally Arcade Video Game and Home Computer System. On August 15, 1980 an agreement was entered into between the company and Bally Manufacturing Corporation whereby the company acquired from Bally a five year worldwide exclusive license to certain domestic and foreign patents, patent applications, and inventions enabling the company to practice the technology, manufacture, and sell video game and home computer systems derived from the Bally Arcade. The company also acquired in that Agreement various component parts inventory, finished goods, test equipment,

tooling, and other assets directly related to the Bally Arcade. Although the company also acquired the right to use the "Bally" trademark, that right expired on December 31, 1981 and is no longer available to the company. As consideration the company paid Bally approximately One Million Six Hundred Fifty Thousand Dollars ($1,650,000.00) during 1980, 1981, and 1982 plus royalties based upon product sales. The company's obligation to Bally Manufacturing Corporation for the continued enjoyment of the Agreement includes the payment of past due royalties for the fourth quarter 1982 in the approximate amount of Twenty-five Thousand Dollars ($25,000.00) plus royalties of three percent (3%) of all net sales of product until August 15, 1985. At that time, the company retains a paid up nonexclusive right and license in the patents, patent applications, and inventions to continue the practice of the technology.

The product consists of a programmable home video game and micro computer system operated in conjunction with a television set. The arcade includes a 24 position keyboard that may also be used as a five function ten digit memory calculator, three built in video games, and two eight-way hand held controls. The arcade offers four player positions and the company markets additional hand controls as an accessory. The arcade has the capacity to display 256 color variations and is equipped with sound effects generated by a three channel music synthesizer and sound generator. A Z-80 Micro-processor provides built in memory of 12,000 bytes. The use of the custom chip set originally developed by Bally and the configuration of the hand controls

has given the arcade industry wide recognition for its technological level. Continued research and development has led to improvements and refinements in the original arcade and the company believes the arcade remains competitive on a technological level with similarly priced products in the industry.

The company also markets a Basic cartridge which allows the operation of the arcade as a home computer with a variety of educational and creative applications. The Basic cartridge is a self-teaching computer programming cartridge which has a built in audio interphase system permitting the permanent storage of consumer created programs on cassette tapes.

The company currently offers approximately 36 video games including space, adventure, sports, strategy, action and skill, and educational programs. With the exception of the three games built into the arcade the remaining games are offered as accessories in preprogrammed cassettes.

The company is also researching the development of a Z-Grass system which would permit the use of the arcade as a home computer with a full range of typical home computer applications. The Z-Grass system would include a 60 key typewriter style keyboard and an additional 100,000 bytes of memory (64K-RAM, 32K-ROM and 4K SCREEN-RAM). The Z-Grass system would permit standard interfacing with a variety of peripheral accessories designed and offered by independent vendors including compatibility with most standard floppy disc systems. Although final determination cannot be made until the development reserach is completed, management believes that the arcade and Z-Grass system can be offered at a

competitive price with other combination video game and home computer systems.

Until March, 1982 the company purchased its own component parts inventory and subcontracted the assembly of the arcade to E. F. Johnson Company and Sierratronics, Inc. The cost of maintaining the component parts inventory was a substantial burden on the company and in June, 1982 the company sold its component parts inventory to Nitron, Inc. From that time on it was anticipated that Nitron, Inc. would purchase component parts inventory on its own account and handle the manufacturing of the arcade as well as software cassettes. The new subcontract for manufacturing with Nitron, Inc. was also designed to cure certain quality control problems which the company had experienced previously as a result of not having quality control personnel on site at the assembly operation. As a result of Astrocade's inability to pay Nitron, Inc. due to the company's financial condition combinded with the financial condition of Nitron the production of product during the last half of 1982 was sporatic and there was no continuing production of new product at the time of the commencement of the Chapter 11 proceeding. After the filing of the Chapter 11 proceeding arrangements were made for the production of limited quantities of software to fill various orders. With the exception of the custom silicon data chip set which is currently obtainable only from a single source, multiple sources of supply are available for virtually all of the materials and components comprising the company's products.

The company's products are presently serviced by E. F. Johnson Company at its facility in Garner, Iowa. The Plan

provides that the company will continue to honor the standard warranty given with each product sold with respect to both pre-petition and post-petition sales to the end consumer. Subsequent to confirmation the Debtor may use a different facility for warranty and repair service. The company's warranty program provides an over-the-counter exchange during 90 days following purchase. These products are returned by the retail seller to be repaired and placed in new and saleable condition. In addition, consumers return products outside the 90 day warranty period and pay a flat fee for repairs. Historically, the fees paid by consumers have been sufficient to support the repair not only of the out-of-warranty but also the in-warranty products.

The company distributes products through several channels of distribution including direct sales to in-house accounts and a network of representatives and distributors. The company's largest single account has been Montgomery Ward which comprised approximately one-third of the company's total sales since its formation.

During 1982 the rate of growth in the industry slowed from its tremendous growth during 1981. Notwithstanding the slower rate of growth the industry volume was up an estimated 90% from 1981. Industry analysts generally believe this growth trend will continue but at somewhat slower rates of increase. Notwithstanding the rapid growth in the industry during the last several years, estimated penetration of the United States television households was estimated at about 18% at year end 1982. During 1982 the industry experienced overstocking of inventory, and in particular

software games. The industry also was entered by a number of software companies producing large volumes of relatively low quality games. The introduction in the second half of 1982 of the ColecoVision System demonstrated to many market analysts, however, the continuing viability in the industry of systems with high resolution, good graphics, and quality software. At year end 1982 the saturation of the foreign market was only estimated to be approximately 3% making this market significant for the future of the industry.

The management of the debtor believes that the Astrocade system and games compete on a technological level with the quality of systems and games offered by the chief competitors during 1982, however, such competitors control the vast majority of the market share. The debtor is not anticipated to have the necessary resources to compete for any significant market share. Although Atari, the industry leader, enjoyed an increase in both console and game sales in 1982 from 1981, Atari's market share was eroded by the introduction of the ColecoVision system and the market share of software games was eroded by the introduction of independent manufacturers of Atari compatible games.

The sales of the debtor for the year ending December 31, 1981 were approximately 9.4 million dollars net of discounts, returns and allowances. Although sales at year end 1982 increased to approximately 11.2 million dollars net of discounts, returns and allowances, approximately 4 million dollars of such sales are the subject of pending disputes. Due to the cash flow problems of the debtor and the traditionally slow market period during

the first half of the calender year following the Christmas season, the debtor's sales since the filing of the Chapter 11 petition have been negligible. Management believes, however, that sales levels can be restored to previous levels with a steady growth rate with the introduction of the product into foreign markets. The debtor has completed the research and development necessary to manufacture the console to be compatible with both the NTSC television format used in the United States and portions of Asia and the PAL television format used in most of Europe. Marketing of the console in Europe requires the finalization, however, of a 50 Hertz Data Chip so that the console will provide full screen display on older European televisions. Management presently believes the 50 Hertz Data Chip can be finished at a cost of approximately $30,000.00.

During 1981 the company had continuing cash flow difficulties due primarily from the costs of acquiring and maintaining component parts inventory for the manufacture of the console. The continued expense of supporting the manufacturing process led the company, however, at year end 1981 to seek additional sources of capital. These efforts resulted in an agreement entered into in approximately February, 1982 between the original investor group and Roger Greenman in which Mr. Greenman, among other things assumed the role of Chief Operating Officer and Chief Executive Officer and obtained the right to acquire controlling stock in the company. Continued efforts to raise capital led to an agreement (the effect and validity of which is subject to dispute) entered into in May, 1982 with Quaker Oats Company. Quaker Oats Company, the

parent of Fisher Price Toys purchased one million shares of the debtor's stock for the cash price of $3,000,000.00. Pursuant to the terms of the agreement Quaker Oats exercised its option to rescind the stock purchase and convert the three million dollar infusion of funds to debt, all of which was to be repaid during 1982.

At the outset of 1982 the company's right to use the Bally trademark expired and the company planned to market its products under its corporate name of Astrovision. After incurring substantial advertising and promotional expenses to introduce the Astrovision name, it became apparent that the confusion and conflicting claim of rights to that name prevented its use by the company. Thereupon, the Astrocade name was selected. This caused an unfortunate duplication in the expense of gaining market recognition. The company paid through direct media and cooperative advertising approximately 3.5 million dollars in 1982 and incurred a roughly similar amount which remained unpaid at the filing of the Chapter 11 petition.

The extensive advertising and promotion expense of gaining market recognition under the name Astrocade, and the interruption in manufacturing resulting from cash flow problems of the company and Nitron, Inc. were all significant factors leading to the filing of the Chapter 11 petition.

Many of the pre-petition transactions of the Debtor are discussed and additional financial analysis of the Debtor is contained in the preliminary report of the Court appointed Examiner, Ernst & Whinney. This report is available at the Court for inspection by parties in interest.

III. OPERATIONS DURING THE CHAPTER 11 PROCEEDINGS

At the time of the filing of the petition and during the Chapter 11 proceedings all of the Debtor's cash, accounts receivable, and inventory were subject to validly perfected security interests previously granted to the Union Bank and Nitron, Inc. As a result of a number of contested proceedings, and at later stages of these proceedings, the consent of interested parties, the Debtor and Trustee were able to obtain periodic authority to use limited amounts of cash subject to numerous restrictions and conditions. The funds authorized for use were sufficient to pay the expenses including rent, utilities, payroll, insurance, supplies, and storage necessary to keep the Columbus, Ohio office open with a skeletal staff. In addition to providing the necessary information and assisting in the resolution of numerous contested matters either by litigation or negotiation, negotiating the terms of the Plan of Reorganization, and developing a business plan for the resumption of normal business activity,
the Debtor's staff organized and reconstructed financial records obtained from the California office of the Debtor which was closed in December of 1982; maintained contact with and took orders where possible from the Debtor's customers and consumers; provided information and assistance to the Trustee as requested; supervised and coordinated the work on the PAL chip for use in European markets; and developed and refined various technical aspects of the Debtor's product to provide a more saleable product when manufacturing resumes. In addition, as is typical in most Chapter 11 cases, considerable time was spent pursuing means of reorganization

which ultimately could not be consumated. One such effort was a highly desirable relationship with a German subsidiary of International Telephone and Telegraph for the manufacture and sale of the Debtor's products in Europe which failed primarily due to the Debtor's inability to fund the finalization of the 50 Hertz Data Chip during these proceedings.

Both the Debtor and the Trustee have invested substantial time and effort in the collection of the Debtor's outstanding accounts receivable, and where receivables could not be collected obtaining the return of the product for resale. The estate has collected approximately 1.6 million dollars from the Debtor's largest single customer Montgomery Ward & Co., Incorporated, and $200,000.00 for the cancellation of an outstanding purchase order. The efforts of the Debtor and Trustee to collect the balance of the Debtor's account receivable from Montgomery Ward in the approximate amount of two million dollars consisting in large part of disputed vendor charge-backs resulted in the commencement by the Trustee of litigation against Montgomery Ward which is presently pending in the United States District Court for the Southern District of Ohio. The Trustee's Complaint seeks to determine and collect the balance owed to the estate. The answer of Montgomery Ward denies that there is any remaining debt to the estate and asserts counterclaims exceeding the account balance claimed by the estate. In addition, Montgomery Ward has requested the District Court to order that approximately one million dollars be returned by the Trustee as a result of an alleged breach by the Trustee of a settlement agreement, which breach the Trustee denies.

In addition, the Trustee has initiated approximately 28 adversary proceedings in the Bankruptcy Court to recover accounts receivable from other customers, and is investigating other claims or voidable transfers. Judgment has been rendered or motions for default judgment are pending in approximately eight cases with claims totaling about $96,200.00. Over half of this amount is a single Canadian account for which the Trustee has been unable to locate any assets in the United States. Collection in Canada will require that a lawsuit be brought in Canada and the defendant will have another opportunity to assert defenses or counterclaims. The collectibility of all but about $10,000.00 of the remaining claims in this category is in serious doubt.

Settlements have been reached or appear very likely in approximately ten cases with an aggregate value of about $313,000.00 including cash and returns of inventory. The largest single amount in this category is Straitline Marketing, Inc. ($210,000.00) discussed in detail in §VII of this Disclosure Statement. Realization of the balance of the claims in this category will depend upon the continued receipt of various installment payments and the Debtor's ability to resell returned inventory.

Lawsuits being actively defended are pending in about five cases with the total claims alleged of approximately 1.1 million dollars including one account of approximately $300,000.00 and another of $700,000.00. Resolution of these actions could take a period of years to resolve if no settlement can be reached. The total settlement offers in this category to date are nominal. Sufficient discovery has not yet been conducted to evaluate these

claims without speculation although the cost of litigation and collection as well as the delay significantly reduce the present value of these claims.

Two lawsuits have recently been reactivated with respect to two accounts for which the defendant could not previously be located totaling approximately $159,000.00. The collectibility of either of these claims is in doubt. Various other small claims have been settled prior to the preparation of this Disclosure Statement with the approval of the Creditors Committee counsel and secured parties.

The Trustee is pursuing a claim against Action Graphics, Inc. for a voidable preference in the amount of $22,000.00. Suit is also pending against Action Graphics to recover $152,000.00 including $108,000.00 transferred to Action Graphics to purchase equipment and $44,000.00 of advance royalties for game cassettes not delivered. Action Graphics has denied liability and asserted claims which may be setoff against the Trustee's claims. In light of the nature of the claims and the financial condition of Action Graphics the ability to collect this claim beyond $22,000.00, being the amount of the preferential payments, cannot be determined at this time.

A claim has been asserted against Real Time Design, Tom Defanti and Scientific Leasing for about $277,000.00 paid by the Debtor for the lease of equipment for use by these third parties in product development which was never finished or delivered. The outcome of this action cannot yet be evaluated. The Trustee also asserted a claim to recover a transfer of $18,000.00 to Jarryll Theatrical Enterprises, an enterprise in which certain

members of former management were involved. This claim is believed to be fully collectible.

Although the Trustee continues to review and investigate pre-petition transactions there are no other significant voidable transactions which can be identified as potential sources of payments to creditors.

Due to the financial condition of the Debtor and the poor financial condition of Nitron, Inc., the Debtor's sole source of supply for its products at the time of the commencement of this proceeding, the Debtor was unable to actively engage in normal sales activity during the course of this proceeding, and sales during 1983 were negligible. In preparation for the resumption of the manufacture of new product, the Debtor has developed a new marketing program for use within the United States including direct sales to consumers through home solicitation and the rehabilitation of selected distributors and retail outlets made possible by the availability of adequate supplies of product at competitive prices. In addition, the debtor is developing channels of distribution in the relatively as yet unexploited foreign markets.

Further information relating to the postpetition operations of the Debtor may be obtained by reference to the monthly Report of Operations filed with the Bankruptcy Court which are available at the Court for inspection by parties in interest.

IV. FINANCIAL INFORMATION AND LIQUIDATION ANALYSIS

If this Chapter 11 proceeding would be converted to a case under Chapter 7 of the Bankruptcy Code and the Debtor liquidated,

the assets of the company would be distributed to satisfy the following classes of claims in the following order:

1. Claims of secured creditors;
2. Administrative expenses;
3. Unsecured claims for wages, salaries or commissions;
4. Claims of taxing authorities; and
5. Claims of unsecured creditors.

The assets to be liquidated include the Debtor's cash, accounts receivable, inventory, property, furniture, and equipment. For the purposes of liquidation, there is assumed to be no value to certain asset items such as prepaid expenses and organizational costs. In addition, although the Debtor's license from Bally Manufacturing Corporation is of significant but undeterminable value on a going concern basis, no liquidation value is given to such license since the license is nontransferable. For purposes of this liquidation analysis, the Debtor assumes that two pending settlements have been consummated. The first is a settlement of claims with Nitron, Inc. having the balance sheet effect of reducing assets approximately four million dollars for the cancellation of the claimed note receivable for inventory sold to Nitron, Inc., and reducing the secured liability to Nitron, Inc. from approximately 4.3 million dollars to $500,000.00. The second settlement is a rejection of a lease for office space in New York City which has the balance sheet effect of eliminating the security deposit of $220,000 as an asset, increasing cash on hand by approximately $66,900.00, and eliminating the continuing monthly rental obligation of approximately $18,500 as a liability.

The Trustee presently has cash on hand of approximately 1.6 million dollars. The estate's accounts receivable from Montgomery Ward is approximately two million dollars, however, the debtor has made allowances in recognition of the disputed vendor charge-backs currently in litigation and believes that the value of the account receivable from Montgomery Ward after expenses of collection would not exceed $1,500,000 Taking into consideration that a number of the Debtor's customers have gone out of business, are in financial difficulties, or have disputes with respect to their accounts, the Debtor estimates the liquidation value of the remaining accounts receivable other than Montgomery Ward after expenses of collection to not exceed $500,000. The estate has inventory having a market value of approximately $400,000 and the Debtor estimates a liquidation loss of approximately 50% or $200,000 upon liquidation. The estate owns property, furniture, and equipment with a depreciated book value of approximately $300,000. Since the majority of these assets consists of electronic testing equipment specifically designed for the Debtor's product, the Debtor believes the value of property, furniture and equipment upon liquidation to be no more than $150,000.00. Preferences and other voidable transfers presently capable of valuation appear to be approximately $40,000.00.

Assuming these liqudation values (which the Debtor believes to be optimistic in a Chapter 7 liquidation) and the cost of collection with respect to the accounts receivable estimated to be $150,000.00 to $175,000.00 the company's assets available for distribution in a liquidating case would be approximately 3.85

million dollars. Even if certain of the speculative claims discussed in §III of the Disclosure Statement were recovered the total assets would not likely exceed 4.5 million dollars. The present aggregate undisputed balance of secured claims against the assets of the company is approximately 3.9 million dollars, plus post-petition interest if the assets recovered exceed this account. Thus it appears that liquidation would likely result in a deficiency owed to secured creditors and that no funds would be available for the payment of priority claims or unsecured claims. Even if certain claims were recovered which are not now expected, at least 4.9 million in assets after the expenses of collection would be needed before any payment could be made to unsecured creditors.

The only other alternative upon liquidation would be to set aside the settlement agreement with Nitron, Inc. and James H. Guerin and to pursue the insider preference actions discussed in §VII of the Disclosure Statement. Although adding a potential preference recovery of about 1 million dollars to the assets available for distribution this course would also release Nitron, Inc. from the compromise of the secured claim. The secured claims asserted would then be 7.7 million dollars against assets (including the insider preference claims) of from 4.85 to 5.5 million dollars. The result of objections to the Nitron, Inc. claim cannot be predicted with certainty, however, it is entirely likely that the claim would be allowed for an amount in excess of the $500,000.00 agreed upon in the settlement agreement which contains additional inducements and benefits to Nitron, Inc. which would no longer exist.

Accordingly the Debtor and Trustee believe that there is no reasonable likelihood of any distribution to unsecured creditors

under any possible liquidation approach.

V. THE PLAN OF REORGANIZATION

The Plan of Reorganization classifies the claims against the company and makes provision for the satisfaction of claims within each class. The following summary is qualified in its entirety by reference to the full text of the plan, a copy of which is attached.

A. EXPENSES OF ADMINISTRATION

Class A-1 is composed of expenses of administration having priority under the bankruptcy code. This class consists primarily of attorneys fees for Scott, Walker & Kuehnle (counsel for the Debtor, Debtor in Possession, and Trustee), Lieberman, Rudolph and Nowak and Lester Lazarus P.C. (special counsel employed by the Debtor or Trustee for particular purposes) Craig M. Stewart and Carlile, Patchen, Murphy & Allison (Trustee and general counsel for the Trustee), and Zacks, Luper & Wolinetz Co. L.P.A. and Teitelbaum & Gamberg P.C. (co-counsel for the official Creditors Committee). Class A-1 also includes compensation and expenses to James W. Heine & Company (accountants for the Debtor in Possession and Trustee), Ernst & Whinney (Court appointed Examiner), and Ray George (Vice President of Sales and Marketing). This class also includes any obligations incurred subsequent to the commencement of the Chapter 11 proceeding which remain unpaid at confirmation. The Debtor currently estimates the total claims in this class to be approximately $450,000 less any sums which may be allowed and paid as interim compensation prior to confirmation of the Plan. The Plan provides for the payment of claims in Class A-1 in full. Such claims shall be paid on a prorata

basis from the funds available from post-petition collection of accounts receivable and sale of inventory after the distribution of one million dollars to James H. Guerin pursuant to §IV.3(a) of the Plan, $500,000.00 to Nitron, Inc. pursuant to §IV.4 of the Plan and the reservation of operating capital for the Debtor in the amount of $250,000.00 for the period January 19, 1984 through July 31, 1984. Parent Industries, Inc. has agreed, in the event that the amount of such funds is less than $300,000.00 to contribute cash to the Debtor so that at least $300,000.00 including any interim compensation paid is available for distribution to Class A-1 creditors no later than the effective date. The unpaid portion of claims in Class A-1, if any, shall be paid prorata from the collection of accounts receivable and proceeds of inventory (after any required distribution to Class C-1) prior to any further distributions to Class B-1, until such claims are paid in full. Payment of professional fees will not be made until such fees are allowed by the Bankruptcy Court after notice to parties in interest and an opportunity for a hearing.

B. Wage Claims

Class A-2 is composed of the prepetition wage claims of employees of the company having priority under §507(A)(3) of the Bankruptcy Code. The debtor believes the amount of such claims to be de minimis and the Plan provides for the payment of such claims in cash in full.

C. Taxes

Class A-3 is composed of all allowed claims of taxing authorities. Total claims in this class aggregate approximately

$60,000 including federal withholding taxes, state and local withholding taxes, and other miscellaneous taxes. Claims in Class A-3 will be paid in full with interest at the rate from time to time established pursuant to §6621 of the Internal Revenue Code within six years following the effective date of the Plan in equal consecutive quarterly installments.

D. Secured Claims

Other than Class B-3 there are two classes of partially secured claims treated under the Plan. Class B-1 consists of the allowed claims of James H. Guerin. In December, 1981 the Union Bank approved a loan to the Debtor secured by a security interest in all of the Debtors property including accounts receivable and inventory. This loan was personally guaranteed by James H. Guerin who has, by reason of payments made and additional security given, become subrogated to the rights of the Union Bank as a secured creditor pursuant to §509 of the Bankruptcy Code. As of the preparation of the Disclosure Statement the claim in Class B-1 is in the approximate amount of 3.4 million dollars.

Class B-2 consists of the allowed claims of Nitron, Inc. This claim arises from a security interest in all of the Debtors property including accounts receivable given to Nitron to secure the Debtor's obligation to pay for finished goods manufactured for the Debtor by Nitron, Inc. Nitron, Inc. asserts that its claims are in the approximate amount of 4.3 million dollars. The Debtor has claimed the right to offset against such claim the balance owing to the Debtor from Nitron, Inc. for the purchase of component parts inventory in June, 1982. The Debtor has

claimed an offset in the approximate amount of 4.2 million dollars, however Nitron, Inc. contends that it is entitled to return inventory in the amount of approximately 2.1 million dollars and receive an adjustment to the purchase price accordingly. Furthermore, Nitron, Inc. contends that the Debtor is not entitled to offset the receivable from the inventory against the Debtor's obligation for manufactured goods. As part of the negotiations leading to the filing of the Plan of Reorganization, the Union Bank, James H. Guerin, the Debtor, the Trustee, and Nitron, Inc. reached a settlement agreement including these disputed items as well as numerous other outstanding disputes among these parties. This settlement is subject to the approval of the Bankruptcy Court and will be the subject of a separate Application for Authority to Compromise Claims, notice of which has or will be given to parties in interest. The settlement agreement provides that the claim of Nitron, Inc. shall be compromised and allowed in the amount of the $500,000.00 payable as set forth in the Plan of Reorganization. The settlement agreement further provides for a release by Nitron, Inc. of all claims and the transfer of Nitron, Inc.'s interest in component parts inventory located on the premises of E. F. Johnson (a manufacturer of products under subcontract) to James H. Guerin.

Class B-1. The settlement agreement and Plan of Reorganization provide that James H. Guerin shall satisfy the claims of the Union Bank and become subrogated to the rights of the Union Bank. The Plan provides for the payment of this claim first out of the collateral or proceeds of collateral subject to the security

interests in favor of the Union Bank. Subsequent payments will be made out of future operating profits in consideration of the agreement of James H. Guerin to defer the repayment of up to $500,000 otherwise payable in Class B-1 (after an initial distribution of one million dollars) and to defer repayment of cash collateral consumed by the debtor in excess of $350,000 since the filing of the petition, which has been granted super priority by the Court. Although the Plan provides for monthly installments of $200,000 in repayment of the Debtor's obligation to James H. Guerin commencing after confirmation, such payments out of future operating profits are subordinated to the then current operating expenses and payments to other classes under the Plan of Reorganization.

Class B-2. The allowed claim of Nitron, Inc. shall be satisfied and paid from the proceeds of collateral subject to the security interst in favor of Nitron, Inc.

At the time of preparation of this Disclosure Statement the Trustee had in his possession approximately 1.6 million dollars obtained from the postpetition collection of prepetition accounts receivable. The Plan provides for the payment to James H. Guerin in the amount of one million dollars and to Nitron, Inc. the amount of $500,000.00 from the accounts receivable collected from Montgomery Ward & Co., Incorporated and presently in possession of the Trustee. Subject to payments to classes A-1 and C-1 under the Plan all additional postpetition collections of prepetition accounts receivable and proceeds of inventory returned with respect to prepetition invoices, all funds held in trust by Scott,

Walker & Kuehnle pursuant to Orders of the Bankruptcy Court in Case No. 2-82-04677, Adversary No. 2-83-0020 (which adversary is discussed in detail in Section VII relating to remaining disputes and pending litigation), and $200,000.00 paid the Trustee by Montgomery Ward & Co., Incorporated for the cancellation of a purchase order shall be paid to James H. Guerin.

E. Other Secured Claims

Class B-3 is composed of allowed secured claims other than claims of the Union Bank, James H. Guerin, and Nitron, Inc. The Plan provides that such claims shall not be impaired meaning that the holder of any such claim shall be paid the present value of the claimants' collateral or at the election of the Debtor, the property in which the holder of a claim has an interest shall be abandoned to the holder of the claim within thirty (30) days following the final determination of such claim. The debtor believes that there are no claims in Class B-3, but makes provision therefore in the event that claims are subsequently made of liens arising from judgments, artisan lien laws, and the like of which the Debtor does not have current knowledge.

F. Unsecured Claims

The schedules filed by the Debtor reflect unsecured claims in the approximate amount of 10 million dollars. These claims are inclusive of certain claims contested or disputed and it is anticipated that the allowed claims of unsecured creditors will be finally determined to be somewhat less than this amount. All of the allowed claims of unsecured creditors are provided for in Class C-1 of the Plan of Reorganization. Beginning with the

fourth calendar quarter of 1983 and during the five year period following confirmation of the Plan the Debtor shall be obligated to the plan escrow fund for royalties on products sold. The Schedule of Royalties is set forth in detail in the Plan of Reorganization. The Debtor shall make payments to the plan escrow fund within thirty (30) days following the end of each calendar quarter commencing with the first calendar quarter after the effective date based upon net receipts during the preceding calendar quarter (or such additional period for which royalties are due and unpaid in the case of the initial payment) taking into account the Debtor's usual practice relating to reserves established for returns, defects, and other allowances. Each payment to the plan escrow fund is to be accompanied by a report showing the fashion in which the royalty payment was calculated. The plan escrow fund shall be distributed commencing with the next calendar quarter after the final determination of claims in Class C-1 by the plan escrow agent prorata to creditors in Class C-1 within 15 days after the receipt of the royalty payment from the Debtor. The Plan provides that Craig M. Stewart, presently the Chapter 11 Trustee, shall serve as Plan Escrow Agent to be compensated with a fee of one percent (1%) per year of disbursements made through the plan escrow fund payable from the plan escrow fund.

G. Interests of Equity Security Holders

At the time of the filing of the petition herein, the Debtor had issued and outstanding approximately 7,650,000 shares of common stock. Pursuant to the Plan of Reorganization all of such common

stock and the interests of the equity security holders shall be cancelled. One hundred percent of a newly created class of common stock shall be issued to Parent Industries, Inc.

H. Executory Contracts

At the time of the filing of the petition the Debtor was a party to numerous executory contracts. The Plan provides that the Debtor shall specifically affirm and assume the executory contract dated August 15, 1980 between Bally Manufacturing Corporation and Astrovision, Inc. together with all subsequent addenda and modifications thereto. This executory contract is the agreement under which the Debtor obtained the rights to practice the technology and manufacture and sell products using the technology. The assumption of this executory contract will require that the defaults under the contract be cured consisting primarily of a payment of past due royalties in the approximate amount of $25,000.00.

The Plan also provides that the Debtor shall affirm and assume any obligations to end consumers created by the warranty given with each product sold both before and after the filing of the petition.

The Plan further provides that the Debtor may by separate document affirm and assume certain additional executory contracts within 30 days following the effective date of the Plan of Reorganization. It is the Debtor's present intention to specifically affirm and assume contracts for the lease of certain office equipment. Assumption of these contracts will require only minimal payments by the Debtor. In addition, the Debtor is

negotiating with Action Graphics, Inc., a company with whom the Debtor has had an executory contract for the development of game cassettes for use on the Debtor's system. These negotiations will result in the assumption or rejection of the executory contract with Action Graphics, Inc. If assumed, the Debtor must pay past due royalties in the approximate amount of $120,000.00. If the executory contract is rejected, the Debtor may lose the right to market certain game cassettes developed by Action Graphics and must make other arrangements for continued development of game cassettes.

I. Other Provisions

The Plan of Reorganization also contains numerous other provisions including the conditions of default under the Plan of Reorganization in Article VII, the continuation of the Court's jurisdiction for certain purposes, the continued existence of the Creditors Committee (at an estimated cost of $10,000.00 to $15,000.00 for the five year period of the Plan) and an obligation of the Debtor to provide financial information all as set forth and described in Article IX of the Plan of Reorganization. Article IX of the Plan of Reorganization also contains a provision that the confirmation of the Plan of Reorganization shall constitute a full and complete satisfaction of all claims and interests against the Debtor. In addition, the confirmation of the Plan shall constitute a waiver and release by creditors of the Debtor against the Debtor, Nitron, Inc., Union Bank, James H. Guerin and their successors and assigns of all claims arising out of transactions with or relating to the Debtor including any claims arising out of the inventory sale by the Debtor to Nitron, Inc.

in June of 1982. Additional settlements of claims are discussed in §VII of this Disclosure Statement.

VI. MEANS OF EXECUTION OF THE PLAN OF REORGANIZATION AND FEASIBILITY

Upon confirmation of the Plan of Reorganization Parent Industries, Inc. will receive 100% of the Debtor's newly created and issued class of common stock. As consideration for such stock James H. Guerin will defer payments not to exceed $500,000 in Class B-1 (other than the distribution of the initial one million dollars pursuant to § IV.2(a) of the plan) and repayment of his super priority claim of approximately $350,000.00 to satisfy expenses of administration, to cure the defaults in connection with the assumption of executory contracts, and to provide initial operating capital. Parent Industries, Inc. will contribute cash to the extent required so that at least $300,000.00 (less the amount of any interim compensation paid to claims in Class A-1) is available to pay claims in Class A-1, and at least $150,000.00 is available to the Debtor as operating capital for the period following confirmation through July 31, 1984. In addition James H. Guerin has consented to the use of $100,000.00 for operating capital from January 19, 1984 to the date of confirmation.

Payment of secured claims under the Plan of Reorganization will be made initially from the proceeds of the secured creditors' collateral collected during or subsequent to the Chapter 11 proceeding. Additional payments will be made from funds generated through the continued operation of the Debtor's business to James H. Guerin up to the amount of his allowed secured claim to the extent that sufficient funds are generated in the operation of the

business to first satisfy ongoing operating expenses and payments to other classes under the Plan of Reorganization.

The payment of allowed tax claims and unsecured claims shall be made from funds generated through the continued operation of the Debtor's business. Payments to unsecured creditors shall be paid in accordance with the royalties schedule set forth in the Plan of Reorganization to a Plan Escrow Agent on a quarterly basis.

The manufacture of arcades, cassettes, and hand controls shall be performed pursuant to an agreement between the Debtor and Daejin Audio Co. Ltd., a corporation organized and existing under the laws of Korea. Daejin Audio Co. Ltd. is an established manufacturer of consumer electronic devices with approximately 700 employees. The company currently manufactures several products which are sold in the United States under nationally recognized brand names. Daejin Audio Co. Ltd. has represented to the Debtor the availability of credit in the approximate amount of five million dollars for the acquisition of component parts inventory and establishment of a manufacturing line.

The agreement between the Debtor and Daejin Audio Co. Ltd. has been reached in principle and will be evidenced by a written agreement prior to the hearing concerning confirmation of the Plan. The agreement creates a joint venture pursuant to which manufacturing of products is performed by Daejin Audio Co. Ltd. and marketing is performed by the Debtor. Daejin Audio Co. Ltd. is granted an exclusive sublicense to market products in the country of Korea in return for which royalties are paid to the Debtor. All expenses of parts acquisition and manufacturing will

be born initially by Daejin Audio Co. Ltd. It is anticipated that substantially all orders for products outside the United States will be accompanied by suitable letters of credit. The joint venture relationship is expected to help European sales since Korea enjoys favored nation status in the common market countries. Due to Korean government regulations security will have to be provided initially for orders shipped to the United States. All receipts from sales outside the countries of Korea and the United States shall be paid to a lock box at a bank within the United States. From the receipts, disbursements shall be made directly to the appropriate party as reimbursement or payment of actual manufacturing costs, actual and necessary marketing costs, royalties, sales commissions, taxes, and the like. The remaining net profits shall be divided equally between Daejin Audio Co. Ltd. and the Debtor to be disbursed quarterly. Daejin Audio Co. Ltd. will warrant all of the products it manufactures with a warranty at least equal to the warranty given by the Debtor to its customers.

The Debtor believes that a substantial portion of its financial difficulties can be attributed to its former method of acquiring component parts and manufacturing products. The debtor believes that Daejin Audio Co. Ltd. not only has the capability to perform these functions, thus relieving the Debtor of the financial risk of manufacturing, but that the utilization of a Korean manufacturer will permit the Debtor's products to priced competitively. Restricting the role of the Debtor to marketing and technological development will likewise permit the operation of the Debtor's business at a significantly lower cost than previously experienced.

A. The Plan Proponent

Parent Industries, Inc. is a corporation controlled by James H. Guerin. As discussed in Section II of this Disclosure Statement Mr. Guerin was an original investor in the Debtor and has maintained a significant interest in the Debtor as a result of his personal guarantee of the Union Bank loan and his participation as a partner in PHD Associates, a substantial shareholder of the Debtor. The financial difficulties of the Debtor leading to the filing of the Chapter 11 petition arose primarily subsequent to Mr. Guerin's withdrawal from active management of the Debtor in February, 1982. In July, 1983 Mr. Guerin agreed to again become actively involved in the management of the Debtor and his intentions were announced to a meeting of the Creditors Committee in New York City on August 17, 1983.

Mr. Guerin is presently the Executive Chairman of the International Signal and Control Group, a publicly owned diversified electronics defense contractor. This organization was formed by Mr. Guerin in 1971 and has grown to a present net worth of approximately 70 million dollars. Mr. Guerin is approximately 53 years old and holds a Master of Science in Electronic Engineering from the University of Arizona received with high honors in 1960, a Bachelor of Science in Electrical Engineering from Rutgers University received Magna Cum Laude in 1959, and a Bachelor of Science in Agriculture Engineering from the Rutgers University received in 1951. Mr. Guerin has served as general manager of the Systems Division of Hamilton Watch Company and has held positions with Lockheed Electronics Company and Lockheed Missile and Space

Company including responsibilities of Program Manager for the Poseidon Missile Program.

B. Officers and Directors

Subsequent to the confirmation of the Plan of Reorganization Leon E. Wolford acting on behalf of Leon E. Wolford & Associates will enter into a contract with the Debtor and James H. Guerin to assume the position of Chief Executive Officer and be responsible for the administration and management of the Debtor's business. Mr. Wolford holds a Masters in Business Administration from Xavier University and a Bachelor of Arts and Science Degree from the University of Houston. Mr. Wolford has been engaged for approximately 29 years in the construction, manufacturing, and executive consulting industry including sales engineering and systems managment with special emphasis on problem solving of financially troubled businesses. Mr. Wolford's contract will provide for compensation as of the confirmation of the Plan of Reorganization in the amount of $6,000 per month.

Raymond George will continue to serve as Vice President of Marketing with responsibility for the promotion and sale of the Debtor's products. Mr. George holds a Bachelor of Arts of Degree from Marshall University received in 1953 and is a retired lieutenant colonel in the United States Army Reserve. Mr. George was formerly the owner and operator of a Remington Rand Office Systems dealership and has been associated for many years with various companies in a marketing capacity including consumer electronic products. Compensation to be paid to Mr. George as of the time of confirmation of the Plan will be $4,000 per month

plus a commission of 2% of all of the Debtor's sales receipts net of any discounts, allowances and returns payable upon receipt by the Debtor.

Upon confirmation of the Plan of Reorganization the Board of Directors of the Debtor shall be composed of five members. In addition to Leon E. Wolford and Raymond George, Michael Peck and Robert Jacobson shall serve as Directors. Mr. Peck has been previously associated with the Debtor serving as Chief Executive Officer immediately prior to Mr. Guerin's withdrawal from management in February of 1982. Mr. Peck and Mr. Jacobson are both business associates of James H. Guerin. The fifth member of the Board of Directors shall be an individual mutually agreeable to Parent Industries, Inc. and the Creditors Committee.

C. Financial Projections

The Debtor's ability to project future sales and payments to creditors through the Plan Escrow Agent is severally handicapped by the highly volatile nature of the video game industry. The success of the Debtor's business and the ultimate amount of payments under the Plan will depend greatly upon the Debtor's ability to penetrate the relatively unexploited foreign markets. Although management of the Debtor believes that the products are marketable, there is presently no available information upon which to accurately project sales beyond calendar year 1984.

The Debtor has made a projection of sales during calendar year 1984 of 3.6 million dollars. If realized, those sales would result in payment of approximately $89,000 to the Plan Escrow Fund for distribution to unsecured creditors. Much of the efforts of the Debtor during 1984 will be devoted to the

refinement of the Debtor's product for sale in foreign markets and the introduction of the product into those markets. The Debtor reasonably expects, therefore, to have a significant increase in sales in calendar years 1985 and thereafter with an equivalent increase in payments to unsecured creditors through the Plan Escrow Fund.

D. Alternatives to the Plan of Reorganization

If the Plan of Reorganization is not accepted by creditors and confirmed by the Bankruptcy Court several alternatives are available. First, the Debtor would, if allowed, remain in operation under the provisions of Chapter 11 of the Bankruptcy Code and a different Plan of Reorganization could be formulated and presented by the Debtor or any other party in interest capable of presenting a plan. Because of the length of time that this case has been pending and the Debtor's inability to compete in the market place during the Chapter 11 proceedings, it is unlikely that the Court would permit the Debtor to continue to operate under the provisions of Chapter 11 of the Bankruptcy Code for any significant period of time. The Debtor does not presently have an alternative plan formulated nor does the Debtor believe that a plan with significantly better provisions for payment can be proposed in this case.

A second alternative to the confirmation of the Plan of Reorganization is the dismissal of the Chapter 11 proceeding. This alternative would almost certainly result in the retaking by secured creditors of the collateral in which they hold a security interest causing the immediate termination of the Debtor's

operations. The disposition of the collateral by the secured creditors would likely result in a deficiency to secured creditors and no benefit to unsecured creditors.

The third alternative is the conversion of this case to a Chapter 7 liquidating case. As indicated in the liquidation analysis, however, the liquidation of the Debtor would likely result in no payments to creditors other than secured creditors and leave a deficiency with respect to the secured claims. Even if significantly higher liquidation values were assumed, it is extremely unlikely that the liquidation of the Debtor would generate sufficient funds to pay all of the secured claims, administrative expenses, and taxes so as to permit the payment of a dividend to unsecured creditors.

The final alternative is for another party in interest to propose and confirm a Plan of Reorganization. Since the filing of this case on December 29, 1982 the only other party which has expressed any interest in proposing a Plan of Reorganization for the Debtor has been Nitron, Inc. The official Creditors Committee tentatively approved a Plan of Reorganization proposed by Nitron, Inc. in March, 1983. The Debtor assisted and cooperated with Nitron, Inc. in its efforts to develop its Plan of Reorganization which was eventually filed on June 9, 1983. Because of the poor financial condition of Nitron, Inc., and the subsequent delay in progress towards confirmation of the Plan, the Debtor and Trustee became increasingly concerned about the feasibility of the Nitron, Inc. Plan. After numerous meetings among the principal parties in interests including the official Creditors Committee, Nitron, Inc.

has indicated its intention to withdraw its proposed Plan of Reorganization. The proposed payments to unsecured creditors pursuant to the Nitron, Inc. plan are substantially equivalent to the payments proposed under this Plan of Reorganization. Since it does not appear that there are any other parties willing to propose a Plan of Reorganization and that Nitron, Inc. will not pursue the Plan of Reorganization which it previously filed, the Debtor does not believe the alternative of another Plan of Reorganization is realistic.

VII. RESOLUTION OF DISPUTED CLAIMS AND PENDING LITIGATION

The Plan of Reorganization provides that the Court shall retain jurisdiction to consider disputes regarding the validity and amount of claims made against the Debtor. These matters are expected to be resolved as soon as practicable following confirmation of the Plan. In addition to the cases and claims discussed in §III of the Disclosure Statement the following claims and litigation are noteworthy.

At the time of the commencement of the Chapter 11 proceedings there were approximately 19 lawsuits pending against the Debtor. The Plan provides that the provisions of the Plan shall constitute a full and complete satisfaction of all claims against the Debtor including the claims made in those lawsuits. Also pending at the time of the commencement of the Chapter 11 proceeding was a lawsuit commenced by the Debtor against Atari, Inc. and Commodore Business Machines, Inc. alleging infringement of the patents licensed by Bally Manufacturing Corp. to the Debtor. As a result of numerous disputes between the Debtor and Bally Manufacturing Corp. including

the standing of the Debtor to commence this litigation, the Debtor and Bally Manufacturing Corp. entered into an Addendum Agreement dated October 22, 1982 in settlement of such disputes including the transfer of control to Bally Manufacturing Corp. over the litigation against Atari, Inc. and Commodore Business Machines, Inc. Subsequent thereto, the lawsuit was dismissed without prejudice.

At the time of the commencement of the Chapter 11 proceeding numerous disputes and claims existed among the Debtor, Nitron, Inc., Union Bank, and James H. Guerin. The Debtor claimed the right to offset 4.2 million dollars against the 4.3 million dollar claim of Nitron, Inc. in satisfaction of Nitron Inc.'s obligation arising out of the June, 1982 sale of inventory from the Debtor to Nitron, Inc. Nitron, Inc. claimed that it was entitled to return inventory in the amount of approximately 2.1 million dollars with an appropriate adjustment to the purchase price and also asserted that the Debtor had waived the right to offset. The Debtor also claimed that Nitron, Inc. had breached its obligations pursuant to an agreement for the manufacture of the Debtor's products, and had breached agreements relating to the refinancing of the Debtor. Nitron, Inc. asserted claims against the Debtor for breach of the Inventory Sale Agreement contending that the inventory was not free and clear of liens as represented.

As consideration to the estate for the settlement of claims, James H. Guerin and Parent Industries, Inc. have agreed to propose the Plan of Reorganization. Nitron, Inc. has agreed to reduce its claim against the Debtor to $500,000.00, to transfer to

James H. Guerin all of the inventory located at the premises of E. F. Johnson Company and Sierratronics, and to sell to the Debtor inventory located at Nitron, Inc. on favorable terms.

During the course of the Chapter 11 proceeding, the Debtor raised objections to the perfection of the security interests claimed by the Union Bank and Nitron, Inc. This matter was adjudicated in the Bankruptcy Court resulting in a decision of that Court that the Union Bank and Nitron, Inc. had validly perfected their security interests. The Debtor and Trustee commenced an appeal from that decision. As part of the settlement referred to in this section, that appeal was, with the consent of the Creditors Committee and approval of the Court, dismissed.

During the course of the Chapter 11 proceeding the Debtor, as Debtor in Possession, commenced an adversary proceeding known as Case No. 2-83-0063 against James H. Guerin, Carl Dreyer, Richard Holmberg, PHD Associates, Sierratronics, Don Peterson, Michael Peck, and Union Bank, seeking to recover alleged insider preferences in the approximate amount of one million dollars, and damages in an undetermined amount. The Defendants strenuously dispute the allegations made in the adversary proceeding and the Debtor concedes that the continuation of this litigation would be extremely time consuming and expensive with an undeterminable likelihood of success. The Debtor, as Debtor in Possession, also commenced an adversary proceeding against ESI London, ESI, and John Hartley known as Case No. 2-83-0064 seeking to recover an account receivable in the approximate amount of $300,000. The Defendants disputed the obligation and alleged nonacceptance

of the goods due to failure of the goods to conform to the specifications of the contract.

Immediately preceding the filing of the Chapter 11 petition the Debtor received and expended for general operating expenses accounts receivable subject to the security interest of the Union Bank in the approximate amount of $350,000. Subsequent to the commencement of the Chapter 11 proceeding the Union Bank commenced an action in the Franklin County, Ohio Court of Common Pleas against Raymond George known as Case No. 83CV-03-1674 alleging that Raymond George was personally liable for the Debtor's use of the Union Bank's collateral.

The Plan of Reorganization provides for the general release of all claims relating to the Debtor by the Debtor, its shareholders, officers, directors, employees, agents, successors and assigns, Raymond George, and the Trustee against the Union Bank, James H. Guerin, PHD Associates, Michael Peck, ESI London, and their officers, directors, employees, agents, successors and assigns, and the dismissal with prejudice of the litigation against James H. Guerin, et al., and ESI London, et al. The Plan of Reorganization further provides for the general release of all claims relating to the Debtor by the Debtor, its shareholders, officers, directors, employees, agents, successors and assigns, the Trustee, James H. Guerin, PHD Associates, Michael Peck, ESI London, their agents, successors and assigns against Raymond George, and the dismissal with prejudice of the litigation against Raymond George.

Prior to the commencement of the Chapter 11 proceeding, the Debtor arranged for a sale of inventory in the possession of

Straitline Marketing, Inc. through a partnership known as SD Associates to C.O.M.B., a diversified liquidator. Payment in the amount of $280,000 was made by check from C.O.M.B jointly payable to the Debtor and SD Associates. The Debtor, SD Associates, and Straitline Marketing, Inc. disagreed as to the appropriate allocation of the sale proceeds until immediately prior to the filing of the Chapter 11 petition when it was agreed that such funds would be paid one-half to the Debtor and one-half to SD Associates. The check was endorsed and placed in escrow with Scott, Walker & Kuehnle for disbursement upon collection of the funds. Prior to the collection of the funds, the Union Bank commenced an adversary proceeding known as Case No. 2-83-0020 in the Bankruptcy Court alleging that the Union Bank was entitled to all of the funds in the hands of the escrow agent as proceeds of collateral subject to the Union Bank's security interest and was successful in enjoining the disbursement of the funds until the completion of the litigation. An extensive trial was held in the Bankruptcy Court concerning the rights of the various parties to the funds held in escrow and the matter was submitted to the Court for decision. Prior to the decision of the matter by the Bankruptcy Court an involuntary petition pursuant to Chapter 7 of the Bankruptcy Code was commenced against Straitline Marketing, Inc. on June 2, 1983 in the Southern District of New York. That proceeding against Straitline Marketing, Inc. operates as a stay against the continuation of the adversary to which Straitline Marketing, Inc. is a party. The Trustee has retained counsel for a special purpose to obtain relief from the stay in the Southern District of New York. If successful, and a settlement

is not negotiated it is anticipated that the parties will submit additional briefs to the Bankruptcy Court for the Southern District of Ohio and await its decision. A tentative settlement has been reached pursuant to which $90,000.00 will be paid to the Trustee for Straitline Marketing, Inc. and the balance of such funds plus all accrued interest will be paid to the Trustee for the Debtor. The Plan of Reorganization provides that any funds ordered by the Court to be paid to the Debtor or the the Union Bank shall be paid to James H. Guerin.

The Plan of Reorganization provides that the Trustee shall continue to serve with respect to all matters pending at the date of confirmation. These matters include the resolution of the collection of accounts receivable existing as of the commencement of the Chapter 11 proceeding through litigation or settlement. These matters also include investigation and resolution of prepetition transactions subject to the avoiding powers of a Trustee. If all of the lawsuits filed to collect accounts receivable including Montgomery Ward are tried the Trustee's legal expense after confirmation could be in the range of $150,000.00 to $200,000.00.

ASTROCADE, INC.

Dated: 2/10/89

By _____
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PARENT INDUSTRIES, INC.

By _____
James H. Guerin

_____
Craig M. Stewart, Trustee