

SPECIAL Report



NATIONAL ROOFING CONTRACTORS ASSOCIATION

February 16, 1990

Dear Member:

T.S. Industries, Inc., and its subsidiaries, Thermal Systems, Inc. and Thermal Systems of Utah, Inc., filed petitions in the U.S. Bankruptcy Court for reorganization under Chapter 11 of the Federal Bankruptcy Laws last year.

We asked our counsel to prepare a memorandum on the status of that case, which is enclosed for your information.

Please pay special attention to the fact that Proof of Claim forms can be filed prior to March 9, 1990. A claim can be filed even if no damages have yet been incurred; you can file if you believe problems may be experienced in the future.

As always, please feel free to call if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "W. A. Good".

William A. Good, CAE
Executive Vice President

Via Facsimile Transmission

M E M O R A N D U M

TO : NRCA

FROM: Lisa S. Messing *LSM*

DATE: February 12, 1990

RE : Chapter 11 Bankruptcy of T.S. Industries, Inc.;
Thermal Systems, Inc.; and Thermal Systems of
Utah, Inc.

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I. Facts

On August 17, 1989, T.S. Industries, Inc. and its subsidiaries, Thermal Systems, Inc. and Thermal Systems of Utah, Inc. (hereinafter referred to collectively as "Thermal Systems"), manufacturers and distributors of roofing products including isocyanurate foam insulation, filed petitions in the United States Bankruptcy Court in Utah, Case Nos. 89C-04919, 89C-04920 and 89C-04921, for reorganization under Chapter 11 of the Federal Bankruptcy Laws.

In the press release announcing the bankruptcies, Thermal Systems indicated that it intended to file a consolidated plan of reorganization, providing for full payment of all Thermal Systems' creditors with the exception of Credit Suisse, one of the its largest creditors, and the holders of certain Thermal Systems' bonds. When contacted recently regarding the status of the bankruptcy proceedings, however, Thermal Systems' bankruptcy attorney, Noel Hyde, stated that Credit Suisse and the bond holders were objecting to full payment of Thermal Systems' other creditors. Mr. Hyde indicated that the unsecured creditors committee, Credit Suisse and the bond holders were negotiating and probably would reach a compromise under which Thermal Systems' other creditors would agree to accept less than full payment on their claims in order to avoid litigation with Credit Suisse and the bond holders over entitlement to payment.

According to Mr. Hyde, Thermal Systems' estate now has cash in excess of \$8 million and stocks in a subsidiary corporation worth between \$3 and \$4 million with which to pay creditors. Mr. Hyde estimated that Credit Suisse is owed approximately \$7.3

the bankruptcy proceedings, reviewed its business records for the names of other persons and entities with which Thermal Systems has done business in the past two or three years and included these potential creditors on the new list submitted to the Court. Based on Thermal Systems' filing of the new list, the unsecured creditors committee apparently requested that the Bankruptcy Court set a second bar date for all the "new" creditors who had not received notices of the December 5, 1989 bar date.

The second bar date set by the Bankruptcy Court, applicable only to those who did not receive notice of the December 5 bar date, is March 9, 1990. Creditors who do not file Proofs of Claim by March 9, 1990, will not be eligible to participate in Thermal Systems' estate and receive any distribution. In sum, for all practical purposes, the Bankruptcy Court will not consider any claims against T.S. Industries, Inc., Thermal Systems, Inc. and Thermal Systems of Utah, Inc. that arose prior to the bankruptcy filings of August 17, 1989, if a proof of claim is not filed by the March 9 bar date.

In this regard, it should be noted that in another ongoing bankruptcy proceeding of a roofing materials manufacturer, Gates Engineering Company, Inc., the Bankruptcy Court in Delaware ruled that the bar date applied not only to claimants with knowledge of problems with Gates products prior to the bar date but to any person or entity who had purchased or installed Gates' product prior to the bankruptcy filing and who might in the future experience a problem.

II. Suggestions for Proceeding

Roofing contractors, owners and other claimants who have used Thermal Systems' products and either have experienced problems with these products or believe problems may be experienced in the future may wish to file a claim for damages with the Bankruptcy Court before March 9. A claim can be filed even if no damages have yet been incurred or if the amount of damages is unknown. Claims should be filed with the United States Bankruptcy Court in Utah, Room 361, 350 South Main, Salt Lake City, Utah 84101, by March 9, 1990. A Proof of Claim form may be obtained from any United States Bankruptcy Court. The purpose of the Proof of Claim form is to register with the court the nature and amount (if known) of a claim against a debtor. Filing a Proof of Claim form also should result in the claimant receiving notices and other pertinent information from the Bankruptcy Court regarding the bankruptcy proceedings.

If a roofing contractor or owner has any general questions or comments regarding claims or would like to know about the status of the bankruptcy proceedings, he may contact counsel for the Official Unsecured Creditors Consolidated Oversight Committee, the law firm of Woodbury, Jensen, Kesler and Swinton, P.C., at 265 East