

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re: Chapter 11
ATLS Acquisition, LLC, et al.,¹ Case No. 13-10262 (PJW)
Debtors. (Jointly Administered)

**DISCLOSURE STATEMENT WITH RESPECT TO THE JOINT PLAN OF
REORGANIZATION OF ATLS ACQUISITION, LLC AND ITS AFFILIATED
DEBTORS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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DATED: August 15, 2014

¹ The Debtors, along with the last four digits of each Debtor's tax identification number, are: ATLS Acquisition, LLC (9167); FGST Investments, Inc. (2110); Polymedica Corporation (3368); National Diabetic Medical Supply, LLC (0748); Liberty Lane Development Company, Inc. (1974); Liberty Healthcare Group, Inc. (6555); Liberty Medical Supply, Inc. (3983); Liberty Healthcare Pharmacy of Nevada (9809); Liberty Lane Condominium Association, Inc. (7018); and Liberty Marketplace, Inc. (8500). The Debtors' business address is 8881 Liberty Lane, Port St. Lucie, FL 34952.

DISCLAIMER

THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT IS INCLUDED HEREIN FOR PURPOSES OF SOLICITING ACCEPTANCES OF THE PLAN OF REORGANIZATION OF ATLS ACQUISITION, LLC AND ITS AFFILIATED DEBTORS PROPOSED BY THE DEBTORS AND MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN. NO PERSON MAY GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS, OTHER THAN THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT, REGARDING THE PLAN OR THE SOLICITATION OF ACCEPTANCES OF THE PLAN.

EXCEPT AS OTHERWISE PROVIDED HEREIN, CAPITALIZED TERMS NOT OTHERWISE DEFINED IN THIS DISCLOSURE STATEMENT HAVE THE MEANINGS ASCRIBED TO THEM IN THE PLAN. UNLESS OTHERWISE NOTED, ALL DOLLAR AMOUNTS PROVIDED IN THIS DISCLOSURE STATEMENT AND THE PLAN ARE GIVEN IN UNITED STATES DOLLARS.

THIS DISCLOSURE STATEMENT CONTAINS SUMMARIES OF CERTAIN PROVISIONS OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN DOCUMENTS RELATING TO THE PLAN, CERTAIN EVENTS THAT HAVE OCCURRED IN THE CHAPTER 11 CASES, AND CERTAIN FINANCIAL INFORMATION. ALTHOUGH THE DEBTORS BELIEVE THAT ALL SUCH SUMMARIES ARE FAIR AND ACCURATE AS OF THE DATE HEREOF, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF THE UNDERLYING DOCUMENTS AND TO THE EXTENT THAT THEY MAY CHANGE AS PERMITTED BY THE PLAN AND APPLICABLE LAW. FACTUAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT HAS BEEN PROVIDED BY THE DEBTORS' MANAGEMENT, EXCEPT WHERE OTHERWISE SPECIFICALLY NOTED. THE DEBTORS DO NOT WARRANT OR REPRESENT THAT THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE FINANCIAL INFORMATION, IS WITHOUT ANY MATERIAL INACCURACY OR OMISSION.

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ALL HOLDERS OF CLAIMS OR EQUITY INTERESTS ARE ADVISED AND ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND THE PLAN IN THEIR ENTIRETY BEFORE VOTING TO ACCEPT OR REJECT THE PLAN. PLAN SUMMARIES AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PLAN, THE EXHIBITS ANNEXED TO THE PLAN, THE PLAN SUPPLEMENT DOCUMENTS ONCE FILED, AND THIS DISCLOSURE STATEMENT. THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE ONLY AS OF THE DATE HEREOF, AND THERE CAN BE NO ASSURANCE THAT THE STATEMENTS CONTAINED HEREIN WILL BE CORRECT AT ANY TIME AFTER THE DATE HEREOF.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE UNITED STATES BANKRUPTCY CODE AND RULE 3016(C) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR OTHER NON-BANKRUPTCY LAW. THIS DISCLOSURE STATEMENT HAS BEEN NEITHER APPROVED NOR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), OR ANY STATE SECURITIES COMMISSION, AND NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OR CLAIMS OF THE DEBTORS IN THESE CASES SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER, BUT RATHER AS A STATEMENT MADE IN

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TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

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TABLE OF EXHIBITS

- Exhibit A Joint Plan of Reorganization of ATLS Acquisition, LLC and Its Affiliated Debtors Under Chapter 11 of the Bankruptcy Code
- Exhibit B Liquidation Analysis

I. INTRODUCTION

ATLS Acquisition, LLC (“**ATLS**”), FGST Investments, Inc. (“**FGST**”), Polymedica Corporation (“**Polymedica**”), National Diabetic Medical Supply, LLC (“**National Diabetic**”), Liberty Lane Development Company, Inc. (“**Liberty Lane**”), Liberty Healthcare Group, Inc. (“**Liberty Healthcare**”), Liberty Medical Supply, Inc. (“**Liberty Medical**”), Liberty Healthcare Pharmacy of Nevada (“**Liberty Healthcare Pharm**”), Liberty Lane Condominium Association, Inc. (“**Liberty Lane Condo**”), and Liberty Marketplace, Inc. (“**Liberty Marketplace**”), as debtors and debtors-in-possession (collectively, the “**Debtors**”), submit this disclosure statement (as the same may be further amended, supplemented or modified from time to time, the “**Disclosure Statement**”) pursuant to Section 1125 of Title 11 of the United States Code (the “**Bankruptcy Code**”), for use in the solicitation of votes on the Joint Plan of Reorganization of ATLS Acquisition, LLC and its Affiliated Debtors Under Chapter 11 of the Bankruptcy Code, dated [_____] (as the same may be further amended, supplemented or modified from time to time, the “**Plan**”). A copy of the Plan is attached as Exhibit A to this Disclosure Statement. Unless otherwise provided herein, all capitalized terms used in this Disclosure Statement but not otherwise defined herein shall have the meanings ascribed to such terms in Article I of the Plan.

This Disclosure Statement sets forth certain information regarding the Debtors’ prepetition operating and financial history, their reasons for seeking protection under chapter 11 of the Bankruptcy Code, significant events that have occurred during the Chapter 11 Cases and the anticipated Sale Transaction and distribution of Sale Proceeds. This Disclosure Statement also describes certain terms and provisions of the Plan, certain risk factors associated with the Plan and the securities that may be issued under the Plan, and the manner in which Distributions will be made under the Plan. In addition, this Disclosure Statement discusses the Confirmation process and the voting procedures that Holders of Claims and Equity Interests entitled to vote under the Plan must follow for their votes to be counted.

Confirmation of the Plan will leave each Holder of a Secured Claim and Other Priority Claim Unimpaired and, in addition, all of the Administrative Claims and Priority Tax Claims will be paid in full and left Unimpaired. Under the Plan, the Holders of General Unsecured Claims and Equity Interests are Impaired. Please read this Disclosure Statement carefully to fully understand the treatment of your Claim or Equity Interest.

THE DEBTORS BELIEVE THAT THE PLAN WILL ENABLE THEM TO ACCOMPLISH THE OBJECTIVES OF THESE CHAPTER 11 CASES AND THAT ACCEPTANCE OF THE PLAN IS IN THE BEST INTERESTS OF THE DEBTORS, THEIR CREDITORS AND EQUITY INTEREST HOLDERS. THE DEBTORS URGE HOLDERS TO VOTE TO ACCEPT THE PLAN.

II. OVERVIEW OF THE PLAN

The following is a brief overview of the material provisions of the Plan, which is qualified in its entirety by reference to the full text of the Plan. For a more detailed description

of the terms and provisions of the Plan, see Article VII of this Disclosure Statement, entitled “Detailed Summary of the Plan of Reorganization.”

A. General Structure of the Plan

The Plan designates three (3) Classes of Claims and one (1) Class of Equity Interests in each of the Debtors. These Classes take into account the differing nature and priority of the various Claims and Equity Interests under the Bankruptcy Code.

Prior to the date of this Disclosure Statement, the Debtors will have entered into the Asset Purchase Agreement with the Purchaser and the Debtors will have filed a motion seeking Bankruptcy Court approval of the proposed Sale Transaction. A copy of the motion and Asset Purchase Agreement will be available on the Debtors’ restructuring website, without charge, at <http://dm.epiq11.com/AAL>. Once the Bankruptcy Court enters the Sale Order and the Sale Transaction is consummated pursuant to the terms of the Asset Purchase Agreement, the Sale Proceeds shall be placed into the Liquidating Trust as described in more detail in the Plan and Article VII of this Disclosure Statement. The Sale Proceeds and certain other assets placed into the Liquidating Trust shall be used to fund the Distributions under the Plan.

The Debtors believe that the Plan provides the best means currently available for the Debtors’ emergence from chapter 11.

B. Material Terms of the Plan

Claims are treated generally in accordance with the priorities established under the Bankruptcy Code. The following is an overview of certain material terms of the Plan:

- After entry of the Sale Order by the Bankruptcy Court, the Debtors shall consummate the Sale Transaction in accordance with the terms of the Asset Purchase Agreement, and fund the Liquidating Trust with the Sale Proceeds.
- First, Allowed Secured Claims will either be paid in full in Cash, receive the proceeds of the sale of the corresponding collateral, receive the return of the collateral itself, or treated in a manner otherwise acceptable under Section 1129 of the Bankruptcy Code, unless otherwise agreed to by the Debtors and the Holders of such Claims.
- Second, Allowed Administrative Claims, Priority Tax Claims, and U.S. Trustee Fee Claims will be paid in full as required by the Bankruptcy Code, unless otherwise agreed to by the Debtors and the Holders of such Claims.
- Third, Allowed Non-Tax Priority Claims will be paid in full in Cash, unless otherwise agreed to by the Debtors and the Holders of such Claims.

- Fourth, each Holder of a General Unsecured Claim shall receive, in exchange for full and final satisfaction, settlement, release, and compromise of such Claim, a beneficial interest in its Pro Rata Share of the Liquidating Trust Assets.
- Fifth, each Holder of an Allowed Equity Interest in ATLS shall receive its Pro Rata Share of the Liquidating Trust Assets after payment in full, in Cash, of all Allowed Claims and all Allowed General Unsecured Claims plus post-petition interest in Class 3.

C. Substantive Consolidation of Debtors for Purposes of Voting, Confirmation and Distribution

The Plan provides for substantive consolidation of the Estates, for purposes of voting, confirmation, and making Distributions to the Holders of Allowed Claims and Equity Interests under the Plan. On the Effective Date, and solely for purposes of voting, confirmation and making Distributions to the Holders of Allowed Claims and Equity Interests under the Plan (a) all guarantees of any Debtor of the payment, performance or collection of another Debtor with respect to Claims against such Debtor shall be eliminated and cancelled; (b) any single obligation of multiple Debtors shall be treated as a single obligation in the consolidated Chapter 11 Cases; and (c) all guarantees or other obligations by a Debtor with respect to Claims against one or more of the other Debtors shall be treated as a single obligation in the consolidated cases. On the Effective Date, and in accordance with the terms of the Plan and the consolidation of the assets and liabilities of the Debtors, all Claims based upon guaranties of collection, payment or performance made by a Debtor as to the obligation of another Debtor shall be released and of no further force and effect. Except as set forth in this Section, such substantive consolidation shall not affect (a) the legal and corporate structure of the Debtors, or (b) any obligations under any leases or contracts assumed through the Plan or otherwise after the Petition Date.

Notwithstanding the substantive consolidation of the Estates for the purposes set forth herein, each Debtor shall pay all U.S. Trustee Fee Claims on all disbursements, including any Distributions or disbursements made as a result of the Plan, until the entry of a final decree in these Chapter 11 Cases, dismissal of these Chapter 11 Cases, or conversion of these Chapter 11 Cases to a case under chapter 7 of the Bankruptcy Code.

D. Summary of Treatment of Claims and Equity Interests under the Plan

The table below summarizes the classification and treatment of the Claims and Equity Interests under the Plan. Estimated Claim amounts are calculated as of the Petition Date.

Estimated percentage recoveries are also set forth below for certain Classes. For certain Classes of Claims, the actual amounts of Allowed Claims could materially exceed or could be materially less than the estimated amounts shown in the table that follows. The Debtors have not yet fully reviewed and analyzed all Claims and Equity Interests. Estimated Claim amounts for each Class set forth below are based upon the Debtors' review of their books and records and Filed Proofs of Claim, and include estimates of a number of Claims that are

contingent, disputed, and/or unliquidated. Estimated percentage recoveries are based upon a number of assumptions, including the estimated amount of Allowed Claims in each Class, and are qualified by the risks discussed in Section VIII and elsewhere in this Disclosure Statement.

Any Class of Claims or Equity Interests that does not contain, as of the date of the commencement of the Confirmation Hearing, a Holder of an Allowed Claim or Equity Interest, or a Holder of a Claim temporarily allowed under Bankruptcy Rule 3018, shall be deemed deleted from the Plan for all purposes, including for purposes of determining acceptance of the Plan by such Class under Section 1129(a)(8) of the Bankruptcy Code.

Description and Amount of Claims or Equity Interests	Summary of Treatment
<p>Unclassified: Administrative Claims</p> <p>Estimated Aggregate Allowed amount of Administrative Claims: \$TBD² excluding Professional Fee Claims</p>	<ul style="list-style-type: none"> • Unimpaired • Except for Professional Fee Claims, in full satisfaction, settlement, release and discharge of and in exchange for each Allowed Administrative Claim, except to the extent that any Holder of an Allowed Administrative Claim has received payment prior to the Effective Date, agrees with the Debtors or the Liquidating Trustee, as applicable, to different treatment or as otherwise provided for in the Plan, each Holder of an Allowed Administrative Claim shall receive payment in full, in Cash, on the later of: (i) the Effective Date if due on or before that date, (ii) the date upon which such Administrative Claim becomes an Allowed Claim, or (iii) such other date as may be agreed upon between the Holder of such Allowed Administrative Claim and the Debtors or the Liquidating Trustee, as applicable. • Administrative Claims are Unimpaired and therefore Holders of Allowed Claims are not entitled to vote on the Plan. • Estimated Recovery: 100%
<p>Unclassified: Priority Tax Claims</p> <p>Estimated Aggregate Allowed amount of Priority Tax Claims:</p>	<ul style="list-style-type: none"> • Unimpaired • Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date or unless otherwise agreed to by the Debtors or the Liquidating Trustee, as applicable, and the Holder of an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive in full and final satisfaction,

² This estimate does not include Professional Fee Claims or ordinary course payables.

Description and Amount of Claims or Equity Interests	Summary of Treatment
\$TBD	<p>settlement, and release of and in exchange for such Allowed Priority Tax Claim: (a) Cash equal to the amount of such Allowed Priority Tax Claim; or (b) such other treatment in accordance with 1129(a)(9)(C) of the Bankruptcy Code.</p> <ul style="list-style-type: none"> • Priority Tax Claims are Unimpaired and therefore Holders of Allowed Priority Tax Claims are not entitled to vote on the Plan. • Estimated Recovery: 100%
<p>Unclassified: Professional Fee Claims</p> <p>Estimated Aggregate Allowed amount of Professional Fee Claims: \$TBD</p>	<ul style="list-style-type: none"> • Notwithstanding any other provision of this Plan concerning Administrative Claims, any Professional seeking an award by the Bankruptcy Court of an Allowed Administrative Claim on account of Professional Fees incurred from the Petition Date through and including the Effective Date (i) shall, no later than forty-five (45) days after the Effective Date, File a final application for allowance of compensation for services rendered and reimbursement of expenses incurred through and including the Effective Date and (ii) shall receive, as soon as reasonably practicable after such claim is Allowed, in full settlement, satisfaction and release of, and in exchange for, such Allowed Administrative Claim, Cash in an amount equal to the unpaid amount of such Allowed Administrative Claim in accordance with the Order relating to or allowing any such Administrative Claim. • All Professional Fee Claims shall be paid from the Professional Fee Account. Professional Fee Claims are Unimpaired and therefore Holders of such Claims are not entitled to vote on the Plan. • Estimated Recovery: 100%
<p>Class 1: Secured Claims</p> <p>Estimated Aggregate Allowed amount of Class 1 Claims: \$TBD</p>	<ul style="list-style-type: none"> • Unimpaired • Class 1 consists of Secured Claims against the Debtors. • On the Effective Date or as soon thereafter as is reasonably practicable, each Holder of an Allowed Class 1 Claim shall receive, in full and complete settlement, release, and discharge of such Claim, in the discretion of

Description and Amount of Claims or Equity Interests	Summary of Treatment
	<p>the Debtors, either (a) cash in the full amount of such Allowed Secured Claim, including any post-petition interest accrued pursuant to Section 506(b) of the Bankruptcy Code, (b) the proceeds of the sale or disposition of the collateral securing such Allowed Secured Claim to the extent of the value of the Holder's secured interest in such collateral, (c) the collateral securing such Allowed Secured Claim and any interest on such Allowed Secured Claim required to be paid pursuant to Section 506(b) of the Bankruptcy Code, or (d) such other Distribution as necessary to satisfy the requirements of Section 1129 of the Bankruptcy Code.</p> <ul style="list-style-type: none"> • Class 1 is Unimpaired and therefore Holders of Allowed Class 1 Claims are not entitled to vote on the Plan. • Estimated Recovery: 100%
<p>Class 2: Non-Tax Priority Claims</p> <p>Estimated Aggregate Allowed amount of Class 2 Claims: \$TBD</p>	<ul style="list-style-type: none"> • Unimpaired • Class 2 consists of Non-Tax Priority Claims against the Debtors. • The legal, equitable and contractual rights of the Holders of Allowed Class 2 Claims will be unaltered by the Plan. Unless otherwise agreed to by the Holder of an Allowed Class 2 Claim and the Debtors or the Liquidating Trustee, as applicable, each Holder of an Allowed Class 2 Claim shall receive in full, final and complete satisfaction, settlement, release, and discharge of such Allowed Class 2 Claim, payment of the Allowed Class 2 Claim in full in Cash on the later of the Effective Date or the date on which such Claim is Allowed; <u>provided, however,</u> that, notwithstanding any contract provision or applicable law that may entitle a Holder of an Allowed Class 2 Claim to post-petition interest, no Holder of an Allowed Class 2 Claim shall receive post-petition interest on account of such Claim. • Class 2 is Unimpaired and therefore Holders of Allowed Class 2 Claims are not entitled to vote on the Plan. • Estimated Recovery: 100%

Description and Amount of Claims or Equity Interests	Summary of Treatment
<p>Class 3: General Unsecured Claims</p> <p>Estimated Aggregate Allowed Amount of Class 3 Claims: \$TBD</p>	<ul style="list-style-type: none"> • Impaired • Class 3 Claims consist of all General Unsecured Claims against the respective Debtors; provided, that if the CMS Settlement Agreement has been assumed by the Purchaser under the Asset Purchase Agreement then the CMS Claims shall be Allowed at \$0 for purposes of classification, treatment, and voting on the Plan. • Except to the extent that a Holder of an Allowed Class 3 Claim agrees to a less favorable treatment in full and final satisfaction, compromise, settlement, and release of and in exchange for each Class 3 Claim, Allowed Class 3 Claims shall receive a beneficial interest in its Pro Rata Share of the Liquidating Trust Assets and receive payment of up to 100% plus post-petition interest from the Petition Date until the date Allowed General Unsecured Claims are paid in full at the federal judgment interest rate that was in effect on the Petition Date, which rate is 0.15 percent (0.15%). • Class 3 is Impaired, and therefore Holders of Allowed Class 3 Claims will be entitled to vote to accept or reject the Plan. • Estimated Recovery: TBD
<p>Class 4: Equity Interests in ATLS</p>	<ul style="list-style-type: none"> • Impaired • Class 4 consists of all Equity Interests in ATLS. • Class 4 Interests will be canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and Holders of Class 4 Equity Interests in ATLS shall receive their Pro Rata Share of the Liquidating Trust Assets after payment in full, in Cash, of all Allowed Unclassified Claims and all Allowed Claims in Classes 1 through 3. • Class 4 is Impaired and therefore the Holders of Allowed Class 4 Equity Interests shall be entitled to vote to accept or reject the Plan. • Estimated Recovery: TBD

THE DEBTORS BELIEVE THAT THE PLAN PROVIDES THE BEST RECOVERIES POSSIBLE FOR HOLDERS OF CLAIMS AND EQUITY INTERESTS IN THE DEBTORS AND THUS **STRONGLY RECOMMEND** THAT YOU VOTE TO **ACCEPT** THE PLAN.

III. SOLICITATION, PLAN VOTING INSTRUCTIONS AND VOTING PROCEDURES

A. Notice to Holders of Claims Against and Equity Interests in the Debtors

APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT MEANS THAT THE BANKRUPTCY COURT HAS FOUND THAT THIS DISCLOSURE STATEMENT CONTAINS INFORMATION OF A KIND AND IN SUFFICIENT AND ADEQUATE DETAIL AS FAR AS IS REASONABLY PRACTICABLE IN LIGHT OF THE NATURE AND HISTORY OF THE DEBTORS TO ENABLE HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE ON THE PLAN TO MAKE AN INFORMED JUDGMENT ABOUT WHETHER TO ACCEPT OR REJECT THE PLAN. THE BANKRUPTCY COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE EITHER A GUARANTEE OF THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN OR AN ENDORSEMENT OF THE PLAN BY THE BANKRUPTCY COURT.

IF THE PLAN IS APPROVED BY THE REQUISITE VOTE OF HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE AND IS SUBSEQUENTLY CONFIRMED BY THE BANKRUPTCY COURT, THE PLAN WILL BIND ALL HOLDERS OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS, WHETHER OR NOT THEY WERE ENTITLED TO VOTE OR DID VOTE ON THE PLAN AND WHETHER OR NOT THEY RECEIVE OR RETAIN ANY DISTRIBUTIONS OR PROPERTY UNDER THE PLAN. THUS ALL HOLDERS OF CLAIMS AGAINST AND EQUITY INTERESTS IN THE DEBTORS ENTITLED TO VOTE ARE ENCOURAGED TO READ THIS DISCLOSURE STATEMENT AND ITS APPENDICES, SUPPLEMENTS AND EXHIBITS CAREFULLY AND IN THEIR ENTIRETY BEFORE DECIDING TO VOTE EITHER TO ACCEPT OR REJECT THE PLAN.

THIS DISCLOSURE STATEMENT AND THE PLAN ARE THE ONLY DOCUMENTS AUTHORIZED BY THE BANKRUPTCY COURT TO BE USED IN CONNECTION WITH THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN. NO SOLICITATION OF VOTES MAY BE MADE EXCEPT AFTER DISTRIBUTION OF THIS DISCLOSURE STATEMENT, AND NO PERSON HAS BEEN AUTHORIZED TO DISTRIBUTE ANY INFORMATION CONCERNING THE DEBTORS OTHER THAN THE INFORMATION CONTAINED HEREIN OR THEREIN. NO SUCH INFORMATION SHOULD BE RELIED UPON IN MAKING A DETERMINATION TO VOTE TO ACCEPT OR REJECT THE PLAN.

TO THE EXTENT THERE IS ANY CONFLICT BETWEEN THE SOLICITATION PROCEDURES ORDER AND THE PROVISIONS OF THE DISCLOSURE

STATEMENT, WHICH RELATE TO THE SOLICITATION OF VOTES TO ACCEPT OR REJECT THE PLAN AND/OR THE TABULATION OF VOTES RELATED THERETO, THE SOLICITATION PROCEDURES ORDER SHALL CONTROL.

B. Parties-in-Interest Entitled to Vote

In general, a holder of a claim against or interest in a debtor may vote to accept or to reject a plan of reorganization if (a) the claim or interest is “allowed” and (b) the claim or interest is “impaired” by such plan.

Under Section 1124 of the Bankruptcy Code, a class of claims or interests is deemed to be “impaired” under a plan of reorganization unless (i) the plan leaves unaltered the legal, equitable, and contractual rights to which such claim or interest entitles the holder thereof or (ii) notwithstanding any legal right to an accelerated payment of such claim or interest, the plan cures all existing defaults (other than defaults resulting from the occurrence of events of bankruptcy) and reinstates the maturity of such claim or interest as it existed before such default.

If, however, the holder of an impaired claim or interest will not receive or retain any distribution under the plan of reorganization on account of such claim or interest, the Bankruptcy Code deems such holder to have rejected the plan and, accordingly, holders of such claims and interests are not entitled to vote on the plan of reorganization. If a claim or interest is not impaired by the plan, the Bankruptcy Code deems the holder of such claim or interest to have accepted the plan and, accordingly, holders of such claims and interests are not entitled to vote on such plan.

C. Classes Entitled to Vote to Accept or Reject the Plan

Under the Bankruptcy Code, acceptance of a plan of reorganization by a class of claims or interests is determined by calculating the number and the amount of claims or interests voting to accept such plan, based on the actual total allowed claims or interests voting on the plan. Acceptance by a class requires more than one-half of the number of total allowed claims or interests in the class to vote in favor of the plan and at least two-thirds in dollar amount of the total allowed claims or interests in the class to vote in favor of the plan.

Pursuant to the Plan, **Class 3 Claims** and **Class 4 Equity Interests** are Impaired by, and entitled to receive a Distribution under the Plan, and only the Holders of Claims or Equity Interests in those Classes are entitled to vote to accept or reject the Plan. **Class 1 and Class 2 Claims** are Unimpaired by the Plan, and such Holders are conclusively presumed to have accepted the Plan and are therefore not entitled to vote to accept or reject the Plan.

D. Calculation of Claims for Voting Purposes; Claim Objection Deadline

Pursuant to Section 105(a) of the Bankruptcy Code and rule 3003(c)(2) of the Bankruptcy Rules, any Holder of a Claim or an Equity Interest (a) that is either (i) not scheduled, or (ii) scheduled as (x) contingent, unliquidated, undetermined or undisputed, (y) in the amount of \$0.00 or (z) as unknown; (b) that is not the subject of a Proof of Claim Filed by the applicable Bar Date set by the Bankruptcy Court or is not otherwise deemed timely filed by the Bankruptcy

Court; (c) that is satisfied by the Debtors; (d) that is Filed in the amount of \$0.00; (e) that has been resolved pursuant to stipulation or order entered by the Bankruptcy Court; or (f) that is subject to an objection, will not be treated by the Debtors as a Creditor with respect to such Claim, or an Equity Interest Holder with respect to such Equity Interest, for purposes of voting on the Plan.

In order to calculate the amount of Claims for voting purposes, Claims will be (a) counted in the amount Allowed by the Plan; (b) counted in the amount listed on the Schedules if (i) the Claim is not scheduled (x) as contingent, unliquidated, disputed or undetermined or (y) in the amount of \$0.00, (ii) no Proof of Claim has been timely filed (or otherwise deemed timely filed by the Bankruptcy Court under applicable law), (iii) such Claim has not been satisfied by the Debtors, and (iv) such Claim has not been resolved pursuant to a stipulation or order entered by the Bankruptcy Court; (c) counted in the amount listed in a timely filed Proof of Claim (or otherwise deemed timely filed by the Bankruptcy Court under applicable law) if (i) the Claim amount is not disputed, contingent, undetermined or unliquidated, (ii) the Claim was not filed in the amount of \$0.00, (iii) the Proof of Claim has not been amended or superseded by another Proof of Claim, or (iv) the Claim is not the subject of a Claim Objection (as defined below); (d) allowed in the amount temporarily allowed by the Bankruptcy Court for voting purposes only pursuant to rule 3018(a) of the Bankruptcy Rules as set forth below; or (e) reclassified and/or allowed in a fixed, reduced amount if the Debtors have requested that such Claim be reclassified and/or allowed in a fixed, reduced amount pursuant to a Claim Objection (as defined below) to such Claim.

Pursuant to Bankruptcy Rule 3018(a), the deadline for the Debtors to File and serve any objections (each a “**Claim Objection**”) to a Claim for purposes of voting on the Plan in a different Class or different amount than is set forth in the Proof of Claim timely Filed by the applicable Bar Date as set by the Bankruptcy Court, shall be [_____, 2014] (the “**Claim Objection Deadline**”). For the avoidance of doubt, the Debtors shall retain their right to object to a Claim at a later date on any ground(s) so long as such objection is not for voting purposes. Responses, if any, to the Claim Objection shall be Filed no later than [_____, 2014], at **5:00 p.m. (Prevailing Eastern Time)**. The Bankruptcy Court may conduct a hearing on any Claim Objection at the Confirmation Hearing or such earlier time as may be scheduled by the Bankruptcy Court. The ruling by the Bankruptcy Court on any Claim Objection will be considered a ruling with respect to the allowance of the Claim(s) under Bankruptcy Rule 3018 and such Claim(s) will be counted, if at all, for voting purposes only, in the amount determined by the Bankruptcy Court. Any party with a response to a Claim Objection may be heard at the Confirmation Hearing. If, and to the extent that, the Debtors and such party are unable to resolve the issues raised by the Claim Objection on or prior to the Confirmation Hearing, any such Claim Objection will be heard at the Confirmation Hearing.

Creditors seeking to have a Claim temporarily allowed for purposes of voting to accept or reject the Plan pursuant to Bankruptcy Rule 3018(a) must File a motion (the “**Claims Estimation Motion**”) for such relief no later than [_____, 2014], at **5:00 p.m. (prevailing Eastern Time)** (the “**Claims Estimation Motion Deadline**”) which date is eighteen (18) days prior to the Voting Deadline (as defined below). The Bankruptcy Court shall hear such Claims Estimation Motion at the Confirmation Hearing or such earlier time as may be scheduled by the

Bankruptcy Court. Any such Claims Estimation Motion may be resolved by agreement between the Debtors and the movant without the requirement for further order or approval of the Bankruptcy Court. The deadline for the Debtors to file and serve any objections (each, a “**Claims Estimation Objection**”) to a Claims Estimation Motion shall be [_____, 2014] at **5:00 p.m. (prevailing Eastern Time)** (the “**Claims Estimation Objection Deadline**”). Responses to any Claims Estimation Objection may be filed with this Court up to and including the date of the Confirmation Hearing, and any party with a response to a Claims Estimation Objection may be heard at the Confirmation Hearing.

E. Solicitation Materials

In soliciting votes for the Plan pursuant to this Disclosure Statement, the Debtors, through Epiq Bankruptcy Solutions, LLC (the “**Voting Agent**”), will send to Holders of Claims or Equity Interests who are entitled to vote, a solicitation package (the “**Solicitation Package**”), which shall include, among other things copies of (a) this Disclosure Statement together with the Plan and all other exhibits annexed thereto, (b) the Solicitation Procedures Order, excluding the exhibits annexed thereto, (c) the notice of, among other things, (i) the date, time, and place of the hearing to consider Confirmation of the Plan and related matters and (ii) the deadline for filing objections to Confirmation of the Plan ((i) and (ii) collectively, the “**Confirmation Hearing Notice**”), (d) one or more Ballots (as defined below) (and return envelopes) to be used in voting to accept or to reject the Plan, and (e) other materials that the Bankruptcy Court may direct or approve, as more fully set forth in the Solicitation Procedures Order.

Prior to the Confirmation Hearing, the Debtors intend to file a Plan Supplement that includes, among other things, the Liquidating Trust Agreement. As the Plan Supplement is updated or otherwise modified, such modified or updated documents will be made available on the Debtors’ restructuring website, without charge, at <http://dm.epiq11.com/AAL>.

F. Voting Procedures, Ballots, and Voting Deadlines

The record date with respect to Holders of Claims and Equity Interests is [_____, 2014] (the “**Voting Record Date**”). The Voting Record Date is the date used for determining (1) the Holders of Claims against and Equity Interests in (a) the Classes entitled to vote to accept or reject the Plan (each a “**Voting Class**”), who are entitled to receive Solicitation Packages and vote to accept or reject the Plan, and (b) the Classes not entitled to vote to accept or reject the Plan (each a “**Non-Voting Class**”), who shall receive a package (the “**Non-Voting Package**”) consisting of the Confirmation Hearing Notice and notice of non-voting status, and (2) whether Claims have been properly assigned or transferred to an assignee pursuant to Bankruptcy Rule 3001(e) such that the assignee can vote as the Holder of a Claim. However, with respect to any transferred Claim, the transferee shall be entitled to receive a Solicitation Package and cast a Ballot on account of the transferred Claim only if the parties have completed all actions necessary to effect the transfer of the Claim pursuant to Bankruptcy Rule 3001(e) by the Voting Record Date. In the event a Claim is transferred after the transferor has executed and submitted a Ballot to the Voting Agent, the transferee of such Claim shall be bound by any such vote (and the consequences thereof) made by the Holder of such transferred Claim as of the

Voting Record Date. The Voting Record Date and all of the Debtors' solicitation and voting procedures shall apply to all of the Debtors' Creditors and other parties in interest.

As of the date of this Disclosure Statement, the Holders of the Equity Interest in ATLS are as set forth in Section IV.C below. In the event that any Holder of an Equity Interest in ATLS assigns or otherwise transfers all or some of such Equity Interest, then the transferor shall promptly provide to Debtors' counsel written notice of such transfer.

With respect to any transferred Equity Interest, the transferee shall be entitled to receive a Solicitation Package and cast a Ballot on account of the transferred Equity Interest only if the transferor has provided written notice of such transfer to Debtors' counsel by the Voting Record Date. In the event an Equity Interest is transferred after the transferor has executed and submitted a Ballot to the Voting Agent, the transferee of such Equity Interest shall be bound by any such vote (and the consequences thereof) made by the Holder of such transferred Equity Interest as of the Voting Record Date.

After carefully reviewing the Plan, this Disclosure Statement, and the detailed instructions accompanying your Ballot, you are asked to indicate your acceptance or rejection of the Plan by voting in favor of or against the Plan on the accompanying Ballot.

All votes to accept or reject the Plan must be cast by using the Ballot enclosed with the Solicitation Packages. Unless the Debtors determine otherwise in their sole and absolute discretion, in order for your vote to be counted, your Ballot must be properly completed as set forth below and in accordance with the voting instructions on the Ballot and received no later than [_____, 2014], at 5:00 p.m. (prevailing Eastern Time) (the "Voting Deadline") at the following address:

If by first class mail:

ATLS Acquisition, LLC Ballots Processing Center
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, PO Box 5014
New York, New York 10150-5014

If by hand delivery or overnight mail:

ATLS Acquisition, LLC Ballots Processing Center
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, New York 10017

Unless otherwise provided in the instructions accompanying the Ballots, the following Ballots will not be counted in determining whether the Plan has been accepted or rejected:

- any Ballot that is otherwise properly completed, executed and timely returned to the Voting Agent, but does not indicate an acceptance or

rejection of the Plan, or indicates both an acceptance and a rejection of the Plan;

- any Ballot received after the Voting Deadline, except in the Debtors' discretion or by order of the Bankruptcy Court;
- any Ballot containing a vote that the Bankruptcy Court determines, after notice and a hearing, was not solicited or procured in good faith or in accordance with the applicable provisions of the Bankruptcy Code;
- any Ballot that is illegible or contains insufficient information to permit the identification of the Creditor or Equity Interest Holder;
- any Ballot that partially accepts, or partially rejects, the Plan;
- any Ballot cast by a Person or Entity that does not hold a Claim or Equity Interest in a Voting Class;
- any unsigned Ballot or Ballot without an original signature, except in the Debtors' discretion; and
- any Ballot transmitted to the Voting Agent by facsimile, e-mail or other electronic means, except in the Debtors' discretion.

The Ballots do not require Holders of Claims or Equity Interests to return any stock certificates, debt instruments, or other evidences of their Claim with their Ballot.

Except as otherwise provided herein, or in the Solicitation Procedures Order: (a) if no Holders of Claims or Equity Interests eligible to vote in a particular Class vote to accept or reject the Plan, the Plan will be deemed not to have been accepted by the Holders of such Claims or Equity Interests in such Class.

Each Holder of a Claim or Equity Interest must vote all of its Claim or Equity Interests within a particular Class either to accept or reject the Plan and may not split such votes within a Voting Class. Accordingly, an individual Ballot that partially rejects and partially accepts the Plan on account of multiple Claims within the same Voting Class shall not be counted. By signing and returning a Ballot, each Holder of a Claim will certify to the Bankruptcy Court and the Debtors that no other Ballots with respect to such Claim or Equity Interest have been cast or, if any other Ballots have been cast with respect to such Class of Claims or Equity Interests, such other Ballots indicated the same vote to accept or reject the Plan.

It is important that the Holder of a Claim or Equity Interest in the Classes entitled to vote follow the specific instructions provided on such Holder's Ballot(s) and the accompanying instructions.

If you have any questions about (a) the procedure for voting your Claim or Equity Interest, (b) the Solicitation Package that you have received, or (c) the amount of your Claim, or

if you wish to obtain, at your own expense (unless otherwise specifically required by Bankruptcy Rule 3017(d)), an additional copy of the Plan, this Disclosure Statement, the Plan Supplement or any appendices or exhibits to such documents, please contact the Voting Agent at the address specified above or at (646) 282-2400.

For further information and general instructions on voting to accept or reject the Plan, see the instructions accompanying your Ballot.

G. Waiver of Defects, Irregularities, Etc.

Unless otherwise directed by the Bankruptcy Court, all questions as to the validity, form, eligibility (including time of receipt), acceptance, and revocation or withdrawal of Ballots will be determined by the Bankruptcy Court. As indicated below under “Withdrawal of Ballots; Revocation,” effective withdrawals of Ballots must be delivered to the Voting Agent prior to the Voting Deadline. The Debtors reserve the right to contest the validity of any such withdrawals of Ballots. Subject to any contrary order of the Bankruptcy Court, the Debtors also reserve the right to reject any and all Ballots not in proper form, the acceptance of which would, in the opinion of the Debtors or their counsel, be unlawful. The Debtors further reserve the right to waive, without notice, any defects, irregularities or conditions of delivery as to any particular Ballot, including failure to timely file such Ballot. Unless otherwise ordered by the Bankruptcy Court, any defects or irregularities in connection with deliveries of Ballots must be cured within such time as the Debtors (or the Bankruptcy Court) determine, and delivery of such Ballots shall not be deemed to have been made until such irregularities have been cured or waived. Neither the Debtors nor any other Person or Entity will be under any duty to provide notification of defects or irregularities with respect to deliveries of Ballots, nor shall any such party incur any liability for failure to provide such notification. Ballots previously furnished (and as to which any irregularities have not theretofore been cured or waived) will not be counted, except as otherwise provided herein or in the Solicitation Procedures Order.

H. Withdrawal of Ballots; Revocation

Unless otherwise provided, any party who has delivered a valid Ballot for the acceptance or rejection of the Plan may withdraw such acceptance or rejection by delivering a written notice of withdrawal to the Voting Agent at any time prior to the Voting Deadline. To be valid, a notice of withdrawal must (i) contain the description of the Claim(s) or Equity Interest(s) to which it relates and the aggregate principal amount represented by such Claim(s) or Equity Interest(s), (ii) be signed by the withdrawing party in the same manner as the Ballot being withdrawn, (iii) contain a certification that the withdrawing party owns the Claim(s) or Equity Interest(s) and possesses the right to withdraw the vote sought to be withdrawn, and (iv) be actually received by the Voting Agent prior to the Voting Deadline. The Debtors intend to consult with the Voting Agent to determine whether any withdrawals of Ballots were received and whether the requisite acceptances of the Plan have been received. As stated above, the Debtors expressly reserve the right to contest the validity of any such withdrawals of Ballots.

Unless otherwise directed by the Bankruptcy Court, a purported notice of withdrawal of Ballots which is not received in a timely manner by the Voting Agent will not be effective to withdraw a previously timely cast Ballot.

Unless otherwise provided, any party who has previously submitted to the Voting Agent prior to the Voting Deadline a properly completed Ballot may revoke such Ballot and change such vote by submitting to the Voting Agent prior to the Voting Deadline a subsequent properly completed Ballot for acceptance or rejection of the Plan. In the event where more than one timely, properly completed Ballot is received, the last valid Ballot received before the Voting Deadline will supersede and revoke any earlier received Ballot, provided that, if a Holder of Claims or Equity Interests casts multiple Ballots on account of the same Claim or Equity Interest or Class of Claims or Equity Interests, which are received by the Voting Agent on the same day, but which are voted inconsistently, all such Ballots will not be counted.

I. Request for Ballot(s); Further Information; Additional Copies

If you have any questions or require further information about the voting procedures for voting your Claim or Equity Interest or about the packet of material you received, if you wish to obtain an additional copy of the Plan, this Disclosure Statement, Plan Supplement or any exhibits or appendices to such documents, or if you are the Holder of a Claim or Equity Interest who believes you are entitled to vote on the Plan, but you did not receive a Ballot or your Ballot is damaged or illegible, please contact the Voting Agent at:

If by first class mail:

ATLS Acquisition, LLC Ballot Processing Center
c/o Epiq Bankruptcy Solutions, LLC
FDR Station, PO Box 5014
New York, New York 10150-5014

If by hand delivery or overnight mail:

ATLS Acquisition, LLC Ballot Processing Center
c/o Epiq Bankruptcy Solutions, LLC
757 Third Avenue, 3rd Floor
New York, New York 10017

J. Confirmation Hearing and Deadline for Objections to Confirmation

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

The Confirmation Hearing will commence on [_____, 2014 at _____ a.m./p.m.] (prevailing Eastern Time), before the Honorable Peter J. Walsh, United States Bankruptcy Judge, in the United States Bankruptcy Court for the District of Delaware, 824 North Market Street, Wilmington, Delaware 19801. The Confirmation Hearing may be continued from

time to time without further notice other than an adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on the master service list and the Entities or Persons who have filed an objection to the Plan (“**Plan Objection**”), without further notice to parties in interest. The Bankruptcy Court, in its discretion and prior to the Confirmation Hearing, may put in place additional procedures governing the Confirmation Hearing.

The Plan may be modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to parties in interest.

All Plan Objections must be filed with the Bankruptcy Court and served on the Debtors and certain other parties in interest in accordance with the Solicitation Procedures Order so that they are received on or before [_____, 2014] at 5:00 p.m. (prevailing Eastern Time) (the “**Plan Objection Deadline**”). The Debtors or any other party supporting Confirmation of the Plan, may file a response to any Plan Objections no later than [_____, 2014], which is seven (7) days prior to the date of the Confirmation Hearing. At that same time, the Debtors may also file their proposed findings of fact and conclusions of law with a form of order confirming the Plan, and may file any memorandum of law in support of Confirmation of the Plan.

The Confirmation Order shall approve all provisions, terms, and conditions of the Plan, unless such provisions, terms or conditions are otherwise satisfied or waived pursuant to the Plan provisions described in Article VII herein.

IV. GENERAL INFORMATION CONCERNING THE DEBTORS

A. Overview of Debtors’ Corporate History and Business Operations

Liberty Medical has been in business for 25 years serving the needs of both type 1 and type 2 diabetic patients. Liberty Medical is a leading mail order provider of diabetes testing supplies. In addition to diabetes testing supplies, Liberty Medical also sells insulin pumps and insulin pump supplies, ostomy, catheter and CPAP supplies and operates a large mail order pharmacy.

Liberty Medical currently operates in six different locations and has approximately 525 employees. The Debtors also have agreements with seven different contracting firms/temporary agencies, and employ approximately 100 temporary staff. In addition, there are approximately 400 offshore resources employed by the Debtors outsource partner.

Liberty Medical began as an independently owned company which was purchased by Polymedica, a public company, in 1996. On October 31, 2007, Medco Health Solutions (“**Medco**”) purchased Polymedica and integrated Liberty into Medco. In April 2012, Medco was acquired by Express Scripts, Inc. (“**ESI**”). Soon after acquiring Medco, ESI made the strategic decision to divest itself of the Liberty Medical business, which included both a Medicare fee for service business (the “**Medicare Diabetes Business**”) and a commercial business (the “**Commercial Business**”) and collectively with the Medicare Diabetes Business, the “**Liberty Business**”).

After making the decision to divest itself of the Liberty Business, Medco approached Frank Harvey, Arlene Rodriguez, Robert Mark, Sam Silek, and Tim Tidd, who comprised the senior management team at Liberty Medical at that time (the “**Liberty Management Team**”) to evaluate their interest in a management buy-out transaction. Negotiations began in July, 2012, but did not result in a transaction that was acceptable to the Liberty Management Team. Later that year, Medco again approached the Liberty Management Team with a revised transaction structure whereby the Liberty Management Team (through ATLS and FGST) would purchase the Liberty Business from Medco with financing being provided by Alere, Inc. (“**Alere Parent**”). As part of the financing transaction, Alere Parent negotiated an option agreement, as described below. The management buy-out transaction closed on December 3, 2012 (the “**MBO Transaction**”).

After the closing of the MBO Transaction, the Debtors continued to be faced with significant economic pressure from an on-going disputed post-pay audit related to sales through the Medicare Diabetes Business in years 2008, 2009 and 2010, and the pending Civil Litigation. In addition, several damaging events beyond the control or consent of the Debtors’ occurred, almost immediately after the closing of the MBO Transaction, including (a) the refusal of Medco to perform certain material contractual obligations pursuant to the terms of the MBO Transaction documents, (b) the insistence of the Centers for Medicare and Medicaid Services (“**CMS**”) to recoup substantial monthly amounts in connection with the disputed post-pay audits from 2008, 2009 and 2010, and (c) the attempt by Alere Parent and Arriva Medical, LLC, a Florida corporation and a subsidiary of Alere Parent (“**Arriva**” and together with Alere Parent, “**Alere**”), to exercise a contractual option to acquire substantial assets of the Debtors in a manner that the Debtors contended was inconsistent with the governing agreement. As a result, the Debtors filed these Chapter 11 Cases in order to have breathing room to implement their business plan and to resolve certain claims, for the benefit of the creditor body as a whole.

The Debtors had expected certain challenges after closing the MBO Transaction, including a significant post-pay audit issue relating to the 2008, 2009 and 2010 audit years and a civil lawsuit. The Debtors were confident, however, that aggressive cost management and a focus on the appropriate revenue generating businesses would allow the Debtors to operate profitably. To that end, the Debtors undertook significant cost cutting efforts before the commencement of these Chapter 11 Cases, which included eliminating over 400 jobs, seeking less expensive outsourcing partners, eliminating unnecessary expenditures, and renegotiating contracts. In addition, the Debtors implemented certain temporary pay cuts on January 6, 2013. The Debtors also put in place a process to identify and implement additional efficiencies in the business. Despite these efforts, the issues outlined above compelled the Debtors to commence these Chapter 11 Cases.

B. The Debtors’ Management Structure

It is anticipated that the managers, limited and general partners, directors and officers of each of the Debtors who are serving as of the Confirmation Date will continue to serve in such capacities until the Effective Date unless otherwise noted. Entry of the Confirmation Order shall ratify and approve all actions taken by the managers, limited and

general partners, directors and officers of the Debtors from the Petition Date through and until Effective Date. Below is a list of the current officers of the Debtors:

Frank Harvey. Mr. Harvey currently serves as the Chief Executive Officer and the Chairman of the board of directors (the “**Board of Directors**”). Mr. Harvey has served in this and other positions with the Debtors since 2009.

Robert Mark. Mr. Mark currently serves as the Chief Sales Officer. Mr. Mark has served in this and other positions with the Debtors since 1997.

Harry Paul Rosenfeld. Mr. H. Rosenfeld currently serves as the Chief Financial Officer. Mr. H. Rosenfeld has served in this position since February 2014.

Robert R. Rosenfeld. Mr. Rosenfeld currently serves as the Chief Restructuring Officer of the Debtors. Mr. Rosenfeld has served in this capacity since May 2013.

Samuel Silek. Mr. Silek currently serves as the Chief Sourcing Officer. Mr. Silek has served in this and other positions with the Debtors since August 2005.

Timothy N. Tidd. Mr. Tidd currently serves as the Chief Operating Officer and Chief Information Officer. Mr. Tidd has served in these and other positions with the Debtors since 2009.

The Board of Directors is comprised of Frank Harvey, Arlene Rodriguez, Samuel Silek, Robert Mark, Timothy Tidd and M. Freddie Reiss. Mr. Reiss is an independent director who was appointed on May 20, 2013. Ms. Rodriguez formerly served as the Chief Operating Officer. Ms. Rodriguez resigned from this position in July 2014. Ms. Rodriguez served in this and other positions with the Debtors since February 2000.

C. The Debtors’ Corporate Structure

The equity of ATLS is owned by Robert Mark (12%), Samuel Silek (12%), Arlene Rodriguez (12%), Timothy Tidd (12%), and Frank Harvey (52%). ATLS is a holding company that has as its sole asset all of the stock of FGST. FGST is also a holding company that has as its sole asset all of the stock of Polymedica and all of the membership interests in National Diabetic. National Diabetic is a dormant company. Polymedica holds the stock of Liberty Lane and Liberty Healthcare. Liberty Lane has no assets other than a one-third interest in Liberty Lane Condo and real estate in Port Saint Lucie, Florida. Liberty Healthcare is the account debtor on the main bank account for the Debtors, holds one-third of the stock of Liberty Lane Condo, holds all of the membership interests in Liberty Healthcare Pharm, holds all of the stock of Liberty Medical and holds some real estate in Port Saint Lucie, Florida. Liberty Healthcare Pharm was shut down on January 7, 2013 and has no remaining assets. Liberty Medical is the main operating entity for the Debtors, holds real estate in Port Saint Lucie, Florida, holds the stock of Liberty Marketplace and holds one-third of the stock of Liberty Lane Condo. Liberty Lane Condo holds certain real estate assets. Liberty Marketplace who’s only asset is a di minimis bank account.

D. Debtors' Prepetition Capital Structure

1. *Prepetition Secured Claims*

As of the Petition Date, FGST had outstanding debt obligations in the aggregate principal amount of approximately \$40 million pursuant to the Promissory Note between FGST and Alere Parent dated December 3, 2012 (the "**Alere Note**"). Each of the other Debtors guaranteed the Alere Note pursuant to a Guaranty Agreement, dated as of December 3, 2012, by and among the Debtors and Alere Parent (the "**Guaranty**"). The obligation under the Alere Note and the Guaranty were secured by a security interest in certain assets of the Debtors (the "**Prepetition Collateral**").

As part of the financing transaction, Alere entered into an Option Agreement, dated as of December 3, 2012, pursuant to which ATLS and FGST agreed to cause certain of the Debtors to convey certain assets to Alere in exchange for forgiveness of the Alere Note (the "**Option Agreement**"). Prior to the Petition Date, Alere sent FGST a notice indicating that it intended to exercise its option on February 15, 2013 (the "**Exercise Notice**"). In the Exercise Notice, Alere indicated that it believed the option covered substantially all of the assets of the Debtors, an assertion contested by the Debtors. The Debtors attempted to negotiate a resolution with Alere of the issues related to the option but were unable to do so prior to the Petition Date.

AmerisourceBergen Corp. ("**ABC**") and Liberty Healthcare entered into a Credit Agreement on or about October 18, 2012, pursuant to which ABC provided credit to Liberty Healthcare for the Debtors' purchase of goods from ABC allegedly on a secured basis. As a result, ABC has asserted an alleged lien on certain assets of the Debtors, and alleges a secured claim in the approximate amount of \$1,969,097. The Debtors intend to move to reclassify ABC's claim as a General Unsecured Claim.

2. *Unsecured Debt*

The Debtors have General Unsecured Claims which include, among other claims, trade claims, litigation claims, and the CMS Claims. Certain litigation claims and the CMS Claim are described in more detail below.

E. Events Leading to the Filing of the Chapter 11 Cases

As indicated above, the Debtors were aware that the business would face certain challenges after the MBO Transaction closed. After the closing of the MBO Transaction, however, the Debtors have struggled with certain unanticipated issues beyond their control that resulted in the need to file these Chapter 11 Cases. As a result, the Debtors believed that they would benefit substantially from the breathing space afforded by the Bankruptcy Code to stabilize the business, resolve certain unliquidated claims, and implement their business plan. Below are some of the issues that precipitated the filing of the Chapter 11 Cases.

1. *Actions of Medco*

Medco agreed in the MBO Transaction documents to be responsible for all pre-closing tax liabilities (the “**Pre-Closing Tax Liabilities**”). The Debtors estimated that these Pre-Closing Tax Liabilities could be as much as \$50 million and, as of the Petition Date, the Debtors had received demands for over \$4 million of such liabilities. Despite repeated demands from the Debtors and in contravention of the MBO Transaction documentation, Medco refused to meet its obligations to pay the Pre-Closing Tax Liabilities. Medco’s refusal placed an unexpected and significant tax burden on the Debtors. In addition, the Debtors had determined that there were other potential claims against Medco of which they were unaware at the time of the closing of the MBO Transaction.

2. *CMS Recoupment Issues*

At the time of the closing of the MBO Transaction, the Debtors were aware of the CMS post-pay audit issues. Before the filing of these Chapter 11 Cases, CMS was seeking repayment of approximately \$160 million in alleged over-payments relating to the 2008, 2009 and 2010 audits in a pending case assigned to an Administrative Law Judge in Arlington, Virginia. As of the Petition Date, no hearing date had been set by the Administrative Law Judge, and the litigation was expected to last for several years.

The Debtors believed that the post-pay audit obligations asserted by CMS were substantially overstated. Despite that, as of the Petition Date Liberty had already repaid \$12.8 million in overpayments alleged to have occurred in audit years 2008, 2009 and 2012 by making monthly payments of \$3.2 million beginning on November 8, 2012. These monthly payments were made under an extended repayment plan allowed by federal statute where full repayment by the provider would constitute an “extreme hardship.” Debtors’ legal counsel had requested a stay of recoupment pending the trial and was advised by CMS that there were no procedures in place to grant such relief. Liberty’s cash flow was substantially reduced each month by these monthly payments to CMS.

3. *Actions of Alere*

As described above, Alere sent an Exercise Notice to FGST indicating that it intended to acquire substantially all of the Debtors’ assets on February 15, 2013. The Debtors believed that the Exercise Notice sent by Alere was over-reaching as it included substantial assets not contemplated by the Option Agreement. Moreover, the Debtors believed that the assets that would be transferred to Alere under the Option Agreement had substantially more value to the Debtors’ estates than the price set forth in the Option Agreement.

In addition, prior to the Petition Date, the Debtors had reason to believe that Alere was contacting patients serviced by the Debtors in violation of the confidentiality restrictions in place between the Debtors and Alere. The actions of Alere to interfere with the Debtors’ relationships with their patients could have further negatively impacted the Debtors’ business operations. The Debtors contacted Alere to negotiate a resolution of these disputes, but the parties were not able to reach an agreement before the commencement of the Chapter 11 Cases.

4. *Purpose of the Chapter 11 Filing*

The challenges faced by the Debtors after closing of the MBO Transaction were substantial, including the negative impact of the above-described actions of Medco, CMS, and Alere. The Debtors' management team worked diligently to address the issues, but struggled to implement the business plan while at the same time addressing these events that were beyond the control of the Debtors.

The Debtors had substantial cash and other current assets as of the Petition Date, but were challenged to manage the difficult litigation issues facing them, while also managing their businesses. The Debtors, therefore, believed that they would benefit from the breathing space afforded by chapter 11 to stabilize their businesses and to implement their business plan. The Debtors intended to use these Chapter 11 Cases to resolve the various claims that threatened the viability of the Debtors business on a going-forward basis.

Once the Debtors stabilized the business, implemented a new accounting and financial system and cost-saving measures, obtained visibility on some of the outstanding obligations, and minimized certain litigation claims, the Debtors intended to formulate and propose a plan of reorganization or pursue a sale of the Debtors' assets.

V. THE CHAPTER 11 CASES

A. Commencement of the Chapter 11 Cases

On February 15, 2013, the Debtors commenced the Chapter 11 Cases by filing voluntary petitions for relief under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Since the Petition Date, the Debtors have continued to operate as debtors in possession subject to the supervision of the Bankruptcy Court, and in accordance with the Bankruptcy Code. The Debtors are authorized to operate their business and manage their properties in the ordinary course, with transactions outside of the ordinary course of business requiring Bankruptcy Court approval.

An immediate effect of commencement of the Chapter 11 Cases was the imposition of the automatic stay under the Bankruptcy Code which, with limited exceptions, enjoins the commencement or continuation of all collection efforts by Creditors, the enforcement of Liens against property of the Debtors, and the continuation of litigation against the Debtors during the pendency of the Chapter 11 Cases. The relief provided the Debtors with the "breathing room" necessary to assess and reorganize their business and prevent Creditors from obtaining an unfair recovery advantage while the Chapter 11 Cases are continuing. The automatic stay will remain in effect, unless modified by the Bankruptcy Court, until the entry of a final decree closing the Chapter 11 Cases.

B. First Day Orders

The first day hearing (the "**First Day Hearing**") was held in the Chapter 11 Cases before the Bankruptcy Court on February 20, 2013. At the First Day Hearing, the Bankruptcy Court heard certain requests for immediate relief Filed by the Debtors to facilitate the transition

between the Debtors' prepetition and post-petition business operations, and objections thereto, and entered the following orders:

- Order Directing Joint Administration of Chapter 11 Cases [Docket No. 40];
- Order (I) Authorizing the Debtors to Pay Prepetition Sales, Use, and Similar Taxes and Regulatory Fees in the Ordinary Course of Business, and (II) Authorizing Banks and Financial Institutions to Honor and Process Checks and Transfers Related Thereto [Docket No. 41];
- Order (A) Authorizing Debtors to Pay (I) All Prepetition Employee Obligations, and (II) Prepetition Withholding Obligations, and (B) Directing Banks to Honor Related [Docket No. 42];
- Order Authorizing the Debtors to Pay Certain Prepetition Mechanics Liens and Shipping Charges in the Ordinary Course of Business [Docket No. 43];
- Order Authorizing Debtors to (I) Maintain Existing Insurance Policies, Pay All Policy Premiums and Brokers Fees Arising Thereunder, and Renew or Enter into New Policies, and (II) Continue Insurance Premium Financing Programs, Pay Insurance Premium Financing Obligations Arising in Connection Therewith and Renew or Enter into New Premium Financing Arrangements [Docket No. 44];
- Interim Order Under Section 366 of the Bankruptcy Code (A) Prohibiting Utilities from Altering, Refusing, or Discontinuing Service, (B) Deeming Utilities Adequately Assured of Future Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment [Docket No. 45];
- Order Authorizing the Debtors to Honor Certain Prepetition Obligations to Customers and to Otherwise Continue Certain Prepetition Customer Practices and Programs in the Ordinary Course of Business [Docket No. 46];
- Order (A) Authorizing the Maintenance of Bank Accounts and Continued Use of Existing Business Forms and Checks, (B) Authorizing the Continued Use of Existing Cash Management System, (C) Waiving Certain Investment and Deposit Guidelines, and (D) Granting Administrative Expense Status to Postpetition Intercompany Claims [Docket No. 47];
- Order (A) Authorizing the Debtors to Pay All or a Portion of the Prepetition Claims of Certain Critical Vendors, and (B) Authorizing

Financial Institutions to Honor and Process Related Checks and Transfers [Docket No. 49];

- Order Authorizing the Retention and Appointment of Epiq Bankruptcy Solutions, LLC as Claims and Noticing Agent to the Debtors, Nunc Pro Tunc to the Petition Date [Docket No. 50]; and
- Interim Order (I) Authorizing the Use of Cash Collateral, (II) Granting Adequate Protection Pursuant to 11 U.S.C. 361, 362, 363 and 507, (III) Scheduling a Final Hearing Pursuant to Bankruptcy Rule 4001(b) and Local Rule 4001-2; and (IV) Granting Related Relief [Docket No. 51].

C. Retention of Professionals

During the Chapter 11 Cases, the Bankruptcy Court has authorized the retention of various professionals by the Debtors, including:

- Greenberg Traurig, LLP, as bankruptcy counsel [Docket No. 141];
- Ernst & Young, LLP, as restructuring advisors [Docket No. 140];
- Raymond James & Associates, as investment banker [Docket No. 1071];
- Epiq Bankruptcy Solutions, LLC, as claims and noticing agent [Docket No. 51]; and
- Ordinary Course Professionals [Docket No. 200].

The fees and expenses of the professionals retained by the Debtors are entitled to be paid by the Debtors subject to approval by the Bankruptcy Court and in accordance with the *Administrative Order Establishing Procedures for Final, Interim and Monthly Compensation and Reimbursement of Expenses of Professionals Retained in These Chapter 11 Cases and Reimbursement of Expenses of Committee Members Appointed in These Chapter 11 Cases* [Docket No. 139].

In addition, by order dated June 5, 2013, the Bankruptcy Court approved the retention of RSR Consulting, LLC to provide a Chief Restructuring Officer to the Debtors, and the appointment of Robert R. Rosenfeld to that position [Docket No. 390].

D. Official Committee

On February 28, 2013, the U.S. Trustee appointed an Official Committee of Unsecured Creditors [Docket No. 74] (the “**Creditors’ Committee**”). The Bankruptcy Court has authorized the retention of Lowenstein Sandler LLP as counsel to the Creditors’ Committee, Stevens & Lee as its Delaware counsel, and Mesirow Consulting as its financial advisor.

E. Other Matters Addressed During the Chapter 11 Cases

In addition to the first day relief sought in the Chapter 11 Cases, the Debtors have sought authority with respect to matters designed to assist in the administration of the Chapter 11 Cases, maximize the value of the Debtors' Estates, and provide the foundation for the Debtors' emergence from chapter 11. Set forth below is a brief summary of certain of the principal motions the Debtors have filed during the pendency of the Chapter 11 Cases.

1. Motions to Extend Exclusivity Periods

On each of June 13, 2013, July 18, 2013, October 2, 2013, January 17, 2014, February 20, 2014, and May 22, 2014, the Debtors Filed a *Motion of Debtors for an Order Extending Exclusive Periods During Which Debtors May File and Solicit Acceptances of a Plan of Reorganization* [Docket No.'s 411, 509, 710, 939, 1017, and 1256]. The Debtors engaged in extensive negotiations with the Creditors' Committee before and after the filing of each motion, and the Debtors and Creditors' Committee were able to reach an agreement on each extension of the Debtor's exclusive periods.

The most recent *Order Granting Motion of Debtors for an Order Further Extending the Exclusive Periods During Which Debtors May File and Solicit Acceptances of a Plan of Reorganization* [Docket No. 1421] resulted in an extension of the Debtors' exclusive period to file a plan of reorganization through August 15, 2014 and the period within which only the Debtors may solicit acceptances of such plan through November 4, 2014.

2. Claims Process

a. Schedules of Assets and Liabilities and Statements of Financial Affairs

The Debtors completed the Filing of their Schedules of Assets and Liabilities and Statements of Financial Affairs by May 6, 2013 [Docket Nos. 277-286] (the "**Schedules and Statements**"). Among other things, the Schedules and Statements set forth the Claims of known Creditors against the Debtors as of the Petition Date, based upon the Debtors' books and records.

b. Bar Dates

The Bankruptcy Court entered an order (the "**Bar Date Order**"), in accordance with rule 3003(c) of the Bankruptcy Rules, fixing May 20, 2013, at 5:00 p.m. (prevailing Eastern time) (the "**Bar Date**") as the last day for filing Proofs of Claim in these Chapter 11 Cases for all Claims in the Debtors arising prior to the Petition Date, except for those of governmental units, as defined in Section 101(27) of the Bankruptcy Code, and Holders of Claims under Section 503(b)(9) of the Bankruptcy Code. The bar date for Governmental Units was August 14, 2013 at 5:00 p.m. (prevailing Eastern time) (the "**Governmental Unit Bar Date**").

The Bankruptcy Court entered an order (the "**Administrative Claims Bar Date Order**"), in accordance with Sections 105(a), 502(b)(9), 503(b) and 507(a)(2) of the Bankruptcy Code, rules 2002(a)(7), 3002(a) and 3003(c) of the Bankruptcy Rules and rule 2002-1(e) of the

Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), fixing June 20, 2014 at 5:00 p.m. (prevailing Eastern time) as the bar date for filing proofs of any Administrative Claims that may have arisen, accrued or otherwise become due and payable prior to or on April 15, 2014. In the case of any Administrative Claims (other than Professional Fee Claims) that may have arisen, accrued or otherwise become due and payable on or after April 16, 2014, such application shall be filed with the Bankruptcy Court and served in the same manner **no later than forty-five (45) days after notice of the occurrence of the Effective Date having been entered on the docket**, unless otherwise by the Bankruptcy Court, or such Administrative Claims shall be forever barred, estopped and enjoined as against the Debtors, the Liquidating Trust or their property and Estates, and such Administrative Claims shall be deemed discharged as of the Effective Date.

3. *Resolution of Litigation With Alere*

In their effort to resolve the ongoing dispute with Alere, the Debtors filed their Motion of Debtors ATLS Acquisition, LLC and FGST Investments, Inc. for Entry of an Order Authorizing the Rejection of the Option Agreement Nunc Pro Tunc as of the Petition Date on February 22, 2013 [Docket No. 62]. After a hearing, the Bankruptcy Court denied the Debtors’ motion. Afterward, the Debtors negotiated a sale of the Medicare Diabetes Business to Alere, and consummated the sale on or about April 26, 2013 *pursuant to the Bankruptcy Court’s Order Granting Debtors’ Motion Pursuant to Sections 105(a) and 363 of the Bankruptcy Code and Bankruptcy Rule 9019 for Approval of the Stipulation of Settlement Between the Debtors and Alere, Inc. and Arriva Medical, LLC and Related Relief* [Docket No. 260]. The Debtors retained the Commercial Business.

4. *Resolution of Civil Litigation*

Three of the Debtors, Polymedica, Liberty Healthcare, and Liberty Medical were among the defendants in a prepetition lawsuit brought by two plaintiffs (the “**Relators**”) captioned as *United States of America, ex. rel. Lucas W. Matheny and Deborah Loveland v. Medco Health Solutions, Inc., et al.*, United States District Court for the Southern District of Florida, Case No. 08-14201-CIV-Graham/Lynch (the “**Civil Litigation**”). On April 4, 2013, the Bankruptcy Court entered an order setting May 20, 2013 as the Bar Date by which Relators were required to file their proof of claim [Docket No. 197] (the “**Bar Date Order**”). The Relators did not object to or appeal entry of the Bar Date Order; instead, on May 17, 2013, the Relators filed a complaint (the “**Dischargeability Complaint**”) initiating an adversary proceeding requesting a determination by the Bankruptcy Court that debts arising from their claims against Debtors are not dischargeable [Adv. Pro. No. 13-51056 (PJW)] (the “**Dischargeability Proceeding**”).

On June 26, 2013, Debtors filed their *Answer and Affirmative and Other Defenses* [Adv. Docket No. 13] (the “**Answer**”). The Answer formally requested that the Court not only determine the dischargeability of any debts but also liquidate the underlying claims.

After engaging in extensive litigation, the Court instructed the Debtors to file a motion for summary judgment. On October 3, 2013, the Debtors filed the *Motion of Debtors Polymedica Corporation, Liberty Healthcare Group, Inc., and Liberty Medical Supply, Inc. for*

Summary Judgment on Joint Objection to Proofs of Claim 303, 304, and 305 [Docket No. 712] (the “**Summary Judgment Motion**”). On October 23, 2013, the Relators filed the *Relators’ Reservation of Rights on Motion of Debtors Polymedica Corporation, Liberty Healthcare Group, Inc., and Liberty Medical Supply, Inc. for Summary Judgment* [Docket 769]. On October 30, 2013, the Debtors filed the *Reply in Support of Motion of Debtors Polymedica Corporation, Liberty Healthcare Group, Inc., and Liberty Medical Supply, Inc. for Summary Judgment on Joint Objection to Proofs of Claim 303, 304, and 305* [Docket No. 776].

On February 6, 2014, the Court issued the *Findings of Fact and Conclusions of Law* [Docket No. 982] which granted the Summary Judgment Motion (the “**Summary Judgment Order**”). In the Summary Judgment Order, the Bankruptcy Court found that the requisite elements of a reverse false claim asserted by the Relators’ in the Civil Litigation had not been proven, and the Court therefore entered judgment in favor of the Debtor defendants and the non-Debtor defendants, who had joined in Summary Judgment Motion. On February 24, 2014, the Bankruptcy Court formally entered judgment disallowing and expunging Relators’ Proofs of Claims [Docket No. 1023]. On March 13, 2014, the Bankruptcy Court entered its final judgment dismissing Relators’ adversary proceeding with prejudice [Docket No. 407]. The time for appeal of the final judgment in both matters has passed and no appeal has been noticed.

5. Settlement Negotiations with CMS

Prior to the Petition Date, CMS and the Debtors were engaged in an administrative proceeding to determine the validity of a post-pay audit claim asserted by CMS against the Debtors for audit years 2008, 2009 and 2010. In August 2013, CMS filed a Proof of Claim in the approximate amount of \$160 million.

Prior to the commencement of these Chapter 11 Cases, CMS was recouping substantial sums from the Debtors each month on account of such claim even though the validity and amount has not been adjudicated, as permitted by federal statute; however, as a result of these Chapter 11 Cases, the automatic stay prevents further recoupment. On several occasions, the Debtors’ advisors met with CMS and exchanged information regarding certain deficiencies related to the statistical process CMS used to calculate the amount of its post-pay audit claim. In June 2013, the Debtors extended a formal settlement offer to CMS to resolve the post-pay audit claims. In the months after receiving the settlement offer, CMS made various requests for the Debtors to provide additional information and the Debtors promptly provided such information.

Since June 2013, the Debtors and CMS have engaged in lengthy and detailed settlement discussions in an effort to resolve the issues arising under the CMS Claim. It is expected that the parties will reach a settlement that will allow the Purchaser to assume certain agreements between Liberty Medical and CMS, and require that the Purchaser assume certain liabilities. It is also expected that the CMS Settlement Agreement will have been finalized by the date of this Disclosure Statement is approved by the Bankruptcy Court, and a motion will have been filed seeking Bankruptcy Court approval of the CMS Settlement Agreement. A copy of such motion will be available on the Debtors’ Website. If the CMS Settlement Agreement is (i) approved by the Bankruptcy Court and (ii) assumed by the Purchaser under the Asset

Purchase Agreement, then the CMS Claims shall be Allowed at \$0 for purposes of classification, treatment, and voting on the Plan.

6. *Litigation With Medco*

In connection with the Debtors' investigation after the commencement of these Chapter 11 Cases concerning potential claims against Medco, disputes arose between the Debtors and Medco with regard to: (i) certain tax election forms and procedures specified therein, and (ii) an Inter-Company Agreement between Medco and its affiliates and subsidiaries and Debtor Liberty Healthcare Group, Inc., dated as of August 29, 2012.

a. August 2013 Stipulation with Medco

On August 28, 2013, after engaging in extensive negotiations with Medco, the Debtors filed the *Emergency Motion Under 11 U.S.C. § 105(a) to Approve Stipulation for Debtors' Delivery of Certain Tax Election Forms and Payments by Medco Health Solutions, Inc.* [Docket No. 618] (the "**Medco Stipulation**"). The Medco Stipulation was approved by the Court on August 29, 2013 [Docket No. 621]. The Medco Stipulation resulted in the transfer of \$22 million dollars to the Debtors' estates and did not prejudice the Debtors' rights to pursue additional claims against Medco pursuant to the MBO Transaction documents or otherwise, which could have resulted in significant additional recoveries for the Debtors' estates.

b. Medco's Proofs of Claim

On May 20, 2013, Medco filed twelve proofs of claim (the "**Medco Claims**") in the Debtors' Chapter 11 Cases. Certain of the Medco Claims seek "contribution, indemnification, subrogation, reimbursement, setoff, recoupment, and any other applicable theory, arising out of any damages, costs, liability or loss that Medco may incur as a result of the actions or inactions of the debtor, including without limitation, matters set forth on Section 5.16 of the [Medco] Purchase Agreement" and for indemnification under Sections 9.4, 5.9, 7.2, and 5.4 of the Medco Purchase Agreement. Medco also filed Proofs of Claim relating to a Transition Services Agreement, a Pharmacy Services Agreement, a Contracted Pharmacy Services Agreement (one claim in the amount of \$2.4 million, which is purported to be a general unsecured claim and another for \$6.3 million with is purported to be a priority claim under Section 503(b)(9) of the Bankruptcy Code), post-MBO Transaction employee credit card use, and for certain payments to third-parties.

On March 10, 2014, the Debtors formally objected to the Medco Claims [Docket No. 1062]. In summary, the Debtors assert in their objection that that the Medco Claims should be disallowed because (1) Medco asserted claims against incorrect Debtors, (2) Medco's claims seek reimbursement and are contingent, (3) Medco seeks reimbursement for claims for which it is co-liable with certain Debtors, (4) Medco was the recipient of fraudulent transfers, (5) the Medco Claims are subject to setoff and recoupment, and, in any event, (6) the Medco Claims should be estimated at zero.

c. The Debtors' Complaint Against Medco

On March 7, 2014, the Debtors filed an Adversary Complaint against Medco, entitled *FGST Investments, Inc., et al. v. Medco Health Solutions, Inc.*, [Adv. Proc. No. 14-50080] (the “**Medco Complaint**”). The Medco Complaint asserts claims relating to the pre-petition, intercompany transactions with Polymedica that the Debtors contend rendered Polymedica and its subsidiaries insolvent by the time of the MBO Transaction, as well as claims relating to the MBO Transaction documents. In addition, the Adversary Complaint seeks disallowance and subordination of the Medco Claims.

(i) The Debtors' Allegations Against Medco

(a) Fraudulent Transfer Claims

The Medco Complaint alleges that the Debtors' Chapter 11 Cases were caused, in part, by Medco's fraudulent transfer of approximately \$1 billion in assets and other value from Polymedica and its subsidiaries shortly before the MBO Transaction that left Polymedica and its subsidiaries insolvent at a time when Polymedica and its subsidiaries were being prepared for sale. The Medco Complaint alleges that Polymedica and its subsidiaries received no measurable value in return for the transfers, and thus seeks to avoid the transfers. The Medco Complaint further seeks an order avoiding another approximately \$27 million in cash sweeps by Medco from the Debtors' bank accounts after the Debtors were rendered insolvent, and for which the Debtors received no cognizable value.

The Medco Complaint further alleges that \$30 million in cash transferred from Debtor FGST to Medco as part of the MBO Transaction also constituted a fraudulent transfer. The Medco Complaint alleged that the cash was transferred in return for an insolvent Liberty Medical business, which in turn rendered FGST insolvent. The Medco Complaint seeks an order avoiding the \$30 million cash transfer.

(b) Breach of Financial Statements Warranty

Medco warranted in the Purchase Agreement the accuracy of certain financial statements of Polymedica and its subsidiaries. The Adversary Complaint alleges that the financial statements warranted accurate inflated the value of assets — in particular, the accounts receivable, property and equipment. The Medco Complaint seeks to recover the difference in value between the value represented and the value received as a breach of warranty.

(c) Other Breaches of the Purchase Agreement

The Medco Complaint also asserts other breaches of the Purchase Agreement that contributed to the Debtors' Chapter 11 Cases. The Medco Complaint contends that the Purchase Agreement obligates Medco to pay all income, sales, use and similar taxes attributable to the Debtors' businesses prior to the closing date of the MBO Transaction, and that Medco immediately and willfully refused to pay such taxes. The Medco Complaint seeks to enforce Medco's obligation to pay the taxes and seeks related consequential damages exceeding \$26 million.

The Medco Complaint also alleges that Medco breached the Purchase Agreement by (1) refusing to deliver software assets that were critical to the Debtors' accounting and management functions, which resulted in an approximately \$4 million loss, (2) refusing to indemnify the Debtors' officers in lawsuits arising out of pre-closing activity, including in the Civil Litigation, (3) refusing to reimburse Debtor FGST for third-party advisor expenses associated with the MBO Transaction, (4) and refusing to pay the Debtors for various other contractual and equitable liabilities including those associated with reimbursements due for software consulting expenses and receivables for shipped pharmacy products.

(d) Disallowance and Subordination of Medco's Claims

The Medco Complaint also seeks disallowance and subordination Medco's Proofs of Claim filed against each of the Debtors seeking contribution and indemnity, as well as other relief under various provisions of the Medco Purchase Agreement. The Medco Complaint asserts that the claims should be disallowed under various provisions of the Bankruptcy Code, including because (1) Medco is the recipient of a fraudulent transfer, (2) a number of Medco's claims are for contribution and indemnity and are contingent, and (3) a number of claims arise out of the sale of securities. The Medco Complaint also separately requests that Medco's claims be equitably disallowed or subordinated based upon Medco's willful, unlawful and inequitable conduct both in the lead up to the MBO Transaction and immediately thereafter.

(ii) Status of the Adversary Complaint

In conjunction with the Adversary Complaint, the Debtors sought summary judgment concerning Medco's obligation to pay taxes attributable to the period before the closing of the MBO Transaction. Medco opposed the Debtors' summary judgment motion and cross-moved for summary judgment claiming that its obligation set forth in the MBO Transaction documents was the product of its attorneys' mistake. Medco also moved to dismiss a number of the claims set forth in the Medco Complaint, but did not move to dismiss the causes of action associated with its pre-petition, intercompany transfers or its breach of warranty related to the financial statements of Polymedica and its subsidiaries. Medco answered the Adversary Complaint.

(iii) Medco's Administrative Expense Request

On June 20, 2014 [Docket No. 1372], Medco filed a request for repayment of administrative expenses, which in large part seeks reimbursement of the \$18 million payment made by Medco to the Debtors pursuant to the terms of the Medco Stipulation. The Debtors have objected to the administrative expense request on the ground that the payments were non-refundable pursuant to the terms of the Medco Stipulation approved by the Bankruptcy Court, and were made on account of potential prepetition breaches of contract. Medco's administrative expense request is currently not scheduled for a hearing.

7. Resolution of Certain Alleged Priority Tax Claims

In late January, 2013, shortly after the MBO Transaction closed, Liberty Medical initially identified only nine states in which it was registered for remitting sales tax. With the

assistance of its tax advisor, Liberty Medical then initiated a sales tax “nexus” review to determine whether it was registered, filing and paying sales taxes in all states in which it had a “nexus” for sales tax purposes. Upon completing that review, Liberty Medical determined that – given the breadth and scope of its business operations – it had a sales tax “nexus” in approximately 47 states and jurisdictions, including Puerto Rico and the District of Columbia (as well as several local jurisdictions within those states), that impose sales tax, inclusive of the nine states originally identified.

However, after the Governmental Unit Bar Date, it became apparent to Liberty Medical that very few taxing authorities had filed timely proofs of claim for sales taxes. Liberty Medical believed that some of the taxing authorities failed to file a claim because Liberty Medical (as it was operated before the MBO Transaction) had not previously registered collected or remitted sales taxes in many of those jurisdictions. In order to formulate a plan of reorganization, however, Liberty Medical was needed to resolve its sales tax claims.

Therefore, on November 29, 2013, the Debtors filed their *Motion of the Debtors Pursuant to 11 U.S.C. §§ 105(a), 502 and 505 and Federal Rule of Bankruptcy Procedure 9019 to (A) Implement Procedures to Determine Prepetition and Postpetition Sales Tax Liabilities of Debtor Liberty Medical Supply, Inc. Pursuant to State and Local Voluntary Disclosure Procedures and (B) Determine the Amount of Prepetition and Postpetition Sales Tax Liability of Debtor Liberty Medical Supply, Inc.* [Docket No. 846] (the “**Sales Tax Motion**”), seeking the Court’s approval and implementation of certain voluntary disclosure procedures, as permitted under applicable non-bankruptcy law, to (a) provide notice to the applicable taxing authorities in such states and localities of Liberty Medical’s calculation of liability for unpaid sales tax, (b) establish a process by which such taxing authorities may review Liberty Medical’s determination of such tax liability and file a response or objection to such determination to the extent that they disagreed with the Debtors’ calculation of such tax liability, (c) fix the amount of Liberty Medical’s prepetition liability on account of such sales tax, if any, owing to such taxing authority, and (d) approve procedures regarding the payment of sales tax during the period following the Petition Date through the Debtors’ emergence from chapter 11.

Liberty Medical determined that the amount of its voluntary disclosure liability for unpaid sales tax and applicable interest to the various taxing authorities that did not file proofs of claim was, in the aggregate, approximately \$496,870.56, for the pre-petition period from December 3, 2012 to February 14, 2013 (the day before the Petition Date). However, because Liberty Medical was not registered in such states and localities, the amount of such sales tax liability owing to each of the taxing authorities had not been liquidated by agreement of such taxing authorities or otherwise. Accordingly, in connection with the Debtors’ claims resolution process, the Debtors obtained Court approval of procedures that permitted Liberty Medical to resolve its unpaid sales tax liabilities by granting the taxing authorities allowed claims (or fixing those claims at \$0.00) for pre-petition sales taxes in a manner that is substantially similar to certain state voluntary disclosure programs that would otherwise be available to the Debtors outside of bankruptcy, and to implement procedures regarding payment of sales tax during these Chapter 11 Cases. Furthermore, the Sales Tax Motion proposed a procedure for resolution of the objections of any states that disagreed with the amounts proposed by Liberty Medical.

On December 18, 2013, the Court granted the relief sought in the Sales Tax Motion and entered its *Order Pursuant to 11 U.S.C. §§ 105(A), 502 and 505 and Federal Rule of Bankruptcy Procedure 9019 Authorizing the Debtors to (A) Implement Procedures to Determine Prepetition and Postpetition Sales Tax Liabilities of Debtor Liberty Medical Supply, Inc. Pursuant to State and Local Voluntary Disclosure Procedures and (B) Determine the Amount of Prepetition and Postpetition Sales Tax Liability of Debtor Liberty Medical Supply, Inc.* [Docket No. 890] (the “**Sales Tax Order**”). After entry of the Sales Tax Order, only three states – California, Nevada and Pennsylvania – filed timely objections, all of which have since been resolved. By resolving Liberty Medical’s sales tax liabilities with thirty-five states plus the District of Columbia and the Commonwealth of Puerto Rico through the Sales Tax Motion – rather than having to file separate voluntary disclosure applications with each jurisdiction – the Debtors saved their Estates and Creditors significant professional fees, time, and other resources that would have been devoted to resolving each of those claims through thirty-seven separate voluntary disclosure procedures.

8. **Resolution of IRS Claim**

On February 11, 2014, the Internal Revenue Service (“**IRS**”) filed amended Proof of Claim number 325 in the amount of \$49,169,915.00, as an unsecured Section 507(a)(8) priority claim (the “**IRS Claim**”) against Liberty Medical for unpaid 2008, 2009 and 2010 federal income tax liabilities. During these tax years, certain or all of the Debtors were members of a consolidated taxpayer group under its then-parent corporation – Medco. Under applicable Treasury Regulations, the IRS asserted that Liberty Medical was severally liable for the tax liabilities of Medco and its consolidated tax group (the “**Medco Group**”). The IRS Claim included the notation “unassessed tax liability estimated by examination,” indicating that the Medco Group was under audit for tax years 2008, 2009, and 2010. After the closing of the MBO Transaction, Liberty Medical, as a former member of a consolidated tax reporting group, had no involvement in, and very little information with respect to, the audit of Medco. Similarly, Liberty Medical had no control of or information concerning the timing of the completion of the audit of Medco.

The Debtors recognized that they could not confirm a feasible chapter 11 plan with a \$49,169,915.00 priority IRS Claim that must be paid in full under Section 1129(a)(9)(C) of the Bankruptcy Code. The Debtors therefore sought to fix and liquidate the IRS Claim through the estimation process available to the Debtors under the Bankruptcy Code.

On March 12, 2014, the Debtors filed *Debtors’ (A) Objection to Claims Number 7, 50, 207, 306, and 316 filed by “Department of the Treasury—Internal Revenue Service” and (B) Motion Pursuant to 11 U.S.C. § 502(c)(1) to Estimate at \$0.00 Claim Number 325 filed by “Department of the Treasury—Internal Revenue Service”* [Docket No. 1072] (the “**IRS Estimation Motion**”) in which the Debtors sought, pursuant to Section 502(c) of the Bankruptcy Code, to estimate the IRS Claim at \$0.00. After filing the IRS Estimation Motion, the Debtors had several discussions with IRS counsel, which resulted in the IRS amending its previously filed Proof of Claim by filing Proof of Claim number 503 on April 24, 2014, in the amount of \$387,764.00. The Debtors then withdrew the IRS Estimation Motion. Thus, the IRS reduced its claim from \$49,169,915.00 down to \$387,764.00 – a reduction of over 99%.

9. Other Motions and Settlements

On June 14, 2013, August 23, 2013, November 13, 2013, March 25, 2014, and June 25, 2014, the Debtors Filed a *Motion of the Debtors Pursuant to Section 365(d)(4) of the Bankruptcy Code for an Order Extending the Time to Assume or Reject Unexpired Leases of Nonresidential Real Property* [Docket No. 413, 610, 799, 1115 and 1383]. The Debtors engaged in extensive negotiations with each of its landlords before the filing of each motion for an extension of the deadline to assume or reject nonresidential unexpired leases, and each request for an extension had the consent of the Debtors' landlords. On August 7, 2014, the Bankruptcy Court entered an Order extending the time to reject unexpired leases of nonresidential real property through and including August 30, 2014, without prejudice to the right to seek further extensions. The Debtors intend to continue seeking extensions of this deadline with the consent of its landlords, through the Effective Date, as needed.

On April 9, 2008, Debtor Polymedica filed its *Motion of the Debtors for Entry of an Order Authorizing Debtor Polymedica Corporation to Reject the Commercial Lease Nunc Pro Tunc as of the Petition Date* [Docket No. 208], in which Polymedica sought authorization to reject an unexpired lease of non-residential property located in Woburn, Massachusetts (the "**Lease Rejection Motion**"). On May 3, 2013, the Bankruptcy Court entered an order granting the Lease Rejection Motion [Docket No. 270].

VI. OVERVIEW OF THE PLAN

THIS SECTION AND SECTION VII PROVIDE A SUMMARY OF THE STRUCTURE AND IMPLEMENTATION OF THE PLAN (INCLUDING THE SALE TRANSACTION) AND THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PLAN, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN (WHICH ACCOMPANIES THIS DISCLOSURE STATEMENT) AND THE EXHIBITS ATTACHED TO THE PLAN.

THE PLAN ITSELF AND THE DOCUMENTS REFERRED TO THEREIN WILL CONTROL THE TREATMENT OF CLAIMS AGAINST, AND EQUITY INTERESTS IN, THE DEBTORS UNDER THE PLAN AND WILL, UPON THE EFFECTIVE DATE, BE BINDING UPON HOLDERS OF CLAIMS AGAINST, OR EQUITY INTERESTS IN, THE DEBTORS, THE LIQUIDATING TRUST, AND OTHER PARTIES IN INTEREST. IN THE EVENT OF ANY CONFLICT BETWEEN THIS DISCLOSURE STATEMENT AND THE PLAN OR ANY OTHER OPERATIVE DOCUMENT, THE TERMS OF THE PLAN AND/OR SUCH OTHER OPERATIVE DOCUMENT WILL CONTROL.

A. Proposed Timeline of Events Related to the Plan

The following is the anticipated schedule for the Plan.³

Event	Anticipated Date
Debtors Filed draft Plan and Disclosure Statement	August 14, 2014
Disclosure Statement Hearing	[_____]
Begin solicitation process with respect to the Plan	<i>Five (5) Business Days after the entry of the Solicitation Procedures Order</i>
Voting Deadline and Plan Objection Deadline	[_____]
Deadline for the Debtors to File the Plan Supplement	[_____]
Deadline to respond to Plan Objections	[_____]
Confirmation Hearing	[_____]

VII. DETAILED SUMMARY OF THE PLAN OF REORGANIZATION**A. Overall Structure of the Plan**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11, a debtor is authorized to reorganize its business for the benefit of its creditors and interest holders. Upon the filing of a petition for relief under chapter 11, Section 362 of the Bankruptcy Code provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of a chapter 11 case.

The consummation of a plan of reorganization is the principal objective of a chapter 11 case. A plan of reorganization sets forth the means for satisfying claims against and interests in a debtor. Confirmation of a plan of reorganization by the Bankruptcy Court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan, and any creditor of, or equity security holder in, the debtor, whether or not such creditor or equity security holder (i) is impaired under or has accepted the plan or (ii) receives or retains any property under the plan. Subject to certain limited exceptions, and other than as provided in the plan itself or the confirmation order, the confirmation order discharges the debtor from any debt that arose prior to the date of confirmation of the plan and substitutes for such debt the obligations specified under the confirmed plan, and terminates all rights and interests of equity security holders.

³ The dates contained in this section are anticipated dates and are subject to the Court's schedule and availability.

The terms of the Plan are based upon, among other things, the Debtors' assessment of their ability to achieve the goals of their business plan, make the Distributions contemplated under the Plan, pay their continuing obligations in the ordinary course of their respective businesses and negotiations with the Creditors' Committee. Under the Plan, Claims against and Equity Interests in the Debtors are divided into Classes according to their relative seniority and other criteria.

If the Plan is confirmed by the Bankruptcy Court and consummated, the Debtors or the Liquidating Trust will distribute Cash and other property in respect of certain Classes of Claims and Equity Interests as provided in the Plan. The Classes of Claims against and Equity Interests in the Debtors created under the Plan, the treatment of those Classes under the Plan, and the other property to be distributed under the Plan, are described below.

B. Classification and Treatment of Claims and Equity Interests

Section 1122 of the Bankruptcy Code provides that a plan of reorganization must classify the claims and interests of a debtor's creditors and equity interest holders. In accordance with Section 1122 of the Bankruptcy Code, the Plan divides Claims against and Equity Interests in the Debtors into Classes and sets forth the treatment for each Class (other than Administrative Claims and Priority Tax Claims, which, pursuant to Section 1123(a)(1), do not need to be classified). The Debtors also are required, under Section 1122 of the Bankruptcy Code, to classify Claims against and Equity Interests in the Debtors into Classes that contain Claims and Equity Interests that are substantially similar to the other Claims and Equity Interests in such Class.

The Debtors believe that the Plan has classified all Claims and Equity Interests in compliance with the provisions of Section 1122 of the Bankruptcy Code and applicable case law, but it is possible that a Holder of a Claim or Equity Interest may challenge the Debtors' classification of Claims and Equity Interests and that the Bankruptcy Court may find that a different classification is required for the Plan to be confirmed. In that event, the Debtors intend, to the extent permitted by the Bankruptcy Code, the Plan, and the Bankruptcy Court, to make such reasonable modifications to the classifications under the Plan to permit Confirmation and to use the Plan acceptances received for purposes of obtaining the approval of the reconstituted Class or Classes of which each accepting Holder ultimately is deemed to be a member. Any such reclassification could adversely affect the Class in which such Holder initially was a member, or any other Class under the Plan, by changing the composition of such Class and the vote required of that Class for approval of the Plan.

The amount of any Impaired Claim or Equity Interest that ultimately is Allowed by the Bankruptcy Court may vary from any estimated Allowed amount of such Claim and, accordingly, the total Claims ultimately Allowed by the Bankruptcy Court with respect to each Impaired Class of Claims or Equity Interests may also vary from any estimates contained in the Plan with respect to the aggregate Claims in any Impaired Class. Thus, the value of the property that ultimately will be received by a particular Holder of an Allowed Claim under the Plan may be adversely (or favorably) affected by the aggregate amount of Claims ultimately Allowed in the applicable Class.

The classification of Claims and Equity Interests and the nature of Distributions to members of each Class are summarized below. The Debtors believe that the consideration, if any, provided under the Plan to Holders of Claims and Equity Interests reflects an appropriate resolution of their Claims and Equity Interests, taking into account the differing nature and priority (including applicable contractual and statutory subordination) of such Claims and Equity Interests and the fair value of the Liquidating Trust Assets. The Debtors may seek Confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code, if necessary. Specifically, Section 1129(b) of the Bankruptcy Code permits Confirmation of the Plan in certain circumstances even if the Plan has not been accepted by all Impaired Classes of Claims and Equity Interests. See Section X.F below. Although the Debtors believe that the Plan can be confirmed under Section 1129(b), there can be no assurance that the Bankruptcy Court will find that the requirements to do so have been satisfied.

1. *Treatment of Unclassified Claims under the Plan*

a. *Administrative Claims*

Except for Professional Fee Claims, in full satisfaction, settlement, release and discharge of and in exchange for each Allowed Administrative Claim, except to the extent that any Holder of an Allowed Administrative Claim has received payment prior to the Effective Date, agrees with the Debtors or the Liquidating Trustee, as applicable, to different treatment or as otherwise provided for in the Plan, each Holder of an Allowed Administrative Claim shall receive payment in full, in Cash, on the later of: (i) the Effective Date if due on or before that date, (ii) the date upon which such Administrative Claim becomes an Allowed Claim, or (iii) such other date as may be agreed upon between the Holder of such Allowed Administrative Claim and the Debtors or the Liquidating Trustee, as applicable.

Pursuant to the Administrative Claims Bar Date Order, all Administrative Claim Requests (other than as set forth in the Plan) were required to be made by application Filed with the Bankruptcy Court and served on counsel for the Debtors, or the Liquidating Trustee as the case may be, in the case of any Administrative Claims (other than Professional Fee Claims) that may have arisen, accrued or otherwise become due and payable prior to April 15, 2014, no later than June 20, 2014 at 5:00 p.m. (Prevailing Eastern Time). In the case of any Administrative Claims (other than Professional Fee Claims) that may have arisen, accrued or otherwise become due and payable on or after April 15, 2014, such application shall be filed with the Bankruptcy Court and served in the same manner **no later than forty-five (45) days after notice of the occurrence of the Effective Date having been entered on the docket**, unless otherwise by the Bankruptcy Court, or such Administrative Claims shall be forever barred, estopped and enjoined as against the Debtors, the Liquidating Trust or their property and Estates, and such Administrative Claims shall be deemed discharged as of the Effective Date. In the event that the Debtors, the Liquidating Trustee object to an Administrative Claim, the Bankruptcy Court shall determine the Allowed amount of such Administrative Claim. Notwithstanding the foregoing, (a) unless a Sale Transaction is consummated, no application seeking payment of an Administrative Claim need be Filed with respect to an undisputed post-petition obligation which was paid or is payable by the Debtors in the ordinary course of business; provided, however, that in no event shall a post-petition obligation that is contingent or disputed and subject to

liquidation through pending or prospective litigation, including, but not limited to, alleged obligations arising from personal injury, property damage, products liability, consumer complaints, employment law (excluding claims arising under workers' compensation law), secondary payor liability or any other disputed legal or equitable claim based on tort, strict liability, negligence, statute, contract, equity or common law, be considered to be an obligation which is payable in the ordinary course of business; and (b) no Administrative Claim Request need be Filed with respect to the amount of Cure owing under an Executory Contract or Unexpired Lease if the amount of Cure is fixed or proposed to be fixed by order of the Bankruptcy Court pursuant to a motion to assume and fix the amount of Cure Filed by the Debtors and a timely objection asserting an increased amount of Cure is Filed by the non-Debtor party to the subject contract or lease.

With respect to Administrative Claims, the last day for Filing an objection to any Administrative Claim will be the later of (a) 180 days after the Effective Date, (b) 90 days after the filing of such Administrative Claim, or (c) such other date specified in the Plan or ordered by the Bankruptcy Court.

Notwithstanding the foregoing, any Statutory Fees payable on or before the Effective Date shall be paid in Cash on the Effective Date without the requirement for the filing of an Administrative Claim Request.

b. Priority Tax Claims

Except to the extent that an Allowed Priority Tax Claim has been paid prior to the Effective Date or unless otherwise agreed to by the Debtors or the Liquidating Trustee, as applicable, and the Holder of an Allowed Priority Tax Claim, each Holder of an Allowed Priority Tax Claim shall receive in full and final satisfaction, settlement, and release of and in exchange for such Allowed Priority Tax Claim: (a) Cash equal to the amount of such Allowed Priority Tax Claim; (b) such other treatment in accordance with 1129(a)(9)(C) of the Bankruptcy Code; or (c) as may be agreed between the Holder of such Allowed Priority Tax Claim and the Debtors or the Liquidating Trustee, as applicable.

c. Professional Fee Claims

Notwithstanding any other provision of this Plan concerning Administrative Claims, any Professional seeking an award by the Bankruptcy Court of an Allowed Administrative Claim on account of Professional Fees incurred from the Petition Date through and including the Effective Date (i) shall, no later than forty-five (45) days after the Effective Date, File a final application for allowance of compensation for services rendered and reimbursement of expenses incurred through and including the Effective Date and (ii) shall receive, as soon as reasonably practicable after such claim is Allowed, in full settlement, satisfaction and release of, and in exchange for, such Allowed Administrative Claim, Cash in an amount equal to the unpaid amount of such Allowed Administrative Claim in accordance with the Order relating to or allowing any such Administrative Claim.

The Liquidating Trustee may, without application to or approval by the Bankruptcy Court, retain professionals and pay reasonable professional fees and expenses in connection with services rendered to it after the Effective Date.

2. *Treatment of Classified Claims and Equity Interests under the Plan*

a. Class 1: Secured Claims (“Class 1 Claims”).

Classification: Class 1 Claims consist of all Secured Claims against the Debtors.

Treatment: On the Effective Date or as soon thereafter as is reasonably practicable, each Holder of an Allowed Class 1 Claim shall receive, in full and complete settlement, release, and discharge of such Claim, in the discretion of the Debtors, either (a) cash in the full amount of such Allowed Secured Claim, including any post-petition interest accrued pursuant to Section 506(b) of the Bankruptcy Code, (b) the proceeds of the sale or disposition of the collateral securing such Allowed Secured Claim to the extent of the value of the Holder’s secured interest in such collateral, (c) the collateral securing such Allowed Secured Claim and any interest on such Allowed Secured Claim required to be paid pursuant to Section 506(b) of the Bankruptcy Code, or (d) such other Distribution as necessary to satisfy the requirements of Section 1129 of the Bankruptcy Code.

Voting: Class 1 Claims are Unimpaired by the Plan. Each Holder of an Allowed Class 1 Claim will be conclusively deemed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Allowed Class 1 Claims shall not be entitled to vote to accept or reject the Plan.

b. Class 2: Non-Tax Priority Claims (“Class 2 Claims”).

Classification: Class 2 Claims consist of all Non-Tax Priority Claims against the Debtors.

Treatment: The legal, equitable and contractual rights of the Holders of Allowed Class 2 Claims will be unaltered by the Plan. Unless otherwise agreed to by the Holder of an Allowed Class 2 Claim and the Debtors or the Liquidating Trustee, as applicable, each Holder of an Allowed Class 2 Claim shall receive in full, final and complete satisfaction, settlement, release, and discharge of such Allowed Class 2 Claim, payment of the Allowed Class 2 Claim in full in Cash on the later of the Effective Date or the date on which such Claim is Allowed; provided, however, that, notwithstanding any contract provision or applicable law that may entitle a Holder of an Allowed Class 2 Claim to post-petition interest, no Holder of an Allowed Class 2 Claim shall receive post-petition interest on account of such Claim.

Voting: Class 2 Claims are Unimpaired by the Plan. Each Holder of an Allowed Class 2 Claim will be conclusively deemed to have accepted the Plan pursuant to Section 1126(f) of the Bankruptcy Code. Therefore, the Holders of Allowed Class 2 Claims shall not be entitled to vote to accept or reject the Plan.

c. Class 3: General Unsecured Claims (“Class 3 Claims**”).**

Classification: Class 3 Claims consist of all General Unsecured Claims against the respective Debtors; provided, that if the CMS Settlement Agreement has been assumed by the Purchaser under the Asset Purchase Agreement then the CMS Claims shall be Allowed at \$0 for purposes of classification, treatment, and voting on the Plan.

Treatment: Except to the extent that a Holder of an Allowed Class 3 Claim agrees to a less favorable treatment in full and final satisfaction, compromise, settlement, and release of and in exchange for each Class 3 Claim, Allowed Class 3 Claims shall receive a beneficial interest in its Pro Rata Share of the Liquidating Trust Assets and receive payment of up to 100% plus post-petition interest from the Petition Date until the date Allowed General Unsecured Claims are paid in full at the federal judgment interest rate that was in effect on the Petition Date, which rate is 0.15 percent (0.15%).

Voting: Class 3 Claims are Impaired by the Plan. Each Holder of an Allowed Class 3 Claim is entitled to vote to accept or reject the Plan.

Allowance: Class 3 Claims shall be Allowed under the Plan in the amount set forth in the Plan Supplement.

d. Class 4: Equity Interests in ATLS (“Class 4 Equity Interests**”).**

Classification: Class 4 Equity Interests consist of all Equity Interests in the Debtors which after giving effect to substantive consolidation as provided in the Plan will include only the Equity Interests in ATLS.

Treatment: Class 4 Interests will be canceled, released, and extinguished as of the Effective Date, and will be of no further force or effect, and Holders of Class 4 Equity Interests in ATLS shall receive their Pro Rata Share of the Liquidating Trust Assets after payment in full, in Cash, of all Allowed Unclassified Claims and all Allowed Claims in Classes 1 through 3.

Voting: Class 4 Equity Interests are Impaired by the Plan. Holders of Class 4 Equity Interests are entitled to vote to accept or reject the Plan.

Allowance: Class 4 Equity Interests shall be Allowed under the Plan in the amount set forth in this Disclosure Statement.

3. *Reservation of Rights Regarding Claims and Equity Interests*

Except as otherwise explicitly provided in the Plan, nothing herein shall affect the Debtors’ or the Liquidating Trustee’s rights and defenses, both legal and equitable, with respect to any Claims or Equity Interests, including, but not limited to, all rights with respect to legal and equitable defenses to alleged rights of setoff or recoupment.

C. Liquidating Trustee's Obligations Under the Plan

From and after the Effective Date, the Liquidating Trustee shall exercise its reasonable discretion and business judgment to perform its obligations under the Plan. The Plan will be administered and actions will be taken in the name of the Debtors and the Liquidating Trustee. From and after the Effective Date, the Liquidating Trustee shall conduct, among other things, the following tasks:

- Administer the Plan and take all steps and execute all instruments and documents necessary to effectuate the terms of the Plan;
- Pursue (including, as it determines through the exercise of its business judgment, prosecuting, enforcing, objecting to, litigating, reconciling, settling, abandoning, or resolving) all of the rights, Claims, Causes of Action, defenses, and counterclaims retained by the Debtors;
- Reconcile Claims and resolve Disputed Claims, and administer the Claims allowance and disallowance processes as set forth in the Plan, including objecting to, prosecuting, litigating, reconciling, settling, and resolving Claims and Disputed Claims in accordance with the Plan;
- Make decisions regarding the retention, engagement, payment, and replacement of professionals (including Professionals previously retained by the Debtors and/or the Creditors' Committee), employees and consultants;
- Administer the Distributions under the Plan, including (i) making Distributions in accordance with the terms of the Plan and (ii) Filing with the Bankruptcy Court on each three (3) month anniversary of the Effective Date reports regarding the Distributions made and to be made to the Holders of Allowed Claims as required by the U.S. Trustee;
- Exercise such other powers as necessary or prudent to carry out the provisions of the Plan;
- File appropriate tax returns;
- File a motion requesting the Bankruptcy Court enter a final decree closing the Chapter 11 Cases; and
- Take such other action as may be necessary or appropriate to effectuate the Plan.

D. Claims, Distribution Rights and Objections

1. Calculation of Amounts to be Distributed

Each Holder of an Allowed Claim or Equity Interest against the Debtors shall receive the full amount of the Distributions that the Plan provides for Allowed Claims or Equity Interests in the applicable Class from the Debtors or the Liquidating Trustee, on behalf of the Debtors or the Liquidating Trust, as applicable. In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, in which case such payment shall be deemed to have occurred when due. If and to the extent that there are Disputed Claims or Disputed Equity Interests, Distributions on account of any such Disputed Claims or Disputed Equity Interests shall be made pursuant to the provisions set forth in this Article VIII. Notwithstanding anything to the contrary in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a Distribution in excess of the Allowed amount of such Claim plus any interest accruing on such Claim that is actually payable in accordance with the Plan.

2. Rights and Powers of the Debtors and Liquidating Trustee

All Distributions under the Plan shall be made on the Effective Date by the Debtors or thereafter by the Liquidating Trustee, or their respective designees. After the Effective Date, the Liquidating Trustee shall have the right to object, allow, or otherwise resolve any Claim.

The Debtors and the Liquidating Trustee, as applicable, shall not be required to give any bond or surety or other security for the performance of its duties unless otherwise ordered by the Bankruptcy Court. Additionally, in the event that the Debtors or the Liquidating Trustee, as applicable, is so otherwise ordered, all costs and expenses of procuring any such bond, insurance or surety shall be paid for with Cash from the Liquidating Trust.

The Liquidating Trustee shall be deemed the Estates' representative in accordance with Section 1123 of the Bankruptcy Code and shall have all the rights and powers set forth in the Liquidating Trust Agreement, including, without limitation, the powers of a trustee under Sections 704 and 1106 of the Bankruptcy Code and Rule 2004 of the Bankruptcy Rules, including without limitation, the right to (i) effect all actions and execute all agreements, instruments and other documents necessary to implement the provisions of the Plan and the Liquidating Trust Agreement; (ii) prosecute, settle, abandon or compromise any Claims or Causes of Action including Avoidance Actions; (iii) make Distributions contemplated by the Plan and the Liquidating Trust Agreement, (iv) establish and administer any necessary reserves for Disputed Claims that may be required; (v) object to Disputed Claims and prosecute, settle, compromise, withdraw or resolve in any manner approved by the Bankruptcy Court such objections; (vi) employ and compensate professionals, including professionals previously retained by the Debtors and/or the Creditors' Committee, provided, however, that any such compensation shall be made only out of the Liquidating Trust Assets; and (vii) file all federal, state and local tax returns if necessary.

The Liquidating Trustee shall assume any outstanding responsibility of the Debtors under the Plan.

The Liquidating Trustee has full authority to take any steps necessary to administer the Liquidating Trust Agreement, including without limitation, the duty and obligation to liquidate Liquidating Trust Assets, to make Distributions therefrom in accordance with the provisions of this Plan and Liquidating Trust Agreement and to pursue, settle or abandon any Claims, Causes of Action and Avoidance Actions all in accordance with the Plan and Liquidating Trust Agreement.

Except as otherwise ordered by the Bankruptcy Court, the fees and expenses incurred by the Liquidating Trustee on or after the Effective Date (including taxes) and any reasonable compensation and expense reimbursement Claims (including attorney fees and expenses) made by the Liquidating Trustee shall be paid in Cash from the Liquidating Trust Assets without any further notice to or action, order, or approval of the Bankruptcy Court.

3. *Liquidating Trust Interests*

On the Effective Date, each Holder of an Allowed General Unsecured Claim shall, by operation of the Plan, receive its Pro Rata Share of the beneficial interests in the Liquidating Trust. Liquidating Trust Interests shall be reserved for Holders of Disputed General Unsecured Claims and issued by the Liquidating Trust to, and held by the Liquidating Trustee in, the Disputed Claims Reserve pending allowance or disallowance of such Claims. No other entity, shall have any interest, legal, beneficial, or otherwise, in the Liquidating Trust, its assets or Causes of Action and Avoidance Actions upon the assignment and transfer of such assets to the Liquidating Trust. Holders of Allowed Equity Interests shall have a contingent beneficial interest in the Liquidating Trust junior to Holders of Allowed General Unsecured Claims.

The Liquidating Trust Interests shall be uncertificated and shall be nontransferable except upon death of the Holder or by operation of law. Holders of Liquidating Trust Interests, in such capacity, shall have no voting rights with respect to such interests

4. *Delivery of Distributions and Undeliverable or Unclaimed Distributions*

a. *Record Date for Distribution*

On the Distribution Record Date, the Claims Register shall be closed and the Debtors or the Liquidating Trustee or any other party responsible for making Distributions shall instead be authorized and entitled to recognize only those record Holders listed on the Claims Register as of the close of business on the Distribution Record Date.

b. Delivery of Distributions in General

1. Payments and Distributions on Disputed Claims or Equity Interests

Distributions made after the Effective Date to Holders of Disputed Claims or Equity Interests that are not Allowed Claims or Equity Interests as of the Effective Date but which later become Allowed Claims or Equity Interests shall, in the Liquidating Trustee's reasonable discretion, be deemed to have been made by the Liquidating Trustee on the Effective Date, unless the Liquidating Trustee and the applicable Holder of such Claim or Equity Interest agree otherwise.

2. Special Rules for Distributions to Holders of Disputed Claims or Equity Interests

Notwithstanding any provision otherwise in the Plan and except as may be agreed to by, as applicable, the Debtors or the Liquidating Trustee, as applicable, on the one hand, and the Holder of a Disputed Claim or Equity Interest, on the other hand, no partial payments and no partial Distributions shall be made with respect to any Disputed Claim or Equity Interests, other than with respect to Professional Fee Claims, until all Disputed Claims or Equity Interests held by the Holder of such Disputed Claim or Equity Interest have become Allowed Claims or Equity Interests or have otherwise been resolved by settlement or Final Order.

3. Distributions

On and after the Effective Date, the Liquidating Trustee shall make the Distributions required to be made on account of Allowed Claims or Equity Interests under the Plan on such date. Any Distribution that is not made on the Initial Distribution Date or on any other date specified in the Plan because the Claim that would have been entitled to receive that Distribution is not an Allowed Claim or Equity Interest on such date, shall be held by the Liquidating Trustee in the Disputed Claims Reserve and distributed on the next Distribution Date that occurs after such Claim or Equity Interest is Allowed. In accordance the Plan, no interest shall accrue or be paid on the unpaid amount of any Distribution paid pursuant to the Plan.

c. Minimum; De Minimis Distributions

Notwithstanding any other provision of the Plan to the contrary (including the treatment of any Claims or Classes), (a) the Liquidating Trustee shall not be required to make Distributions or payments of fractions of dollars, and whenever any Distribution of a fraction of a dollar under the Plan would otherwise be required, the actual Distribution made shall reflect a rounding of such fraction to the nearest whole dollar (up or down), with half dollars being rounded down, and (b) the Liquidating Trustee shall have no duty to make a Distribution on account of any Allowed Claim or Equity Interests (i) if the aggregate amount of all Distributions authorized to be made on such date is less than \$50,000, in which case such Distributions shall be deferred to the next Distribution date, (ii) if the amount to be distributed to that Holder on the particular Distribution date is less than \$100.00, unless such Distribution constitutes the final Distribution to such Holder, or (iii) the amount of the final Distribution to any such Holder is less

than \$75.00, in which case such Distribution shall revert to the Liquidating Trust for distribution on account of other Allowed Claims and/or Equity Interests.

d. Undeliverable Distributions and Unclaimed Property

In the event that any Distribution to any Holder is returned as undeliverable, no Distribution to such Holder shall be made unless and until the Debtors or the Liquidating Trustee, as applicable, has determined the then current address of such Holder, at which time such Distribution shall be made to such Holder without interest; provided, however, such Distributions shall be deemed unclaimed property under Section 347(b) of the Bankruptcy Code at the expiration of four (4) months from the date the initial Distribution is made. After such date, all unclaimed property or interests in property shall revert (notwithstanding any applicable federal or state escheat, abandoned, or unclaimed property laws to the contrary) to the Liquidating Trust automatically and without need for a further order by the Bankruptcy Court for Distribution in accordance with the Plan and the Claim or Equity Interest of any Holder to such property or interest in property shall be released, settled, compromised, and forever barred.

e. Charitable Contributions

After the final Distributions have been made in accordance with the terms of the Plan and the Liquidating Trust Agreement, if the amount of remaining Cash is less than \$50,000, the Liquidating Trustee may donate such amount to one or more charities or philanthropic endeavors.

f. Manner of Payment Pursuant to the Plan

Cash payments under the Plan shall be in U.S. funds, and shall be made, at the option, and in the sole discretion, of the Debtors or the Liquidating Trustee, as applicable, by (i) checks drawn on or (ii) wire transfers from a domestic bank selected by the Debtors or the Liquidating Trustee, as applicable. Cash payments to foreign creditors may be made, at the option, and in the sole discretion, of the Debtors or the Liquidating Trustee, as applicable, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction. Cash payments made pursuant to the Plan in the form of checks issued by the Liquidating Trustee shall be null and void if not cashed within 120 days of the date of the issuance thereof. Requests for reissuance of any check shall be made directly to the Liquidating Trustee.

5. Compliance with Tax Requirements/Allocations

In connection with the Plan, to the extent applicable, the Debtors, or the Liquidating Trustee, as applicable, shall comply with all tax withholding and reporting requirements imposed on it by any Governmental Unit, and all Distributions pursuant hereto shall be subject to such withholding and reporting requirements.

Distributions in respect of Allowed Claims shall be allocated first to the principal amount of such Claims (as determined for federal income tax purposes) and then, to the extent the consideration exceeds the principal amount of the Claims, to any portion of such Claims for accrued but unpaid interest.

In connection with the Plan and all Distributions hereunder, to the extent applicable, the Debtors and the Liquidating Trustee are authorized to take any and all actions that may be necessary or appropriate to comply with all tax withholding and reporting requirements imposed by any federal, state, local or foreign taxing authority, and all Distributions pursuant to the Plan and Liquidating Trust Agreement shall be subject to any such withholding and reporting requirements. The Liquidating Trustee shall be and each Creditor or Equity Interest Holder is required to provide the Liquidating Trustee with an executed Form W-9 or similar tax form as a condition precedent to being sent a Distribution. If a Holder of an Allowed Unsecured Claim or Equity Interest Holder does not provide the Liquidating Trustee with an executed Form W-9 or similar form within 90 days of written request, said Creditor or Equity Interest Holder shall be deemed to have forfeited their Distribution.

6. *Claims Paid or Payable to Third Parties*

a. *Claims Paid by Third Parties; Recourse to Collateral*

The Debtors or the Liquidating Trustee, as applicable, shall be authorized to reduce in whole or in part a Claim, and such Claim shall be Disallowed without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court, to the extent that the Holder of such Claim receives payment in full on account of such Claim from a party that is not a Debtor or, as applicable, the Liquidating Trust, including on account of recourse to collateral held by third parties that secure such Claim. To the extent a Holder of a Claim receives a Distribution on account of such Claim and receives payment, in whole or in part, from a party that is not a Debtor on account of such Claim, such Holder shall, within 14 days of receipt thereof, repay or return the Distribution to the Debtor or the Liquidating Trustee, to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the amount of such Claim as of the date of any such Distribution under the Plan. The failure of such Holder to timely repay or return such Distribution shall result in the Holder owing the Debtor or the Liquidating Trustee, annualized interest at the Federal Judgment Rate on such amount owed for each Business Day after the 14-day grace period specified above until the amount is repaid.

b. *Claims Payable by Insurance, Third Parties; Recourse to Collateral*

No Distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' insurance policies, surety agreements, other non-Debtor payment agreements, or collateral held by a third party, until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy, surety agreement, other non-Debtor payment agreement, or collateral, as applicable. To the extent that one or more of the Debtors' insurers, sureties, or non-Debtor payors pays or satisfies in full or in part a Claim (if and to the extent adjudicated by a court of competent jurisdiction), or such collateral or proceeds from such collateral is used to satisfy such Claim, then immediately upon such payment, the applicable portion of such Claim shall be expunged without a Claim objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

c. Applicability of Insurance Policies

Notwithstanding anything to the contrary in the Plan or Confirmation Order, Confirmation and consummation of the Plan shall not limit or affect the rights of any third-party beneficiary of any of the Debtor's insurance policies with respect to such policies, including the D&O Policy, and the rights of the Debtors under any such insurance policies shall vest in such beneficiaries thereof as of the Effective Date.

7. Resolution of Disputed Claims

a. Allowance of Claims and Equity Interests

Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Liquidating Trustee, shall have and shall retain any and all rights and defenses that the Debtors had with respect to any Claim or Equity Interest, except with respect to any Claim or Equity Interest deemed Allowed as of the Effective Date. Except as expressly provided in the Plan or in any order entered in the Chapter 11 Cases prior to the Effective Date (including the Confirmation Order), no Claim or Equity Interest shall become an Allowed Claim or Equity Interest unless and until such Claim or Equity Interest is deemed Allowed under the Plan or the Bankruptcy Code or the Bankruptcy Court has entered a Final Order, including the Confirmation Order, in the Chapter 11 Cases allowing such Claim or Equity Interest.

b. Prosecution of Objections to Claims or Equity Interests

Subject in all respects the provisions hereof, other than with respect to Professional Fee Claims, prior to the Effective Date, the Debtors, and on or after the Effective Date, the Liquidating Trustee shall have the authority to File objections to Claims or Equity Interests, and the exclusive authority to settle, compromise, withdraw, or litigate to judgment objections on behalf of the Debtors' Estates to any and all Claims or Equity Interests, regardless of whether such Claims or Equity Interests are in a Class or otherwise.

Subject to the foregoing sentence, from and after the Effective Date, the Liquidating Trustee (a) may settle or compromise any Disputed Claim in accordance with the Liquidating Trust Agreement and (b) shall succeed to the Debtors' rights with respect to any objections Filed by the Debtors that remain pending as of the Effective Date. From and after the Effective Date, the Liquidating Trustee shall have the sole authority to administer and adjust the Claims Register to reflect any such settlements or compromises without any further notice to or action, order, or approval of the Bankruptcy Court.

c. Claims Estimation

On and after the Effective Date, the Liquidating Trustee, may, at any time, request that the Bankruptcy Court estimate (a) any Disputed Claim pursuant to applicable law and (b) any contingent or unliquidated Claim pursuant to applicable law, including Section 502(c) of the Bankruptcy Code, regardless of whether the Debtors or the Liquidating Trustee have previously objected to such Claim or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court shall retain jurisdiction under 28 U.S.C. §§ 157 and 1334 to the maximum

extent permitted by law as determined by the Bankruptcy Court to estimate any Disputed Claim, contingent Claim, or unliquidated Claim, including during the litigation concerning any objection to any Claim or during the pendency of any appeal relating to any such objection. Notwithstanding any provision otherwise in the Plan to the contrary, a Claim that has been expunged from the Claims Register but that is subject to appeal or has not been the subject of a Final Order, shall be deemed to be estimated at zero dollars, unless otherwise ordered by the Bankruptcy Court.

In the event that the Bankruptcy Court estimates any Disputed Claim, contingent Claim, or unliquidated Claim, that estimated amount shall constitute either the Allowed amount of such Claim or a maximum limitation on such Claim for all purposes under the Plan, including for purposes of Distributions, and the Debtors or the Liquidating Trustee, as applicable, may elect to pursue additional objections to the ultimate Distribution on such Claim. If the estimated amount constitutes a maximum limitation on such Claim, the Debtors or the Liquidating Trustee, as applicable, may elect to pursue any supplemental proceedings to object to any ultimate Distribution on account of such Claim. Notwithstanding Section 502(j) of the Bankruptcy Code, in no event shall any Holder of a Claim that has been estimated pursuant to Section 502(c) of the Bankruptcy Code or otherwise be entitled to seek reconsideration of such estimation unless such Holder has Filed a motion requesting the right to seek such reconsideration on or before 21 days after the date on which such Claim is estimated. All of the aforementioned Claims and objection, estimation, and resolution procedures are cumulative and not exclusive of one another. Claims may be estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism approved by the Bankruptcy Court.

d. Expungement or Adjustment to Claims Without Objection

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims Register by, as applicable, the Debtors or the Liquidating Trustee (or the Notice and Claims Agent at, as applicable, the Debtors' or the Liquidating Trustee's direction), and any Claim that has been amended may be adjusted thereon by, as applicable, the Debtors or the Liquidating Trustee without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

8. Disallowance of Claims

Any Claim that has been paid, satisfied, or superseded may be expunged on the Claims Register by, as applicable, the Debtors or the Liquidating Trustee (or the Notice and Claims Agent at, as applicable, the Debtors' or the Liquidating Trustee's direction), and any Claim that has been amended may be adjusted thereon by, as applicable, the Debtors or the Liquidating Trustee without a Claims objection having to be Filed and without any further notice to or action, order, or approval of the Bankruptcy Court.

9. Amendments

After the Confirmation Date, a Claim may not be filed or amended without the authorization of the Bankruptcy Court and any such new or amended Claim Filed shall be

deemed Disallowed and expunged without any further notice to or action, order, or approval of the Bankruptcy Court; provided that, even with such Bankruptcy Court authorization, a Claim may be amended by the Holder of such Claim solely to decrease, but not to increase, unless otherwise provided by the Bankruptcy Court, the amount, number or priority.

10. *No Interest*

Unless otherwise specifically provided for in the Plan, by applicable law, or agreed-to by, as applicable, the Debtors or the Liquidating Trustee, interest shall not accrue or be paid on any Claim, and no Holder of any Claim shall be entitled to interest accruing on and after the Petition Date on account of any Claim except for General Unsecured Claims in Class 3. Without limiting the foregoing, interest shall not accrue or be paid on any Claim after the Effective Date to the extent the final Distribution paid on account of such Claim occurs after the Effective Date.

11. *Treatment of Disputed Claims*

a. *No Distribution Pending Allowance*

Notwithstanding any other provisions of the Plan, no payments or Distributions will be made on account of a Disputed Claim or, if less than the entire Claim is a Disputed Claim, the portion of a Claim that is Disputed, unless and until such Disputed Claim becomes an Allowed Claim.

b. *Distributions on Accounts of Disputed Claims Once They are Allowed*

To the extent that a Disputed Claim ultimately becomes an Allowed Claim, Distributions, if any, shall be made by the disbursing agent on the applicable Distribution dates to the Holder of such Allowed Claim. Such Distributions shall be made pursuant to the provisions of the Plan governing the applicable Class. Such Distributions shall be based upon the Distributions that would have been made to the Holder of such Claim under the Plan if the Disputed Claim had been an Allowed Claim on the Effective Date in the amount ultimately Allowed.

12. *Accounts; Escrows; Reserves*

The Debtors, and the Liquidating Trustee shall, subject to and in accordance with the provisions of the Plan: (a) establish one or more general accounts into which shall be deposited all funds not required to be deposited into any other account, reserve or escrow, (b) create, fund, replenish and withdraw funds from, as appropriate, any Administrative Claims reserve, the Professional Fee Account, the Disputed Claims Reserve and any wind down fund, and (c) if practicable, invest any Cash that is withheld as the applicable claims reserve in an appropriate manner to ensure the safety of the investment. Nothing in the Plan or this Disclosure Statement, however, shall be deemed to entitle the Holder of a Disputed Claim to post-petition interest on such Claim.

a. Administrative Claims Reserve

On the Effective Date (or as soon thereafter as is practicable), the Debtors or the Liquidating Trustee, as applicable, shall create and fund an Administrative Claims reserve in an amount sufficient to pay all estimated Administrative Claims including Disputed Claims (but excluding Professional Fee Claims), which amount shall be agreed upon by the Debtors. The Administrative Claims reserve shall be used by the Liquidating Trustee to pay Distributions on account of Allowed Administrative Claims, other than Professional Fee Claims, including Claims under Section 503(b)(9) of the Bankruptcy Code and lease payments under Section 365(d)(5) of the Bankruptcy Code. In the event that any Cash remains in the Administrative Claims reserve after payment of all Allowed Administrative Claims, such Cash shall constitute Liquidating Trust Assets and be distributed in accordance with the Plan.

b. Professional Fee Account

The Debtors or the Liquidating Trustee shall fund the existing Professional Fee Account on the Effective Date (or as soon thereafter as is practicable) in the amount of the unpaid Professional Fee Claims projected through the Effective Date, which amount shall be sufficient to pay all estimated Allowed Professional Fee Claims held by any Professional and shall be agreed upon by the Debtors. In the event that any Cash remains in the Professional Fee Account after payment of all Allowed Professional Fee Claims, such Cash shall constitute Liquidating Trust Assets and be distributed in accordance with the Plan.

c. Disputed Claims Reserve

On the Effective Date and on each subsequent Distribution date, the Debtors or the Liquidating Trustee shall withhold on a pro rata basis from property that would otherwise be distributed to Classes of Claims entitled to Distributions under the Plan on such date, in a separate Disputed Claims Reserve, such amounts or property as may be necessary to equal one hundred percent (100%) of Distributions to which Holders of such Disputed Claims would be entitled under the Plan if such Disputed Claims were allowed in their Disputed Claim Amount. The Debtors or the Liquidating Trustee may request, if necessary, estimation from the Bankruptcy Court for any Disputed Claim that is contingent or unliquidated, or for which the Debtors or the Liquidating Trustee determine to reserve less than the face amount. The Debtors or the Liquidating Trustee shall withhold the applicable portion of the Disputed Claims Reserve with respect to such Claims based upon the estimated amount of each such Claim as estimated by the Bankruptcy Court. If the Debtors or the Liquidating Trustee elect not to request such an estimation from the Bankruptcy Court with respect to a Disputed Claim that is contingent or unliquidated, the Debtors or the Liquidating Trustee shall withhold the applicable Disputed Claims Amount based upon the good faith estimate of the amount of such Claim by the Debtors or the Liquidating Trustee after the Effective Date, which amount shall be agreed upon by the Debtors or the Liquidating Trustee. If practicable, the Debtors or the Liquidating Trustee will invest any Cash that is withheld as the applicable Disputed Claims Reserve in an appropriate manner to ensure the safety of the investment. Nothing in the Plan or this Disclosure Statement shall be deemed to entitle the Holder of a Disputed Claim to post-petition interest on such Claim, however, except as otherwise provided in the Plan.

d. Statutory Fees

On the Effective Date, the Statutory Fees payable on or prior to the Effective Date shall be paid.

13. *Payment of Statutory Fees*

All fees payable on or before the Effective Date pursuant to Section 1930 of Title 28 of the United States Code shall be paid by the Debtors on or before the Effective Date and all such fees payable after the Effective Date shall be paid by the Liquidating Trustee. The obligation of the Liquidating Trustee to pay quarterly fees to the Office of the United States Trustee pursuant to Section 1930 of Title 28 of the United States Code shall continue until such time as the Chapter 11 Cases are closed.

E. Disposition of Executory Contracts and Unexpired Leases

1. *Executory Contracts and Unexpired Leases Deemed Assumed*

On the Effective Date, except as otherwise provided in the Plan, each Executory Contract and Unexpired Lease not previously rejected, assumed, or assumed and assigned shall be deemed automatically rejected pursuant to Sections 365 and 1123 of the Bankruptcy Code, unless such Executory Contract or Unexpired Lease: (1) is specifically described in the Plan as to be assumed in connection with Confirmation of the Plan, or is specifically scheduled to be assumed or assumed and assigned pursuant to the Plan or the Plan Supplement; (2) is subject to a pending motion to assume such Unexpired Lease or Executory Contract as of the Effective Date; (3) was previously assumed or assumed and assigned to the Purchaser or another third party, as applicable, during the pendency of the Chapter 11 Cases; (4) is a contract, instrument, release, indenture, or other agreement or document entered into in connection with the Plan; (5) is a D&O Policy or an insurance policy; or (6) is the Asset Purchase Agreement. Notwithstanding anything contained herein to the contrary, the assumption of any Executory Contract or Unexpired Lease as provided herein or in the Plan Supplement shall not impose, directly or indirectly, any obligation or other liability, monetary or otherwise, on the Liquidating Trust unless the Creditors' Committee or, as applicable, the Liquidating Trust, with the approval of the Liquidating Trust Oversight Committee, each in their discretion, expressly agrees to such assumption as in the best interests of the Liquidating Trust; provided that in all instances the Asset Purchase Agreement shall be assumed and assigned to the Liquidating Trust.

Notwithstanding anything to the contrary in the Plan, the Debtors and the Liquidating Trustee reserve the right to assert that any license, franchise and partially performed contract is a property right and not an Executory Contract.

2. *Assignment of Executory Contracts and Unexpired Leases*

To the extent provided under the Bankruptcy Code or other applicable law, any Executory Contract or Unexpired Lease transferred and assigned pursuant to the Plan or the Asset Purchase Agreement shall remain in full force and effect for the benefit of the transferee or assignee in accordance with its terms, notwithstanding any provision in such Executory Contract

or Unexpired Lease (including those of the type described in Section 365(b)(2) of the Bankruptcy Code) that prohibits, restricts or conditions the assignment or transfer of any such Executory Contract or Unexpired Lease or that terminates or modifies such Executory Contract or Unexpired Lease or allows the counterparty to such Executory Contract or Unexpired Lease to terminate, modify, recapture, declare a default, accelerate or increase obligations, impose any penalty, condition renewal or extension, or modify any term or condition upon any such transfer and assignment. To the extent provided under the Bankruptcy Code or other applicable law, any provision that prohibits, restricts or conditions the assignment or transfer of any such Executory Contract or Unexpired Lease or that terminates or modifies such Executory Contract or Unexpired Lease or allows the counterparty to such Executory Contract or Unexpired Lease to terminate, modify, recapture, declare a default, accelerate or increase obligations, impose any penalty, condition renewal or extension, or modify any term or condition upon any such transfer and assignment constitutes an unenforceable provision and is void and of no force or effect.

3. *Cure Rights for Executory Contracts and Unexpired Leases Assumed Under the Plan*

Any Cure under each Executory Contract and Unexpired Lease, if any, to be assumed pursuant to the Plan shall be satisfied, pursuant to Section 365(b)(1) of the Bankruptcy Code, by payment of the Cure on the Effective Date, subject to the limitation described below, by the Debtors as an Administrative Claim, as applicable, or on such other terms as the parties to such Executory Contracts or Unexpired Leases may otherwise agree. In the event of a dispute regarding (1) the amount of the Cure, (2) the ability of the Estates or any assignee to provide “adequate assurance of future performance” (within the meaning of Section 365 of the Bankruptcy Code) under the Executory Contract or Unexpired Lease to be assumed, or (3) any other matter pertaining to assumption, the Cure required by Section 365(b)(1) of the Bankruptcy Code shall be satisfied following the entry of a Final Order or orders resolving the dispute and approving the assumption; provided that prior to the Effective Date, the Debtors, and on and after the Effective Date, the Liquidating Trustee, may settle any dispute regarding the amount of any Cure without any further notice to any party or any action, order, or approval of the Bankruptcy Court.

At least fourteen (14) days before the Confirmation Hearing, the Debtors shall cause notice of proposed assumption and proposed Cure to be sent to applicable counterparties. Any objection by such counterparty must be filed, served, and actually received by the Debtors not later than fourteen (14) days after service of notice of the Debtors’ proposed assumption and associated Cure. Any counterparty to an Executory Contract or Unexpired Lease that fails to object timely to the proposed assumption or cure amount will be deemed to have assented to such assumption or Cure.

Assumption of any Executory Contract or Unexpired Lease pursuant to the Plan, or otherwise, shall result in the full release and satisfaction of any Claims or defaults, subject to satisfaction of the Cure, whether monetary or nonmonetary, including defaults of provisions restricting the change in control or ownership interest composition or other bankruptcy-related defaults, arising under any assumed Executory Contract or Unexpired Lease at any time before the effective date of assumption and/or assignment. Anything in the Schedules and any Proofs

of Claim Filed with respect to an Executory Contract or Unexpired Lease that has been assumed and assigned shall be deemed Disallowed and expunged, without further notice to or action, order, or approval of the Bankruptcy Court or any other Entity.

4. *Continuing Obligations Owed to Debtors*

Except as otherwise provided in the Plan, any confidentiality agreement entered into between the Debtors and any other Person requiring the parties to maintain the confidentiality of each other's proprietary information shall be deemed to be, and shall be treated as though it is, an Executory Contract that is assumed and assigned to the Liquidating Trust pursuant to Section 365 of the Bankruptcy Code and Section 6.01 of the Plan, except as otherwise provided in the Plan.

Continuing obligations of third parties to the Debtors under insurance policies, contracts, or leases that have otherwise ceased to be executory or have otherwise expired on or prior to the Effective Date, including, without limitation, continuing obligations to pay insured Claims, to defend against and process claims, to refund premiums or overpayments, to provide indemnification, contribution or reimbursement, to grant rights of first refusal, to maintain confidentiality, or to honor releases, shall continue and shall be binding on such third parties unless otherwise specifically terminated by the Debtors, under the Plan or otherwise by order of Bankruptcy Court.

Each insurance policy, including the D&O Policy, shall be assumed by the Debtors on behalf of the applicable Debtor effective as of the Effective Date, pursuant to Sections 365 and 1123 of the Bankruptcy Code, to the extent such insurance policy is executory, unless such insurance policy previously was rejected by the Debtors or the Debtors' Estates pursuant to a Bankruptcy Court order or is the subject of a motion to reject pending on the Effective Date, and coverage for defense and indemnity under the D&O Policy shall remain available to all individuals within the definition of "Insured" in the D&O Policy.

5. *Limited Extension of Time to Assume or Reject*

In the event of a dispute as to whether a contract or lease between the Debtors and a Person that is not an insider (as that term is defined in the Bankruptcy Code) is executory or unexpired, the right of the Debtors or the Liquidating Trustee to move to assume or reject such contract or lease shall be extended until the date that is thirty (30) days, or as otherwise provided in Section 365(d) of the Bankruptcy Code, after entry of a Final Order by the Bankruptcy Court determining that the contract or lease is executory or unexpired, provided such dispute is pending as of the Confirmation Date.

6. *Claims Based on Rejection of Executory Contracts or Unexpired Leases; Rejection Damages Bar Date*

Unless otherwise provided by an order of the Bankruptcy Court, any Proofs of Claim based on the rejection of the Debtors' Executory Contracts or Unexpired Leases pursuant to the Plan or otherwise, must be Filed with Bankruptcy Court and served on the Debtors or, after the Effective Date, the Liquidating Trustee, as applicable, no later than fourteen (14) days

after the earlier of the Effective Date or the effective date of rejection of such Executory Contract or Unexpired Lease. In addition, any objection to the rejection of an Executory Contract or Unexpired Lease must be filed with the Bankruptcy Court and served on the Debtors or, after the Effective Date, the Liquidating Trustee, as applicable, no later than fourteen (14) days after service of the Debtors' proposed rejection of such Executory Contract or Unexpired Lease.

Any Holders of Claims arising from the rejection of an Executory Contract or Unexpired Lease for which Proofs of Claims were not timely Filed as set forth in the paragraph above shall not (1) be treated as a creditor with respect to such Claim, (2) be permitted to vote to accept or reject the Plan on account of any Claim arising from such rejection, or (3) participate in any Distribution in the Chapter 11 Cases on account of such Claim, and any Claims arising from the rejection of an Executory Contract or Unexpired Lease not filed with the Bankruptcy Court within such time will be automatically Disallowed, forever barred from assertion, and shall not be enforceable against the Debtors, the Liquidating Trustee, the Debtors' Estates, or the property for any of the foregoing without the need for any objection by the Debtors or the Liquidating Trustee, as applicable, or further notice to, or action, order, or approval of the Bankruptcy Court or any other Entity, and any Claim arising out of the rejection of the Executory Contract or Unexpired Lease shall be deemed fully compromised, settled, and released, notwithstanding anything in the Schedules or a Proof of Claim to the contrary. All Allowed Claims arising from the rejection of the Debtors' prepetition Executory Contracts or prepetition Unexpired Leases shall be classified as General Unsecured Claims, except as otherwise provided by order of the Bankruptcy Court.

7. *Treatment of Claims Arising From Assumption or Rejection*

All Allowed Claims for Cure arising from the assumption of any Executory Contract or Unexpired Lease shall be treated as Administrative Claims pursuant to, but subject to the terms of, Section 3.01(a) of the Plan. All Allowed Claims arising from the rejection of an Executory Contract or Unexpired Lease shall be treated, to the extent applicable, as General Unsecured Claims, unless otherwise ordered by Final Order of the Bankruptcy Court. All other Allowed Claims relating to an Executory Contract or Unexpired Lease shall have such status as they may be entitled to under the Bankruptcy Code as determined by Final Order of the Bankruptcy Court.

8. *Reservation of Rights*

Neither the exclusion nor inclusion of any contract or lease in the Plan Supplement, nor anything contained in the Plan, shall constitute an admission by the Debtors that any such contract or lease is in fact an Executory Contract or Unexpired Lease or that the Debtors' Estates have any liability thereunder. In the event of a dispute regarding whether a contract or lease is or was executory or unexpired at the time of assumption or rejection, the Debtors or the Liquidating Trustee, as applicable, shall have 90 days following entry of a Final Order resolving such dispute to alter the treatment of such contract or lease as otherwise provided in the Plan.

9. *Purchase Agreement; Designated Contracts*

The Debtors' assumption or rejection of any Executory Contract or Unexpired Lease pursuant to the Plan shall be subject in all respects to the Purchaser's rights and obligations, including any Cure obligations assumed by the Purchaser in accordance with the Asset Purchase Agreement, with respect to any such Executory Contracts or Unexpired Leases that constitute Designated Contracts (as defined in the Asset Purchase Agreement).

10. *Modifications, Amendments, Supplements, Restatements, or Other Agreements*

Unless otherwise provided in the Plan, each assumed Executory Contract or Unexpired Lease shall include all modifications, amendments, supplements, restatements, or other agreements that in any manner affect such Executory Contract or Unexpired Lease, and all Executory Contracts and Unexpired Leases related thereto, if any, including all easements, licenses, permits, rights, privileges, immunities, options, rights of first refusal, and any other interests, unless any of the foregoing agreements has been previously rejected or repudiated or is rejected or repudiated under the Plan.

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

11. *Indemnification Obligations*

(a) Indemnification Obligations related to actions taken after the Petition Date owed to directors, officers, and employees of the Debtors (or the Estates) who served or were employed by the Debtors as of the Petition Date or during the pendency of these Chapter 11 Cases, excluding (i) claims resulting from gross negligence, willful misconduct, breach of fiduciary duty, self-interested transactions or intentional tort and (ii) claims arising from actions, events or circumstances prior to the Petition Date, shall be deemed to be, and shall be treated as though they are, Executory Contracts that are assumed pursuant to Section 365 of the Bankruptcy Code and Section 6.01 of the Plan.

(b) All Indemnification Obligations other than those identified in clause (a) above owed to directors, officers, and employees of the Debtors who served or were employed by the Debtors at any time shall be deemed to be, and shall be treated as though they are, Executory Contracts that are rejected pursuant to Section 365 of the Bankruptcy Code under the Plan.

(c) Indemnification Obligations owed to any Professionals to the extent that such Indemnification Obligations relate to the period after the Petition Date, excluding claims resulting from gross negligence, willful misconduct, breach of fiduciary duty, self-interested transactions or intentional tort, shall be deemed to be, and shall be treated as though they are,

Executory Contracts that are assumed pursuant to Section 365 of the Bankruptcy Code and Section 6.01 of the Plan

F. Revesting of Assets; Preservation of Causes of Action, Litigation Rights and Avoidance Actions; Release of Liens; Resulting Claim Treatment

Except as otherwise provided herein, the Plan, or in the Confirmation Order, and pursuant to Section 1123(b)(3) and Sections 1141(b) and (c) of the Bankruptcy Code, on the Effective Date, all of the property and assets of the Debtors and all Causes of Action, including the Avoidance Actions, except to the extent transferred pursuant to the Asset Purchase Agreement, shall automatically vest or re-vest in the Liquidating Trust, free and clear of all Claims, Liens, interests, charges or other encumbrances. On and after the Effective Date, the Liquidating Trustee may operate the Debtors' businesses (as applicable) and conduct their affairs and use, acquire or dispose of property and assets and settle or compromise any Claims, interests or Causes of Action without the supervision or approval by the Bankruptcy Court and free of any restrictions of the Bankruptcy Code or Bankruptcy Rules, subject to the terms of the Plan and the Plan Supplement, and all documents and exhibits thereto implementing the provisions of the Plan. The Liquidating Trustee (directly or through the disbursing agent, if any) shall make all Distributions under the Plan. As of the Effective Date, all such property of the Liquidating Trust shall be free and clear of all Claims, Liens, interests, charges and other encumbrances, except as specifically provided in the Plan or the Confirmation Order and the Liquidating Trustee shall receive the benefit of any and all discharges under the Plan.

Except as otherwise provided in the Plan or in any contract, instrument, release or other agreement entered into or delivered in connection with the Plan, in accordance with Section 1123(b) of the Bankruptcy Code, to the fullest extent possible under applicable law and except to the extent transferred pursuant to the Asset Purchase Agreement, on the Effective Date, the Liquidating Trustee shall retain and may enforce, and shall have the sole right to enforce or prosecute, any claims, demands, rights, and Causes of Action and litigation rights that the Debtors may hold against any Entity or Person, including, without limitation, all Avoidance Actions. The Liquidating Trustee or his successor may pursue and settle without Bankruptcy Court approval such retained Claims, demands, rights or Causes of Action or litigation rights, including, without limitation, Avoidance Actions, as appropriate, in accordance with the best interests of the Liquidating Estate or its successor holding such Claims, demands, rights, Causes of Action or litigation rights.

G. Means for Implementation of the Plan

1. *Restructuring Implementation Steps and Transactions*

The transactions contemplated by the Plan will require the following:

(a) Sources of Consideration for Plan Distributions

The Debtors' Cash and the other Liquidating Trust Assets shall be used to fund the Distributions to Holders of Allowed Claims and Allowed Equity Interests against the Debtors in accordance with the treatment of such Claims and Equity Interests provided in the Plan.

(b) The Liquidating Trust

On or prior to the Effective Date, the Debtors, on their own behalf and on their Estates' behalf of the Holders of Claims and Equity Interests that are to be satisfied with post-Effective Date Distributions from the Liquidating Trust Assets, will execute the Liquidating Trust Agreement and will take all other steps necessary to establish the Liquidating Trust pursuant to the Liquidating Trust Agreement. On the Effective Date, and in accordance with and pursuant to the terms of the Plan, the Debtors will transfer to the Liquidating Trust all of their rights, title, and interests in all of the Liquidating Trust Assets.

Notwithstanding anything to the contrary in the Plan, any disclosure or examination of any Privileged Documents shall be limited to the Liquidating Trustee and the attorneys that the Liquidating Trustee has retained on behalf of the Liquidating Trust for the purpose of pursuing Causes of Action or claims not released by the Debtors, those attorneys' administrative support personnel, and any consulting, non-testifying experts retained by the Liquidating Trustee on behalf of the Liquidating Trust for the purpose of assisting the Liquidating Trust in pursuing such Causes of Action or claims. The Liquidating Trustee may not disclose any of the Privileged Documents (or the contents of the Privileged Documents), or otherwise take any actions that may constitute a waiver of the attorney-client privilege, work product privilege, common interest privilege, or any other applicable privileges with respect to the Privileged Documents, without giving three (3) Business Days' notice to the applicable affected party and an opportunity to object unless emergent circumstances exist. Nothing in the Plan shall constitute a waiver of any privilege claims over any of the documents, including the Privileged Documents that are produced to or received by the Liquidating Trust or Liquidating Trustee. For the avoidance of doubt, the Liquidating Trust is a successor-in-interest to the Debtors, and thus, the transfer of the Privileged Documents as provided herein does not impair or waive any privilege.

(c) Corporate Action

Upon the Effective Date, by virtue of the solicitation of votes in favor of the Plan and entry of the Confirmation Order, all actions contemplated by the Plan (including any action to be undertaken by the Liquidating Trustee) shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Equity Interests, the Debtors, or any other Entity or Person or further Order of the Bankruptcy Court. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection therewith, shall be deemed to have occurred and shall be in effect, without any requirement of further action by the Debtors or the Estates.

The authorizations and approvals contemplated by the Plan shall be effective notwithstanding any requirements under applicable non-bankruptcy law.

(d) Dissolution and Boards of the Debtors

As of the Effective Date, the existing boards of directors of the Debtors shall be dissolved without any further action required on the part of the Debtors or the Debtors' officers, directors, shareholders, and members and any all remaining officers or directors of each Debtor shall be dismissed without any further action required on the part of any such Debtor, the shareholders or members of such Debtor, or the officers and directors of such Debtor.

On the Effective Date, the Professionals retained by the Debtors shall be deemed to have completed their services unless they are expressly retained by the Liquidating Trustee, but they shall be able to file final applications for reasonable compensation and reimbursement of expenses through the Effective Date as provided for in this Plan.

(e) Effectuating Documents; Further Transactions

Prior to the Effective Date, the Debtors, and on and after the Effective Date, the Liquidating Trustee is authorized to and may issue, execute, deliver, file, or record such contracts, securities, instruments, releases, and other agreements or documents and take such actions as may be necessary or appropriate to effectuate, implement, and further evidence the terms and conditions of the Plan, without the need for any further Bankruptcy Court Order, approvals, authorization, or consents except for those expressly required pursuant to the Plan.

(f) Exemption from Certain Taxes and Fees

To the maximum extent provided by Section 1146(a) of the Bankruptcy Code, any post-Confirmation transfer from any Entity pursuant to, in contemplation of, or in connection with the Plan or pursuant to: (1) the issuance, Distribution, transfer, or exchange of any debt, equity security, or other interest in the Debtors; or (2) the making, delivery, or recording of any deed or other instrument of transfer under, in furtherance of, or in connection with, the Plan, including any deeds, bills of sale, assignments, or other instruments of transfer executed in connection with any transaction arising out of, contemplated by, or in any way related to the Plan, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, real estate transfer tax, mortgage recording tax, Uniform Commercial Code filing or recording fee, or other similar tax or governmental assessment, in each case to the extent permitted by applicable bankruptcy law, and the appropriate state or local government officials or agents shall forego collection of any such tax or governmental assessment and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax or governmental assessment.

(g) Preservation of Rights of Action

Other than Causes of Action against an Entity that are expressly waived, relinquished, exculpated, released, compromised, or settled in the Plan or by a Bankruptcy Court order (including, for the avoidance of doubt, any claims or Causes of Action released pursuant to Article XI of the Plan), the Debtors reserve and, as of the Effective Date, assign to the Liquidating Trust, any and all Causes of Action, including without limitation any actions

specifically enumerated in the Plan Supplement. On and after the Effective Date, the Liquidating Trustee may pursue such Causes of Action in its sole discretion.

Subject in all respects to Article XI of the Plan, the Debtors shall not release any Avoidance Actions, and the Liquidating Trustee shall be authorized and empowered to enforce, pursue, litigate and/or settle any such Avoidance Actions on and after the Effective Date in accordance with the terms hereof.

No Entity or Person may rely on the absence of a specific reference in the Plan, the Plan Supplement, or the Disclosure Statement to any Cause of Action against them as any indication that the Debtors or the Liquidating Trustee will not pursue any and all available Causes of Action against them. No preclusion doctrine, including the doctrines of *res judicata*, collateral estoppel, issue preclusion, claim preclusion (judicial, equitable, or otherwise), or laches, shall apply to such Causes of Action upon, after, or as a consequence of the Confirmation or Consummation. The Debtors or the Liquidating Trustee, as applicable, reserve all rights arising under Section 506(c) of the Bankruptcy Code with respect to all Secured Claims asserted against the Debtors or their Estates.

The Debtors reserve the Causes of Action and Avoidance Actions notwithstanding the rejection of any Executory Contract or Unexpired Lease during the Chapter 11 Cases or pursuant to the Plan. Except as otherwise provided by the Plan Settlement Term Sheet, prior to the Effective Date, the Debtors, and on and after the Effective Date, the Liquidating Trustee, shall retain and shall have, including through its authorized agents or representatives, the exclusive right, authority, and discretion to determine and to initiate, file, prosecute, enforce, abandon, settle, compromise, release, withdraw, or litigate to judgment any such Causes of Action and to decline to do any of the foregoing without the consent or approval of any third party or further notice to or action, order, or approval of the Bankruptcy Court. Notwithstanding anything contained herein to the contrary, the settlement of Claims and Causes of Action which are expressly to be settled by confirmation of the Plan itself shall be resolved only by Confirmation of the Plan itself.

(h) Closing of Debtors' Cases

The Confirmation Order shall authorize, pursuant to Section 350 of the Bankruptcy Code, that on the Effective Date and except as set forth herein, each of the Debtors' Chapter 11 Case shall be closed for all purposes, without further action by the Debtors or order of the Bankruptcy Court. For the avoidance of doubt, the closing of such case shall not have any effect, in any manner, on the Causes of Action that the Liquidating Trustee may assert in accordance with the Plan and the Liquidating Trust Agreement. The jointly administered case of ATLS Liquidating Corp., identified as Case No. 13-10262 (PJW) (the "Main Case") shall remain open and subject to the provisions of this Article 5.09. Notwithstanding anything to the contrary in the Bankruptcy Rules providing for earlier closure of the Main Case, when all Assets contributed to the Liquidating Trust in accordance with Section 5.02 above and the Liquidating Trust Agreement have been liquidated and converted into Cash (other than those assets abandoned by the Liquidating Trust), and such Cash has been distributed in accordance with the Liquidating Trust Agreement and this Plan, the Liquidating Trustee shall seek authority from the

Bankruptcy Court to close the Main Case in accordance with the Bankruptcy Code and the Bankruptcy Rules.

(i) Cancellation of Existing Agreements and Existing Stock and/or Membership Interests

On the Effective Date, except to the extent otherwise provided herein, all notes, stock, membership interests, instruments, certificates, and other documents evidencing any Claims or Equity Interests shall be canceled, shall be of no further force, whether surrendered for cancellation or otherwise, and the obligations of the Debtors thereunder or in any way related thereto shall be discharged.

(j) Operations of the Debtors Between the Confirmation Date and the Effective Date

During the period from the Confirmation Date through and until the Effective Date, the Debtors shall continue to operate their businesses as debtors in possession, subject to the oversight of the Bankruptcy Court as provided in the Bankruptcy Code, the Bankruptcy Rules, and all orders of the Bankruptcy Court that are then in full force and effect.

(k) Dissolution

On the Effective Date, and without the need for any further order of the Bankruptcy Court, action or formality which might otherwise be required under applicable non-bankruptcy laws, the Debtors shall be deemed dissolved without the need for any filings with the Secretary of State or other governmental official in each Debtors' respective state of incorporation or formation

(l) Dissolution of the Creditors' Committee

On the Effective Date the Creditors' Committee shall be deemed dissolved and its members shall be deemed released of their duties, responsibilities and obligations.

H. The Liquidating Trust and Liquidating Trustee

1. *Liquidating Trust Creation*

On the Effective Date, the Liquidating Trust will be established and become effective. The Liquidating Trust Agreement shall (i) be in form and substance consistent in all respects with the Plan and be reasonably acceptable to the Debtors and the Creditors' Committee and (ii) contain customary provisions for trust agreements utilized in comparable circumstances, including any and all provisions necessary to ensure continued treatment of the Liquidating Trust as a grantor trust and the beneficiaries as the grantors and owners thereof for federal income tax purposes. All relevant parties (including the Debtors, the Liquidating Trustee, and the beneficiaries) will take all actions necessary to cause title to the Liquidating Trust Assets to be transferred to the Liquidating Trust. The powers, authority, responsibilities, and duties of the

Liquidating Trust and the Liquidating Trustee are set forth in and will be governed by the Liquidating Trust Agreement, the Plan, and the Confirmation Order.

2. Purpose of the Liquidating Trust

The Liquidating Trust will be established for the primary purpose of liquidating its assets and making Distributions in accordance with the Plan, Confirmation Order and the Liquidating Trust Agreement, with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust.

3. Transfer of Assets to the Liquidating Trust

The Debtors and the Liquidating Trustee will establish the Liquidating Trust on behalf of the beneficiaries pursuant to the Liquidating Trust Agreement, with the beneficiaries to be treated as the grantors and deemed owners of the Liquidating Trust Assets. The Debtors will irrevocably transfer, assign, and deliver to the Liquidating Trust, on behalf of the beneficiaries, all of their rights, title, and interests in the Liquidating Trust Assets, including any claims, rights, and Causes of Action and Avoidance Actions that the Debtors may hold against any Entity in accordance with the provisions herein, notwithstanding any prohibition on assignment under non-bankruptcy law. The Liquidating Trust will accept and hold the Liquidating Trust Assets in the Liquidating Trust for the benefit of the beneficiaries, subject to the Plan and the Liquidating Trust Agreement.

On the Effective Date, all Liquidating Trust Assets will vest and be deemed to vest in the Liquidating Trust in accordance with Section 1141 of the Bankruptcy Code; provided, however, that the Liquidating Trust, with the consent of the Liquidating Trustee, may abandon or otherwise not accept any Liquidating Trust Assets that the Liquidating Trust believes, in good faith, have no value to the Liquidating Trust. Any Assets the Liquidating Trust so abandons or otherwise does not accept shall not vest in the Liquidating Trust. As of the Effective Date, all Liquidating Trust Assets vested in the Liquidating Trust shall be free and clear of all Liens, Claims and Equity Interests except as otherwise specifically provided in the Plan or in the Confirmation Order. Upon the transfer by the Debtors of the Liquidating Trust Assets to the Liquidating Trust or abandonment of Liquidating Trust Assets by the Liquidating Trust, the Debtors will have no reversionary or further interest in or with respect to any Liquidating Trust Assets or the Liquidating Trust. Notwithstanding anything herein to the contrary, the Liquidating Trust and the Liquidating Trustee shall be deemed to be fully bound by the terms of the Plan and the Confirmation Order.

For the avoidance of doubt, and notwithstanding anything herein to the contrary, the Debtors shall not transfer or be deemed to have transferred to the Liquidating Trust any claims or Causes of Action (1) released pursuant to Article XI of the Plan or (2) exculpated pursuant to Article XI of the Plan to the extent of any such exculpation.

4. Tax Treatment of the Liquidating Trust

For all federal income tax purposes, the beneficiaries of the Liquidating Trust will be treated as grantors and owners thereof and it is intended that the Liquidating Trust be classified as a Liquidating Trust under 26 C.F.R. § 301.7701-4 and that the Liquidating Trust is owned by the beneficiaries. Accordingly, for federal income tax purposes, it is intended that the beneficiaries be treated as if they had received a Distribution of an undivided interest in the Liquidating Trust Assets and then contributed such interests to the Liquidating Trust. Accordingly, the Liquidating Trust will, in an expeditious but orderly manner, liquidate and convert to Cash the Liquidating Trust Assets, make timely Distributions to the beneficiaries pursuant to the Plan, and not unduly prolong the Liquidating Trust's duration. The Liquidating Trust will not be deemed a successor in interest of the Debtors for any purpose other than as specifically set forth herein or in the Liquidating Trust Agreement. The Liquidating Trust is intended to qualify as a "grantor trust" for federal income tax purposes with the beneficiaries treated as grantors and owners of the trust.

The Liquidating Trust shall file any required returns for the Liquidating Trust, except with respect to the Disputed Claims Reserve, as a grantor trust pursuant to Treasury Regulation Section 1.671-4(a) and in accordance with this section of the Plan. The Liquidating Trust's taxable income, gain, loss, deduction or credit will be allocated to each holder in accordance with their relative beneficial interests in the Liquidating Trust.

As soon as possible after the Effective Date, the Liquidating Trust shall make a good faith valuation of assets of the Liquidating Trust, and such valuation shall be used consistently by all parties for all federal income tax purposes. The Liquidating Trust also shall file (or cause to be filed) any other statements, returns, or disclosures relating to the Liquidating Trust that are required by any Governmental Unit for taxing purposes.

The Liquidating Trust shall file all required income tax returns with respect to any income attributable to the Disputed Claims Reserve and shall pay any federal, state and local income taxes attributable to the Disputed Claims Reserve, based on the items of income, deduction, credit or loss allocable thereto.

The Liquidating Trust may request an expedited determination of Taxes of the Debtors or of the Liquidating Trust, including the Disputed Claims Reserve, under Bankruptcy Code Section 505(b) for all returns filed for, or on behalf of, the Debtors and the Liquidating Trust for all taxable periods through the dissolution of the Liquidating Trust.

The Liquidating Trustee shall be responsible for filing all federal, state, local and foreign tax returns for the Debtors and the Liquidating Trust. The Liquidating Trust shall comply with all withholding and reporting requirements imposed by any federal, state, local, or foreign taxing authority, and all Distributions made by the Liquidating Trust shall be subject to any such withholding and reporting requirements.

5. *Distribution; Withholding*

Notwithstanding anything in the Plan to the contrary, the Liquidating Trustee will make, or cause to be made, all Distributions under the Plan and the Liquidating Trust Agreement other than (a) those Distributions made by the Debtors on the Effective Date and (b) Distributions from the Professional Fee Account.

The Liquidating Trust may withhold from amounts distributable to any Entity any and all amounts, determined in the Liquidating Trustee's sole discretion, required by the Plan or Liquidating Trust Agreement, or applicable law, regulation, rule, ruling, directive, or other governmental requirement.

6. *Insurance*

The Liquidating Trust may maintain customary insurance coverage for the protection of Persons or Entities serving as administrators and overseers of the Liquidating Trust on and after the Effective Date.

7. *Other Rights and Duties*

In addition to the Liquidating Trustee's rights and duties with respect to the Liquidating Trust, on and after the Effective Date, the Liquidating Trustee will be authorized to implement the Plan and any applicable orders of the Bankruptcy Court.

On the Effective Date, the Liquidating Trust shall: (1) take possession of all books, records, and files of the Debtors and their Estates, in all forms including electronic and hard copy, other than the Debtors' Professionals' Documents; and (2) provide for the retention and storage of such books, records, and files until such time as the Liquidating Trust determines, in accordance with the Liquidating Trust Agreement, that retention of same is no longer necessary or required.

Any and all rights to conduct investigations with respect to Causes of Action or claims not released by the Debtors shall vest with the Liquidating Trust and shall continue until dissolution of the Liquidating Trust, as if neither the Confirmation Date nor the Effective Date had occurred.

The filing of the final monthly report (for the month in which the Effective Date occurs) and all subsequent quarterly reports shall be the responsibility of the Liquidating Trustee.

8. *Disputed Claims Reserve*

The Liquidating Trustee may maintain, in accordance with the Liquidating Trustee's powers and responsibilities under the Plan and the Liquidating Trust Agreement, a Disputed Claims Reserve. The Liquidating Trustee may, in its reasonable discretion, distribute such amounts (net of any expenses, including any taxes relating thereto), as provided herein and in the Liquidating Trust Agreement, as Disputed Claims are resolved, and such amounts may be

distributed on account of such Disputed Claims as if such Disputed Claims were Allowed Claims as of the Effective Date.

9. *Wind-Down*

In addition to the Liquidating Trustee's rights and duties with respect to the Liquidating Trust, on and after the Effective Date, the Liquidating Trustee have the power and authority to take any action necessary to wind down and dissolve the Debtors' Estates.

As soon as practicable after the Effective Date, the Liquidating Trustee shall: (1) cause the Debtors to comply with, and abide by, the terms of the Asset Purchase Agreement; (2) in the Liquidating Trustee's reasonable discretion, complete and file all final or otherwise required federal, state, and local tax returns for each of the Debtors, and pursuant to Section 505(b) of the Bankruptcy Code, may request an expedited determination of any unpaid tax liability of such Debtor or its Estate for any tax incurred during the administration of such Debtor's Chapter 11 Case, as determined under applicable tax laws; and (3) take such other actions as the Liquidating Trustee may determine to be necessary or desirable to carry out the purposes of the Plan. From and after the Effective Date, the Debtors for all purposes shall be deemed to have withdrawn their business operations from any state in which the Debtors were previously conducting, or are registered or licensed to conduct, their business operations, and shall not be required to file any document, pay any sum, or take any other action in order to effectuate such withdrawal, shall be deemed to have cancelled pursuant to this Plan all Equity Interests, and shall not be liable in any manner to any taxing authority for franchise, business, license, or similar taxes accruing on or after the Effective Date. For the avoidance of doubt, the dissolution of the Debtors shall not have any effect, in any manner, on the Causes of Action that the Liquidating Trustee may assert in accordance with the Plan and the Liquidating Trust Agreement and notwithstanding the Debtors' dissolution, the Debtors shall be deemed to remain intact solely with respect to the preparation, filing, review, and resolution of applications for Professional Fee Claims.

10. *Termination of the Liquidating Trust*

The Liquidating Trustee shall be discharged and the Liquidating Trust shall be terminated, at such time as (1) all Disputed Claims have been resolved, (2) all of the Liquidating Trust Assets have been liquidated, (3) all duties and obligations of the Liquidating Trustee hereunder have been fulfilled, (4) all Distributions required to be made by the Liquidating Trust under the Plan and the Liquidating Trust Agreement have been made, and (5) the Chapter 11 Cases of the Debtors have been closed, but in no event shall the Liquidating Trust be dissolved later than five (5) years from the Effective Date unless the Bankruptcy Court, upon motion by the Liquidating Trustee within the six-month period prior to the fifth anniversary (or the end of any extension period approved by the Bankruptcy Court), determines that a fixed period extension (not to exceed three (3) years, together with any prior extensions, without a favorable letter ruling from the Internal Revenue Service, to the extent required under applicable law at that time, that any further extension would not adversely affect the status of the Liquidating Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the liquidation, recovery and Distribution of the Liquidating Trust Assets.

11. *Transfer of Beneficial Interests*

Notwithstanding anything to the contrary in the Plan, beneficial interests in the Liquidating Trust shall not be transferrable except upon death of the interest holder or by operation of law.

12. *Termination of the Liquidating Trustee*

The duties, responsibilities, and powers of the Liquidating Trustee will terminate in accordance with the terms of the Liquidating Trust Agreement.

13. *Exculpation; Indemnification*

The Liquidating Trustee, the Liquidating Trust, professionals retained by the Liquidating Trust, and representatives of each of the foregoing will be exculpated and indemnified pursuant to the terms of the Liquidating Trust Agreement.

14. *Release of Liens*

Except as otherwise provided by the Plan or in any contract, instrument, release or other agreement or document created or assumed in connection with the Plan, on the Effective Date all mortgages, deeds of trust, liens, pledges or other security interests against the property of the Debtors' Estates shall be fully released and discharged, and all of the right, title and interest of any Holder of such mortgages, deeds of trust, liens, pledges or other security interests shall revert to the applicable Estate.

15. *Subordination*

a. *Preservation of Subordination Rights by Estates*

Except as otherwise provided herein, all subordination rights and claims relating to the subordination by the Debtors or the Liquidating Trustee of any Allowed Claim or Equity Interest shall remain valid, enforceable and unimpaired in accordance with Section 510 of the Bankruptcy Code or otherwise.

b. *Waiver by Creditors of all Subordination Rights*

Except as otherwise ordered by the Bankruptcy Court, each Holder of a Claim shall be deemed to have waived all contractual, legal and equitable subordination rights that they may have, whether arising under general principles of equitable subordination, Section 510(c) of the Bankruptcy Code or otherwise, with respect to any and all Distributions to be made under the Plan, and all such contractual, legal or equitable subordination rights that each Holder has individually and collectively with respect to any such Distribution made pursuant this Plan shall be discharged and terminated, and all actions related to the enforcement of such subordination rights are permanently enjoined.

I. Transaction on Business Days

If the date on which a transaction may occur under the Plan shall occur on a day that is not a Business Day, then such transaction shall instead occur on the next succeeding Business Day.

J. Compromise and Settlement Under the Plan

NOTWITHSTANDING ANYTHING CONTAINED IN THE PLAN TO THE CONTRARY, THE ALLOWANCE, CLASSIFICATION, AND TREATMENT OF ALL ALLOWED CLAIMS AND ALLOWED EQUITY INTERESTS AND THEIR RESPECTIVE DISTRIBUTIONS AND TREATMENTS HEREUNDER TAKE INTO ACCOUNT THE RELATIVE PRIORITY AND RIGHTS OF THE CLAIMS AND INTERESTS IN EACH CLASS IN CONNECTION WITH ANY CONTRACTUAL, LEGAL AND EQUITABLE SUBORDINATION RIGHTS RELATING THERETO. AS OF THE EFFECTIVE DATE, ANY AND ALL SUCH RIGHTS DESCRIBED IN THE PRECEDING SENTENCE ARE SETTLED, COMPROMISED AND RELEASED PURSUANT TO THE PLAN. THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT'S FINDING AND DETERMINATION THAT THE SETTLEMENTS REFLECTED IN THE PLAN, ARE (1) IN THE BEST INTERESTS OF THE DEBTORS AND THEIR ESTATES, (2) FAIR, EQUITABLE AND REASONABLE, (3) MADE IN GOOD FAITH, AND (4) APPROVED BY THE BANKRUPTCY COURT PURSUANT TO SECTIONS 363 AND 1123 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 9019. IN ADDITION, THE ALLOWANCE, CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS AND EQUITY INTERESTS TAKES INTO ACCOUNT ANY CAUSES OF ACTION, CLAIMS, OR COUNTERCLAIMS, WHETHER UNDER THE BANKRUPTCY CODE OR OTHERWISE UNDER APPLICABLE LAW, THAT MAY EXIST BETWEEN THE DEBTORS AND THE RELEASING PARTIES, AND AS BETWEEN THE RELEASING PARTIES AND THE RELEASED PARTIES. AS OF THE EFFECTIVE DATE, ANY AND ALL SUCH CAUSES OF ACTION, CLAIMS AND COUNTERCLAIMS ARE SETTLED, COMPROMISED AND RELEASED PURSUANT TO THE PLAN AND THE CONFIRMATION ORDER.

K. Releases and Related Matters

The releases, discharges, injunctions and exculpations set forth in the Plan and described herein are the product of a compromise and settlement with certain parties in interest. The Debtors believe that the releases, discharges, injunctions and exculpations are reasonable, narrowly tailored and necessary for the Debtors to exit chapter 11 through the Plan.

As discussed herein, the Debtors believe that the Released Parties (as defined below) have benefitted the Debtors' estates.

For instance, in the Debtors' view, the direct and indirect equity holders of the Debtors have provided value to the Debtors' reorganization in a number of respects including, without limitation, providing management services during the Chapter 11 Cases, cooperating with and supporting the Debtors' efforts to address certain outstanding litigation issues, supporting the Debtors' reorganization efforts, and providing numerous other services.

Thus, a failure to release the Released Parties could result in a diminution in recovery to the Holders of Claims.

1. *Released Parties*

For purposes of the Plan, "**Released Parties**" means (a) the Debtors; (b) the directors, officers, and employees of the Debtors serving on or after the Petition Date, (c) any Professionals of the Debtors, (d) the Creditors' Committee and its members in their individual capacities, (e) any Professionals retained by the Creditors' Committee, and (f) the Purchaser and any advisors, counsel or other professionals retained by the Purchaser.

2. *Releasing Parties*

For the purposes of the Plan, "**Releasing Parties**" means (a) the Released Parties; (b) all Holders of Claims who are deemed to accept the Plan; (c) with respect to any other Persons or Entities, Holders of Claims or Equity Interests entitled to vote to accept the Plan that do not affirmatively opt out of the release provided by Article XI of the Plan pursuant to a duly executed Ballot; and (d) with respect to each of the foregoing Persons or Entities, their respective current and former officers, directors, managers, principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, representatives, and other professionals, in each case in their capacity as such.

3. *RELEASES BY DEBTORS*

ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, EACH DEBTOR ON BEHALF OF ITSELF, ITS ESTATE, AND THE LIQUIDATING TRUST (SUCH THAT THE LIQUIDATING TRUST WILL NOT HOLD ANY CLAIMS OR CAUSES OF ACTION RELEASED PURSUANT TO ARTICLE XI OF THE PLAN), FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY EACH OF THE RELEASED PARTIES, SHALL BE DEEMED TO PROVIDE A FULL RELEASE TO EACH OF THE RELEASED PARTIES (AND EACH SUCH RELEASED PARTY SHALL BE DEEMED RELEASED BY EACH DEBTOR AND ITS ESTATE) AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CAUSES OF ACTION AND ANY OTHER DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, ACTIONS, DERIVATIVE CLAIMS, REMEDIES, AND LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING AS OF THE EFFECTIVE DATE, IN LAW, AT EQUITY, OR OTHERWISE, WHETHER FOR TORT, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES

LAWS, OR OTHERWISE, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE OR CIRCUMSTANCES EXISTING OR TAKING PLACE PRIOR TO OR ON THE EFFECTIVE DATE ARISING FROM OR RELATED IN ANY WAY TO THE PLAN, OR THESE CHAPTER 11 CASES, INCLUDING THOSE THAT THE DEBTORS OR THE LIQUIDATING TRUST WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT OR THAT ANY HOLDER OF A CLAIM AGAINST OR INTEREST IN THE DEBTORS OR ANY OTHER ENTITY COULD HAVE BEEN LEGALLY ENTITLED TO ASSERT DERIVATIVELY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES; PROVIDED, HOWEVER, THAT THE FOREGOING “DEBTOR RELEASE” SHALL NOT OPERATE TO WAIVE OR RELEASE ANY CLAIMS OR CAUSES OF ACTION OF ANY DEBTOR OR THEIR RESPECTIVE CHAPTER 11 ESTATES AGAINST A RELEASED PARTY ARISING UNDER ANY CONTRACTUAL OBLIGATION OWED TO THE DEBTORS THAT IS ENTERED INTO OR ASSUMED PURSUANT TO THE PLAN.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE DEBTOR RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT’S FINDING THAT THE DEBTOR RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE DEBTOR RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS’ ESTATES AND ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS; (4) FAIR, EQUITABLE, AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE DEBTORS’ ESTATES ASSERTING ANY CLAIM OR CAUSE OF ACTION RELEASED PURSUANT TO THE DEBTOR RELEASE.

4. *THIRD PARTY RELEASES*

ON THE EFFECTIVE DATE AND EFFECTIVE AS OF THE EFFECTIVE DATE, THE RELEASING PARTIES SHALL BE DEEMED TO PROVIDE A FULL RELEASE TO THE RELEASED PARTIES AND THEIR RESPECTIVE PROPERTY FROM ANY AND ALL CAUSES OF ACTION AND ANY OTHER DEBTS, OBLIGATIONS, RIGHTS, SUITS, DAMAGES, ACTIONS, DERIVATIVE CLAIMS, REMEDIES, AND LIABILITIES WHATSOEVER, WHETHER KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, EXISTING AS OF THE EFFECTIVE DATE, IN LAW, AT EQUITY, OR OTHERWISE, WHETHER FOR TORT, CONTRACT, VIOLATIONS OF FEDERAL OR STATE SECURITIES LAWS, OR OTHERWISE, BASED IN WHOLE OR IN PART UPON ANY ACT OR OMISSION, TRANSACTION, OR OTHER OCCURRENCE OR CIRCUMSTANCES EXISTING OR TAKING PLACE PRIOR TO OR ON THE EFFECTIVE DATE ARISING FROM OR RELATED IN ANY WAY TO THE PLAN, OR THESE CHAPTER 11 CASES,

INCLUDING THOSE THAT THE DEBTORS WOULD HAVE BEEN LEGALLY ENTITLED TO ASSERT OR THAT ANY HOLDER OF A CLAIM AGAINST OR INTEREST IN THE DEBTORS OR ANY OTHER ENTITY COULD HAVE BEEN LEGALLY ENTITLED TO ASSERT DERIVATIVELY OR ON BEHALF OF THE DEBTORS OR THEIR ESTATES, PROVIDED, HOWEVER, THAT, THE FOREGOING “THIRD PARTY RELEASE” SHALL NOT AFFECT ANY PROOFS OF CLAIM FILED AGAINST THE DEBTORS OR CLAIMS OR CAUSES OF ACTION PENDING AGAINST A RELEASED PARTY IN A COMPLAINT OR PLEADING FILED AS OF THE PETITION DATE IN A COURT OR ARBITRATION PANEL OF COMPETENT JURISDICTION; PROVIDED, FURTHER, HOWEVER, THAT, THE THIRD PARTY RELEASE SHALL PRECLUDE A RELEASING PARTY FROM AMENDING OR MODIFYING SUCH COMPLAINT OR PLEADING TO ASSERT CLAIMS OR CAUSES OF ACTION AGAINST A RELEASED PARTY THAT WAS NOT OTHERWISE A PARTY TO SUCH PROCEEDING AS OF THE PETITION DATE.

ENTRY OF THE CONFIRMATION ORDER SHALL CONSTITUTE THE BANKRUPTCY COURT’S APPROVAL, PURSUANT TO BANKRUPTCY RULE 9019, OF THE THIRD PARTY RELEASE, WHICH INCLUDES BY REFERENCE EACH OF THE RELATED PROVISIONS AND DEFINITIONS CONTAINED IN THE PLAN, AND, FURTHER, SHALL CONSTITUTE THE BANKRUPTCY COURT’S FINDING THAT THE THIRD PARTY RELEASE IS: (1) IN EXCHANGE FOR THE GOOD AND VALUABLE CONSIDERATION PROVIDED BY THE RELEASED PARTIES; (2) A GOOD-FAITH SETTLEMENT AND COMPROMISE OF THE CLAIMS RELEASED BY THE THIRD PARTY RELEASE; (3) IN THE BEST INTERESTS OF THE DEBTORS AND ALL HOLDERS OF CLAIMS AND EQUITY INTERESTS; (4) FAIR, EQUITABLE, AND REASONABLE; (5) GIVEN AND MADE AFTER DUE NOTICE AND OPPORTUNITY FOR HEARING; AND (6) A BAR TO ANY OF THE RELEASING PARTIES ASSERTING ANY CLAIM RELEASED PURSUANT TO THE THIRD PARTY RELEASE.

5. *Injunctions*

EXCEPT AS OTHERWISE PROVIDED IN THE PLAN OR THE CONFIRMATION ORDER, ALL ENTITIES WHO HAVE HELD, HOLD, OR MAY HOLD CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES THAT: (1) ARE SUBJECT TO COMPROMISE AND SETTLEMENT PURSUANT TO THE TERMS OF THE PLAN; (2) HAVE BEEN RELEASED PURSUANT TO THE DEBTOR RELEASE OR THIRD PARTY RELEASE; (3) ARE SUBJECT TO EXCULPATION PURSUANT TO SECTION 11.04 OF THE PLAN (BUT ONLY TO THE EXTENT OF THE EXCULPATION PROVIDED IN SECTION 11.04 OF THE PLAN); OR (4) ARE OTHERWISE STAYED OR TERMINATED PURSUANT TO THE TERMS OF THE PLAN, ARE PERMANENTLY ENJOINED AND PRECLUDED, FROM AND AFTER THE EFFECTIVE DATE, FROM: (A) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND, INCLUDING ON ACCOUNT OF ANY CLAIMS, EQUITY INTERESTS, CAUSES OF ACTIONS, OR LIABILITIES THAT HAVE BEEN COMPROMISED OR SETTLED

AGAINST THE DEBTORS, THE LIQUIDATING TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF ANY ENTITY, DIRECTLY OR INDIRECTLY, SO RELEASED OR EXCULPATED, INCLUDING THE LIQUIDATING TRUST AND THE LIQUIDATING TRUST ASSETS) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (B) ENFORCING, ATTACHING, COLLECTING, OR RECOVERING BY ANY MANNER OR MEANS ANY JUDGMENT, AWARD, DECREE, OR ORDER AGAINST THE DEBTORS, THE LIQUIDATING TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (C) CREATING, PERFECTING, OR ENFORCING ANY LIEN, CLAIM, OR ENCUMBRANCE OF ANY KIND AGAINST THE DEBTORS, THE LIQUIDATING TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES; (D) ASSERTING ANY RIGHT OF SETOFF OR SUBROGATION OF ANY KIND AGAINST ANY OBLIGATION DUE FROM THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES UNLESS SUCH ENTITY HAS TIMELY ASSERTED SUCH SETOFF RIGHT PRIOR TO CONFIRMATION IN A DOCUMENT FILED WITH THE BANKRUPTCY COURT EXPLICITLY PRESERVING SUCH SETOFF OR SUBROGATION, AND NOTWITHSTANDING AN INDICATION OF A CLAIM OR INTEREST OR OTHERWISE THAT SUCH ENTITY ASSERTS, HAS, OR INTENDS TO PRESERVE ANY RIGHT OF SETOFF OR SUBROGATION PURSUANT TO APPLICABLE LAW OR OTHERWISE; AND (E) COMMENCING OR CONTINUING IN ANY MANNER ANY ACTION OR OTHER PROCEEDING OF ANY KIND AGAINST THE DEBTORS, THE LIQUIDATING TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED (OR THE PROPERTY OR ESTATE OF THE DEBTORS, THE LIQUIDATING TRUST, OR ANY ENTITY SO RELEASED OR EXCULPATED) ON ACCOUNT OF OR IN CONNECTION WITH OR WITH RESPECT TO ANY SUCH RELEASED, SETTLED, COMPROMISED, OR EXCULPATED CLAIMS, EQUITY INTERESTS, CAUSES OF ACTION, OR LIABILITIES RELEASED, SETTLED, OR COMPROMISED PURSUANT TO THE PLAN; PROVIDED THAT NOTHING CONTAINED IN THE PLAN SHALL PRECLUDE AN ENTITY FROM OBTAINING BENEFITS DIRECTLY AND EXPRESSLY PROVIDED TO SUCH ENTITY PURSUANT TO THE TERMS OF THE PLAN; PROVIDED, FURTHER, THAT NOTHING CONTAINED IN THE PLAN SHALL BE CONSTRUED TO

PREVENT ANY ENTITY FROM DEFENDING AGAINST CLAIMS OBJECTIONS OR COLLECTION ACTIONS WHETHER BY ASSERTING A RIGHT OF SETOFF OR OTHERWISE TO THE EXTENT PERMITTED BY LAW.

6. *Exculpation and Limitations of Liability*

For purposes of the Plan, “Exculpated Parties” means (a) the Debtors; (b) the directors, officers, and employees of the Debtors serving on or after the Petition Date, (c) any Professionals of the Debtors, and (d) the Creditors’ Committee, its members (solely in their capacity as members of the Creditors’ Committee and not in their individual capacities) and any Professionals retained by the Creditors’ Committee.

The Plan contains standard exculpation provisions applicable to the key parties in interest with respect to their conduct in the Chapter 11 Cases. **THE EXCULPATED PARTIES SHALL NEITHER HAVE, NOR INCUR ANY LIABILITY TO ANY ENTITY FOR ANY ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH THE CHAPTER 11 CASES, OR RELATED TO FORMULATING, NEGOTIATING, SOLICITING, PREPARING, DISSEMINATING, CONFIRMING, OR IMPLEMENTING THE PLAN OR CONSUMMATING THE PLAN, THE DISCLOSURE STATEMENT, OR ANY CONTRACT, INSTRUMENT, RELEASE, OR OTHER AGREEMENT OR DOCUMENT CREATED OR ENTERED INTO IN CONNECTION WITH THE PLAN OR ANY OTHER PREPETITION OR POST-PETITION ACT TAKEN OR OMITTED TO BE TAKEN IN CONNECTION WITH OR IN CONTEMPLATION OF THE RESTRUCTURING OR LIQUIDATION OF THE DEBTORS, EXCEPT FOR ACTS OR OMISSIONS THAT ARE THE RESULT OF FRAUD, GROSS NEGLIGENCE, OR WILLFUL MISCONDUCT; PROVIDED THAT EACH EXCULPATED PARTY SHALL BE ENTITLED TO RELY UPON THE ADVICE OF COUNSEL CONCERNING HIS, HER, OR ITS DUTIES PURSUANT TO, OR IN CONNECTION WITH, THE PLAN OR ANY OTHER RELATED DOCUMENT, INSTRUMENT, OR AGREEMENT. WITHOUT LIMITING THE FOREGOING “EXCULPATION” PROVIDED UNDER SECTION 12.04 OF THE PLAN, THE RIGHTS OF ANY HOLDER OF A CLAIM OR EQUITY INTEREST TO ENFORCE RIGHTS ARISING UNDER THIS PLAN SHALL BE PRESERVED, INCLUDING THE RIGHT TO COMPEL PAYMENT OF DISTRIBUTIONS IN ACCORDANCE WITH THE PLAN.**

The Debtors submit that the exculpations contained in the Plan are appropriate and are standard in a chapter 11 case. The exculpations are appropriately limited in scope, apply only to acts and omissions occurring after the Petition Date and in connection with the Chapter 11 Cases or the Plan and confer only a qualified immunity by excluding acts or omissions which are the result of fraud, gross negligence or willful misconduct. The beneficiaries of the exculpations have made significant contributions to the Debtors’ reorganization, which contributions have allowed for the formulation of the Plan which resolves many complicated issues between the Debtors and other interested parties, in the opinion of the Debtors, provides for the best possible recoveries for Claims against the Debtors. In the Debtors’ view, the beneficiaries of the exculpations would not have contributed as they did without the prospect of the limited immunity reflected in the

exculpations. The Debtors are also unaware of any valid Causes of Action against any of the beneficiaries of the exculpations. In view of the foregoing, the exculpations are appropriate and in the best interests of the Debtors' Estates.

7. *Setoffs*

Except as otherwise provided in the Plan, prior to the Effective Date, the Debtors, and on and after the Effective Date, the Liquidating Trustee, pursuant to the Bankruptcy Code (including Section 553 of the Bankruptcy Code), applicable non-bankruptcy law, or as may be agreed to by the Holder of a Claim or Equity Interest, may set off against any Allowed Claim or Equity Interest on account of any Proof of Claim or other pleading Filed with respect thereto prior to the Confirmation Hearing and the Distributions to be made pursuant to the Plan on account of such Allowed Claim or Equity Interest (before any Distribution is made on account of such Allowed Claim or Equity Interest), any claims, rights, and Causes of Action of any nature that the Debtors' Estates may hold against the Holder of such Allowed Claim or Equity Interest, to the extent such claims, rights, or Causes of Action against such Holder have not been otherwise compromised or settled on or prior to the Effective Date (whether pursuant to the Plan or otherwise), including any rights under Section 502(d) of the Bankruptcy Code; provided that neither the failure to effect such a setoff nor the allowance of any Claim or Equity Interest pursuant to the Plan shall constitute a waiver or release by the Debtors or the Liquidating Trustee, as applicable, of any such claims, rights, and Causes of Action that the Debtors' Estates may possess against such Holder. In no event shall any Holder of Claims or Equity Interests be entitled to set off any Claim or Equity Interest against any claim, right, or Cause of Action of the Debtors' Estates unless such Holder has timely Filed a Proof of Claim with the Bankruptcy Court preserving such setoff; provided that nothing in the Plan shall prejudice or be deemed to have prejudiced the Debtors' or the Liquidating Trustee's right to assert that any Holder's setoff rights were required to have been asserted by motion or pleading filed with the Bankruptcy Court prior to the Effective Date.

8. *Injunction Regarding Civil Litigation*

As of the Effective Date, the plaintiffs in the Civil Litigation are permanently enjoined from taking any of the following actions against the Debtors, the Liquidating Trustee, the Purchaser or any of the present or former officers and directors of the Debtors or their property on account of the claims made in the Civil Litigation or any of the allegations or facts alleged therein including, without limitation: (i) commencing or continuing, in any manner or in any place, any action or other proceeding of any kind; (ii) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order against any such party; (iii) creating, perfecting, or enforcing any Lien or encumbrance; (iv) asserting a right of setoff, recoupment or subrogation of any kind against any debt, liability, or obligation due to any such party; or (v) commencing or continuing any action, in each such case in any manner, in any place, or against such party.

9. *Term of Injunctions or Stays*

Unless otherwise provided herein or in the Confirmation Order, all injunctions or stays provided for in these Chapter 11 Cases under Sections 105 or 362 of the Bankruptcy Code or otherwise, and extant on the Confirmation Date (excluding any injunctions or stays contained in the Plan or the Confirmation Order), shall remain in full force and effect until the Debtors' bankruptcy cases are all closed.

L. **Retention of Jurisdiction**

Under Sections 105(a) and 1142 of the Bankruptcy Code, and notwithstanding entry of the Confirmation Order and occurrence of the Effective Date, and except as otherwise ordered by the Bankruptcy Court, the Bankruptcy Court shall retain exclusive jurisdiction over all matters arising out of, and related to, the Chapter 11 Cases and the Plan to the fullest extent permitted by law (provided, however, that notwithstanding the foregoing, with respect to all civil proceedings arising in or related to the Chapter 11 Cases and the Plan, the Bankruptcy Court shall have original but not exclusive jurisdiction, in accordance with Section 1334(b) of Title 28 of the United States Code), including, among other things, jurisdiction to:

- allow, disallow, determine, liquidate, classify, estimate, or establish the priority secured or unsecured status or amount of any Claim or Equity Interest not otherwise Allowed under the Plan (other than personal injury or wrongful death Claims, unless agreed by the Holder), including the resolution of any request for payment of any Administrative Claim and the resolution of any objections to the secured or unsecured status, priority, amount or allowance of Claims or Equity Interests in the Debtors;
- hear and determine all matters related to the granting and denying, in whole or in part, of any applications for compensation and reimbursement of expenses of Professionals authorized under the Plan or under Sections 327, 328, 330, 331, 503(b), 1103 and 1129(a)(4) of the Bankruptcy Code; provided, however, that from and after the Effective Date, the payment of the fees and expenses of the Professionals of the Liquidating Trustee shall be made in the ordinary course of business and shall not be subject to the review or approval of the Bankruptcy Court;
- hear and determine any matters related to Executory Contracts or Unexpired Leases, including: (a) the assumption, assumption and assignment, or rejection of any Executory Contract or Unexpired Lease to which a Debtor is party or with respect to which a Debtor may be liable, and to hear, determine, and, if necessary, liquidate, any Cure or Claims arising therefrom, including pursuant to Section 365 of the Bankruptcy Code; (b) any potential contractual obligation under any Executory Contract or Unexpired Lease that is assumed; (c) the Liquidating Trustee's amendment, modification, or supplement, after the Effective Date of the list of Executory Contracts and Unexpired Leases to be rejected; and (d)

any dispute regarding whether a contract or lease is or was executory or expired;

- ensure that Distributions to holders of Allowed Claims are accomplished pursuant to the provisions of the Plan and adjudicate any and all disputes arising from or relating to Distributions under the Plan;
- adjudicate, decide, or resolve any motions, adversary proceedings, contested or litigated matters, and any other matters, and grant or deny any applications involving a Debtor that may be pending on the Effective Date;
- adjudicate, decide, or resolve any and all matters related to Causes of Action of the Debtors or brought by or against the Liquidating Trust;
- adjudicate, decide, or resolve any and all matters related to Section 1141 of the Bankruptcy Code;
- enter and implement such orders as may be necessary or appropriate to execute, implement or consummate the provisions of the Plan and all contracts, instruments, releases and other agreements or documents created in connection with the Plan, the Plan Supplement, the Disclosure Statement or the Confirmation Order;
- enter and enforce any order for the sale of property pursuant to Sections 363, 1123, or 1146(a) of the Bankruptcy Code;
- grant any consensual request to extend the deadline for assuming or rejecting Unexpired Leases pursuant to Section 365(d)(4) of the Bankruptcy Code;
- hear and determine any cases, controversies, suits, disputes or Causes of Action arising in connection with the interpretation, implementation, consummation or enforcement of the Plan, including disputes arising under agreements, documents or instruments executed in connection with the Plan;
- consider any modifications of the Plan, cure any defect or omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including, without limitation, the Confirmation Order;
- issue injunctions, enter and implement other orders, or take such other actions as may be necessary or appropriate to restrain interference by any Person or Entity with the implementation, consummation or enforcement of the Plan or the Confirmation Order;

- enter and implement such orders as may be necessary or appropriate if the Confirmation Order is for any reason reversed, stayed, revoked, modified or vacated;
- hear and determine any matters arising in connection with or relating to the Plan, the Plan Supplement, the schedules to the Plan, the Disclosure Statement, the Confirmation Order or any contract, instrument, release or other agreement or document created in connection with the Plan, the Plan Supplement, the schedules to the Plan, the Disclosure Statement or the Confirmation Order;
- enforce, interpret and determine any cases, controversies, suits, disputes or Causes of Action arising in connection with any stipulations, orders, judgments, injunctions, releases, exculpations, indemnifications and rulings entered in connection with the Chapter 11 Cases (whether or not the Chapter 11 Cases have been closed);
- enter and implement such orders as may be necessary or appropriate to execute, implement or consummate the provisions of all contracts, instruments, releases, indentures and other agreements or documents approved by Final Order in the Chapter 11 Cases;
- resolve any cases, controversies, suits, disputes, or Causes of Action with respect to the repayment or return of Distributions and the recovery of additional amounts owed by the holder of a Claim for amounts not timely repaid pursuant to the Plan;
- determine requests for the payment of Claims and Equity Interests entitled to priority pursuant to Section 507 of the Bankruptcy Code;
- hear and determine cases, controversies, suits, disputes or Causes of Action arising in connection with the interpretation, implementation or enforcement of the Plan or the Confirmation Order, including disputes arising under agreements, documents, or instruments executed in connection with the Plan;
- except as otherwise limited in the Plan, recover all assets of the Debtors and property of the Estates, wherever located;
- hear and determine matters concerning state, local and federal taxes in accordance with Sections 346, 505 and 1146 of the Bankruptcy Code;
- hear and determine all disputes involving the existence, nature or scope of the Debtors' discharge, including any dispute relating to any liability arising out of the termination of employment, regardless of whether such termination occurred prior to or after the Effective Date;

- hear and determine such other matters as may be provided in the Confirmation Order or as may be authorized under, or not inconsistent with, the provisions of the Bankruptcy Code;
- enter a final decree closing the Chapter 11 Cases;
- enforce all orders previously entered by the Bankruptcy Court; and
- hear any other matter not inconsistent with the Bankruptcy Code.

If the Bankruptcy Court abstains from exercising, or declines to exercise, jurisdiction or is otherwise without jurisdiction over any matter arising in, arising under, or related to the Chapter 11 Cases, including the matters set forth in Article X of the Plan, the provisions of Article X of the Plan will have no effect upon and will not control, prohibit, or limit the exercise of jurisdiction by any other court having jurisdiction with respect to such matter.

M. Modifications and Amendments

Subject to the limitations contained in the Plan, the Debtors reserve the right to modify the Plan as to material terms and seek Confirmation consistent with the Bankruptcy Code and, as appropriate, not resolicit votes on such modified Plan. Subject to certain restrictions and requirements set forth in Section 1127 of the Bankruptcy Code and Bankruptcy Rule 3019 and those restrictions on modifications set forth in the Plan, the Debtors expressly reserve their rights to alter, amend, or modify materially the Plan with respect to the Debtors, one or more times, after Confirmation, but only until the Effective Date and, to the extent necessary, may initiate proceedings in the Bankruptcy Court to so alter, amend, or modify the Plan, or remedy any defect or omission, or reconcile any inconsistencies in the Plan, the Disclosure Statement, or the Confirmation Order, in such matters as may be necessary to carry out the purposes and intent of the Plan. Any such modification or supplement shall be considered a modification of the Plan and shall be made in accordance with Article XIII of the Plan.

Notwithstanding anything herein to the contrary, any modification, alteration, or amendment to the Plan suggested or filed by the Debtors that would affect in any material way the economic or any other terms of the Asset Purchase Agreement, may become effective only with the prior written consent of the Purchaser and the Creditors' Committee.

After the Effective Date, the Liquidating Trustee can modify the Plan only in accordance with Section 1127 of the Bankruptcy Code and applicable law.

N. Continuing Exclusivity and Solicitation Period

Subject to further order of the Bankruptcy Court, until the Effective Date, the Debtors shall, pursuant to Section 1121 of the Bankruptcy Code, retain the exclusive right to amend the Plan and to solicit acceptances thereof.

O. Severability of Plan Provisions

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void, or unenforceable, the Bankruptcy Court, at the request of the Debtors, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired, or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

P. Successors and Assigns and Binding Effect

The rights, benefits, and obligations of any Entity named or referred to in the Plan shall be binding on, and shall inure to the benefit of, any heir, executor, administrator, personal representative, successor, or assign of such Entity, including, but not limited to, the Liquidating Trustee and all other parties-in-interest in these Chapter 11 Cases such as Holders of Claims and Equity Interests.

Q. Compromises and Settlements

Pursuant to Bankruptcy Rule 9019 and in consideration for the Distributions and other benefits provided pursuant to the Plan, and except as otherwise specifically provided in the Plan or in any contract, instrument, or other agreement or document created pursuant to the Plan, the Distributions, rights, and treatment that are provided in the Plan shall be in complete settlement, compromise, and release, effective as of the Effective Date, of Claims, Equity Interests, and Causes of Action of any nature whatsoever, including any interest accrued on Claims or Equity Interests from and after the Petition Date, whether known or unknown, against, liabilities of, Liens on, obligations of, rights against, and Equity Interests in, the Debtors or any of their assets or properties, regardless of whether any property shall have been distributed or retained pursuant to the Plan on account of such Claims and Equity Interests, including demands, liabilities, and Causes of Action that arose before the Effective Date, any liability to the extent such Claims or Equity Interests relate to services performed by employees of the Debtors before the Effective Date and that arise from a termination of employment, any contingent or non-contingent liability on account of representations or warranties issued on or before the Effective Date, and all debts of the kind specified in Sections 502(g), 502(h), or 502(i) of the Bankruptcy Code, in each case whether or not: (1) a Proof of Claim or proof of Interest based upon such debt, right, or Equity Interest is Filed or deemed Filed pursuant to Section 501 of the Bankruptcy Code; (2) a Claim or Equity Interest based upon such debt, right, or Equity Interest is Allowed pursuant to Section 502 of the Bankruptcy Code; or (3) the Holder of such a Claim or Equity Interest has accepted the Plan. Any default by the Debtors or their Affiliates with respect to any Claim or Equity Interest that existed immediately before or on account of the filing of the Chapter 11 Cases shall be deemed cured on the Effective Date. The Confirmation Order shall be

a judicial determination of the settlement, compromise, and release of all Claims and Equity Interests, subject to the Effective Date occurring.

R. Revocation, Withdrawal, or Non-Consummation

The Debtors reserve the right to revoke or withdraw the Plan at any time prior to the Confirmation Date and to File subsequent plans of reorganization. If the Debtors revoke or withdraw the Plan prior to the Confirmation Date, or if Confirmation or the Effective Date does not occur, then (a) the Plan shall be null and void in all respects, (b) any settlement or compromise embodied in the Plan (including the fixing or limiting to an amount certain any Claim or Class of Claims), assumption or rejection of Executory Contracts or Unexpired Leases effected by the Plan, and any document or agreement executed pursuant to the Plan shall be deemed null and void, and (c) nothing contained in the Plan, and no acts taken in preparation for consummation of the Plan, shall (i) constitute or be deemed to constitute a waiver or release of (x) any Claims against, or any Equity Interests in, the Debtors, or (y) any Avoidance Actions, Litigation Rights or other claims by or against the Debtors, the Creditors' Committee or any Entity, (ii) prejudice in any manner the rights of the Debtors, the Creditors' Committee, or any Entity in any further proceedings involving the Debtors, or (iii) constitute an admission of any sort by the Debtors, the Creditors' Committee, or any other Entity.

S. Plan Supplement

The Plan Supplement shall be Filed with the Bankruptcy Court and posted on the Claims Agent's website at <http://dm.epiq11.com/AAL/Project> (the "**Website**") at least ten (10) days prior to the Voting Deadline or by such later date as may be established by order of the Bankruptcy Court. Upon such Filing and posting on the Website, all documents set forth in the Plan Supplement may be accessed on the Website or inspected in the office of the Clerk of the Bankruptcy Court during normal business hours. Holders of Claims or Equity Interests may obtain a copy of any document set forth in the Plan Supplement upon written request to the Debtors in accordance with Section 12.10 of the Plan.

T. Confirmation and/or Consummation

Described below are certain important considerations under the Bankruptcy Code and the Plan relating to Confirmation and/or the occurrence of the Effective Date.

1. *Requirements for Confirmation of the Plan Under the Bankruptcy Code*

Section 1129 of the Bankruptcy Code imposes certain requirements that must be satisfied in order for the Plan can be confirmed. Specifically, before the Plan can be confirmed, the Bankruptcy Court must determine at the Confirmation Hearing that the following requirements for Confirmation have been satisfied:

- The Plan complies with the applicable provisions of the Bankruptcy Code.
- The Debtors have complied with the applicable provisions of the Bankruptcy Code.

- The Plan has been proposed in good faith and not by any means forbidden by law.
- Any payment made or promised by the Debtors or by a Person issuing securities or acquiring property under the Plan for services or for costs and expenses in, or in connection with, the Chapter 11 Cases, or in connection with the Plan and incident to the Chapter 11 Cases, has been disclosed to the Bankruptcy Court, and any such payment made before Confirmation is reasonable, or if such payment is to be fixed after Confirmation, such payment is subject to the approval of the Bankruptcy Court as reasonable.
- The Debtors have disclosed or will disclose in the Plan Supplement (a) the identity and affiliations of (i) any individual proposed to serve, after Confirmation, as a manager, officer, trustee or voting trustee of the Liquidating Trust, (ii) any affiliate of the Debtors participating in a joint plan with the Debtors, or (iii) any successor to the Debtors under the Plan (and the appointment to, or continuance in, such office of such individual(s) is consistent with the interests of Claim and Equity Interest Holders and with public policy), and (b) the identity of any insider that will be employed or retained by the Debtors and the nature of any compensation for such Insider.
- With respect to each Class of Claims or Equity Interests in the Debtors, each Impaired Claim and Impaired Equity Interest Holder either has accepted the Plan or will receive or retain under the Plan, on account of the Claims or Equity Interests held by such Holder, property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain if the Debtors were liquidated on such date under chapter 7 of the Bankruptcy Code.
- The Plan provides that Administrative Claims and Priority Claims other than Priority Tax Claims will be paid in full on the Effective Date, except to the extent that the Holder of any such Claim has agreed to another less favorable treatment.
- If a Class of Claims is Impaired under the Plan, at least one Class of Impaired Claims has accepted the Plan, determined without including any acceptance of the Plan by insiders holding Claims in such Class.
- Confirmation of the Plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors under the Plan, unless such liquidation or reorganization is proposed in the Plan.
- The Plan provides for the continuation after the Effective Date of all retiree benefits, if any, at the level established pursuant to Sections

1114(e)(1)(B) or 1114(g) of the Bankruptcy Code at any time prior to Confirmation, for the duration of the period the Debtors has obligated themselves to provide such benefits.

The Debtors believe that, upon receipt of the votes required to confirm the Plan, the Plan will satisfy the statutory requirements of chapter 11 of the Bankruptcy Code, that the Debtors have complied or will have complied with all of the requirements of chapter 11, and that the Plan has been proposed and submitted to the Bankruptcy Court in good faith and not by means forbidden by law.

2. *Conditions Precedent to Confirmation and the Effective Date Under the Plan*

The Plan specifies certain conditions precedent to the Confirmation and the Effective Date.

a. *Conditions Precedent to Confirmation*

The following conditions precedent to the occurrence of the Confirmation Date must be satisfied unless any such condition shall have been waived by the Debtors in accordance with Section 9.04 of the Plan:

(a) The Confirmation Order shall have been entered in form and substance satisfactory to the Debtors and the Creditors' Committee;

(b) The Plan Supplement, including any amendments, modifications, or supplements thereto shall be in form and substance materially consistent with the Plan in all respects and otherwise reasonably acceptable to the Debtors and the Creditors' Committee;

(c) The Liquidating Trustee shall have been appointed and the Liquidating Trust Agreement shall have been executed and become effective;

(d) The Bankruptcy Court finds that adequate information and sufficient notice of the Disclosure Statement, the Plan and the Confirmation Hearing, along with all deadlines for voting on or objecting to the Plan has been given to all relevant parties in accordance with the solicitation procedures governing such service and in substantial compliance with Bankruptcy Rules 2002(b), 3017 and 3020(b);

(e) The CMS Settlement Order shall have been entered, and

(f) The Sale Transaction shall have been consummated.

b. *Conditions Precedent to the Effective Date*

The following conditions precedent to the occurrence of the Effective Date must be satisfied or waived by the Debtors on or prior to the Effective Date in accordance with Section 9.04 of the Plan:

(a) The Confirmation Order shall have become a Final Order;

(b) After the Confirmation Date but prior to the Effective Date, the Debtors shall not have made any amendment, modification, supplement or other change to the Plan, the Plan Supplement or any Plan Supplement Document, including any exhibits, schedules, amendments, modifications or supplements thereto;

(c) The estimated Allowed Administrative Claims, such estimates to be made in the reasonable discretion of the Debtors, excluding Allowed Administrative Claims (i) to be paid from the Professional Fee Account, or (ii) that are trade payables incurred by the Debtors in the ordinary course of business, shall not exceed the Administrative Claims Cap; and

(d) All reserves, if any, shall be established in accordance with the Plan in amounts sufficient in the reasonable judgment of the Debtors to make all Distributions required under the Plan.

3. *Anticipated Effective Date and Notice Thereof*

The Debtors or Liquidating Trustee shall File a notice of the occurrence of the Effective Date within five (5) business days thereafter; provided, however, that failure to timely File such notice shall not affect the occurrence of the Effective Date.

4. *Waiver of Conditions*

Each of the conditions set forth in Article VII of the Plan may be waived in whole or in part by the Debtors and the Creditors' Committee without any notice to parties-in-interest or the Bankruptcy Court and without a hearing.

5. *Consequences of Non-Occurrence of Effective Date*

If the Confirmation Order is vacated, (a) the Plan shall be null and void in all respects; (b) any settlement of Claims or Equity Interests provided for hereby shall be null and void without further order of the Bankruptcy Court; and (c) to the extent permitted under the Bankruptcy Code, the time within which the Debtors may assume and assign or reject all Executory Contracts and Unexpired Leases shall be extended for a period of one forty-five (45) days after the date the Confirmation Order is vacated.

6. *Substantial Consummation*

Substantial Consummation of the Plan shall be deemed to occur on the Effective Date.

7. *Continued Confidentiality Obligations*

Notwithstanding any other provision of the Plan, all members of and advisors to the Creditors' Committee, any other holder of a Claim or Equity Interest and their respective predecessors, successors and assigns shall continue to be obligated and bound by the terms of

any confidentiality agreement executed by them in connection with these Chapter 11 Cases or the Debtors, to the extent that such agreement, by its terms, may continue in effect after the Confirmation Date for a period of one (1) year.

8. Notices

Any notice, request, or demand required or permitted to be made or provided under the Plan shall be (a) in writing, (b) served by (i) certified mail, return receipt requested, (ii) hand delivery, (iii) overnight delivery service, (iv) first class mail, or (v) facsimile transmission, and (c) deemed to have been duly given or made when actually delivered or, in the case of notice by facsimile transmission, when received and telephonically confirmed, addressed as follows:

If to the Debtors:

Greenberg Traurig LLP
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9. Computation of Time

In computing any period of time prescribed or allowed by the Plan, the provisions of Rule 9006(a) of the Bankruptcy Rules shall apply.

10. Governing Law

Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code and Bankruptcy Rules), the laws of (a) the State of Delaware shall govern the construction and implementation of the Plan and (except as may be provided otherwise in any such agreements, documents, or instruments) any agreements, documents, and instruments executed in connection with the Plan and (b) the laws of the state of incorporation of the Debtors shall govern corporate governance matters with respect to the Debtor; in each case without giving effect to the principles of conflicts of law thereof.

11. Exhibits

All exhibits are incorporated into and are a part of this Plan as if set forth in full herein, and, to the extent not annexed hereto, such exhibits shall be Filed with the Bankruptcy Court on or before the date of the Filing of the Plan Supplement, and will then be posted on the Website. Upon such Filing and posting on the Website, all exhibits may be accessed on the Website or inspected in the office of the Clerk of the Bankruptcy Court during normal business hours. Holders of Claims or Equity Interests may also obtain a copy of any exhibit upon written request to the Debtors in accordance with Section 12.11 of the Plan. To the extent any exhibit is inconsistent with the terms of the Plan, unless otherwise ordered by the Bankruptcy Court, the non-exhibit portion of the Plan shall control.

12. Conflicts

To the extent any provision of the Disclosure Statement or any instrument, document or agreement executed in connection with the Plan or any exhibits, schedules, appendices, supplements or amendments to the foregoing conflicts with or is in any way inconsistent with the terms of the Plan, the terms and provisions of the Plan shall govern and control. To the extent of any inconsistency between the Plan and the Confirmation Order, the terms of the Confirmation Order shall govern and control.

13. Exemption

Under Section 1145 of the Bankruptcy Code, the issuance of the beneficial interests in Liquidating Trust under the Plan shall be exempt from registration under the Securities Act of 1933, as amended, and all applicable state and local laws requiring registration of securities. If the Liquidating Trustee determines, with the advice of counsel, that the Liquidating Trust is required to comply with the registration and reporting requirements of the Securities and Exchange Act of 1934, as amended, or the Investment Company Act of 1940, as amended, then the Liquidating Trustee shall take any and all actions to comply with such reporting requirements and file necessary periodic reports with the Securities and Exchange Commission.

14. Substitution of the Liquidating Trust for the Debtors

On the Effective Date, the Liquidating Trust shall be deemed to be substituted as the party in lieu of the Debtors in all pending matters including but not limited to (i) motions, contested matters and adversary proceeding pending in the Bankruptcy Court, and (ii) all matters pending in any courts, tribunals, forums or administrative proceedings outside of the Bankruptcy Court without the need or requirement for the Liquidating Trustee to file motions or substitutions of parties and counsel

VIII. CERTAIN RISK FACTORS TO BE CONSIDERED

THE IMPLEMENTATION OF THE PLAN IS SUBJECT TO A NUMBER OF MATERIAL RISKS, INCLUDING, AMONG OTHERS, THOSE ENUMERATED BELOW. IN EVALUATING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN, HOLDERS

OF CLAIMS AGAINST AND/OR EQUITY INTERESTS IN THE DEBTORS SHOULD READ AND CAREFULLY CONSIDER THE RISK FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR INCORPORATED BY REFERENCE HEREIN), BEFORE DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS ASSOCIATED WITH THE PLAN AND ITS IMPLEMENTATION, OR ALTERNATIVES TO THE PLAN AND THE TRANSACTIONS CONTEMPLATED THEREBY.

A. Certain Litigation Risks

The Liquidating Trust may be subject to various Claims and legal actions arising in the ordinary course of their businesses. The Debtors are not able to predict the nature and extent of any such Claims or legal actions, and cannot guarantee that the ultimate resolution of such Claims or legal actions will not have a material adverse effect on the Liquidating Trust.

1. Sale Transaction

The Asset Purchase Agreement does set forth a purchase price, and the Sale Proceeds from the Sale Transaction will be used to fund the Liquidating Trust pursuant to the terms of the Plan, the Asset Purchase Agreement does contain a number of purchase price adjustments and other features that could significantly decrease the total amount of the Sale Proceeds. As a result, the Debtors cannot guarantee the amount of Sale Proceeds that will be generated from the Sale Transaction.

2. CMS Litigation

In the event that the Debtors, CMS and the Purchaser are unable to reach an agreement on the terms for a settlement of the CMS Claim, or in the event that the Bankruptcy Court does not enter the CMS Settlement Order, then the CMS Claim will remain as a Claim in Class 3. In addition, if any Sale Transaction does not include the assumption of certain agreements between CMS and Liberty Medical, as well as the assignment of such agreements to the Purchaser, then the CMS Claim will remain as a Claim in Class 3.

If the CMS Claim remains in Class 3, the Liquidating Trustee will have the authority to litigate the merits of the CMS Claim if he chooses to do so. However, a full and final adjudication on the merits of the CMS Claim will take several years. Such litigation could result in a significant delay in Distributions to Creditors. If the Liquidating Trust does not prevail in any litigation of the CMS Claim, then the CMS Claim, if not otherwise settled by the Liquidating Trust, will have a significant dilutive effect on the recoveries of other Holders of Claims in Class 3, as well as the Holders of Equity Interests in Class 4.

3. Medco Litigation

As explained in detail in Article V of this Disclosure Statement, Medco has filed Proofs of Claim and a request for Allowance of an Administrative Claim. The Claims asserted

by Medco are very large, and if any or all of these Claims are Allowed in full (or even in part), such Allowance will have a significant adverse effect on the Distribution to other Holders of Claims against, and Equity Interests in, the Debtors' Estates. The Debtors have objected to the Proofs of Claims and Administrative Claims filed by Medco, but the Debtors cannot guarantee the outcome of such objections.

Furthermore, the Debtors have asserted significant claims against Medco in the Medco Complaint. If the Debtors or the Liquidating Trustee, as applicable, reach a favorable settlement of such claims, or the Bankruptcy Court enters a judgment in favor of the Debtors or the Liquidating Trustee, then such a result could augment the assets placed into the Liquidating Trust and made available for Distributions. However, the Debtors cannot guarantee the outcome of the litigation arising from the Medco Complaint.

B. Certain Bankruptcy Considerations

The Distributions from the Liquidating Trust are dependent upon the successful Confirmation and implementation of the Plan. Failure to obtain Confirmation in a timely manner could adversely affect the Debtors' operating results, as the Debtors' ability to obtain financing to fund their operations may be harmed by protracted bankruptcy proceedings.

1. *Non-Confirmation or Delay of Confirmation of the Plan*

The Bankruptcy Court, which sits as a court of equity, may exercise substantial discretion when deciding whether to confirm the Plan. Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation of a plan of reorganization. Although the Debtors believe that the Plan will satisfy all of the requirements for Confirmation under Section 1129 of the Bankruptcy Code, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for Confirmation or that such modifications would not be sufficiently material as to require the resolicitation of votes on the Plan.

In the event that any Class of Claims entitled to vote fails to accept the Plan in accordance with Section 1126(c) and 1129(a)(8) of the Bankruptcy Code, the Debtors reserve the right to: (a) request that the Bankruptcy Court confirm the Plan in accordance with Section 1129(b) of the Bankruptcy Code; and/or (b) modify the Plan in accordance with the terms thereof. The Debtors believe that the Plan satisfies the requirements for non-consensual Confirmation set forth in Section 1129(b) of the Bankruptcy Code because it does not "discriminate unfairly" and is "fair and equitable" with respect to the Classes that reject or are deemed to reject the Plan, however, there can be no assurance that the Bankruptcy Court will reach the same conclusion, or that any other party in interest in the Chapter 11 Cases will not challenge Confirmation on such grounds.

There can be no assurance that the Plan will be confirmed. If the Plan is not confirmed, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to chapter 7 liquidation cases or that any alternative plan of reorganization would be on terms as favorable to the Holders of Claims against and Equity Interests in the Debtors as the

terms of the Plan. If a liquidation or protracted reorganization of the Debtors' Estates were to occur, there is a substantial risk that the Debtors' going concern value would be substantially eroded to the detriment of all stakeholders.

Likewise, there can be no assurance with respect to timing of the Effective Date, or as to whether the Effective Date will, in fact, occur. The occurrence of the Effective Date is subject to certain conditions precedent as described in the Plan, and consummation of the Plan may not occur if any of these conditions are not met. In the event that the Effective Date does not occur, there can be no assurance that the Chapter 11 Cases will continue rather than be converted to chapter 7 liquidation cases or that any alternative plan of reorganization would be on terms as favorable to the Holders of Claims against or Equity Interests in the Debtors as the terms of the Plan. If a liquidation or protracted reorganization of the Debtors' Estates were to occur, there is a substantial risk that the Debtors' going concern value or the value of its assets would be eroded to the detriment of all stakeholders.

If the Confirmation Order is vacated, (a) the Plan shall be null and void in all respects; (b) any settlement of Claims or Equity Interests provided for in the Plan shall be null and void without further order of the Bankruptcy Court; and (c) the time within which the Debtors may assume and assign or reject all Executory Contracts and Unexpired Leases shall be extended for a period of forty-five (45) days after the date the Confirmation Order is vacated.

2. *Classification and Treatment of Claims and Equity Interests*

Section 1122 of the Bankruptcy Code requires that a plan of reorganization classify claims against, and interests in, a debtor. The Bankruptcy Code also provides that a plan of reorganization may place a claim or interest in a particular class only if such claim or interest is substantially similar to the other claims or interests of such class. The Debtors believe that all Claims against and Equity Interests in the Debtors have been appropriately classified in the Plan.

To the extent that the Bankruptcy Court finds that a different classification is required for the Plan to be confirmed, the Debtors presently anticipate that they would seek (i) to modify the Plan to provide for any reclassification that may be required for Confirmation and (ii) to use the acceptances received from any Creditor pursuant to this solicitation for the purpose of obtaining the approval of the Class or Classes of which such Creditor ultimately is deemed to be a member. Any such reclassification of Creditors, although subject to the notice and hearing requirements of the Bankruptcy Code, could adversely affect the Class in which such Creditor was initially a member, or any other Class under the Plan, by changing the composition of such Class and, as a result, the votes required for approval of the Plan. There can be no assurance that the Bankruptcy Court, after finding that a classification was inappropriate and requiring a reclassification, would approve the Plan after such reclassification. Except to the extent that a modification of classification in the Plan requires resolicitation, the Debtors will, in accordance with the Bankruptcy Code and the Bankruptcy Rules, seek a determination by the Bankruptcy Court that acceptance of the Plan by any Holder of Claims pursuant to this solicitation will constitute a consent to the Plan's treatment of such Holder regardless of the Class as to which such Holder is ultimately deemed to be a member. The Debtors believe that under the Bankruptcy Rules they would be required to resolicit votes for or against the Plan only when a

modification adversely affects the treatment of the Claim of any Creditor or Equity Interest Holder.

The Bankruptcy Code also requires that a plan of reorganization provide the same treatment for each claim or interest of a particular class unless the holder of a particular claim or interest agrees to a less favorable treatment of its claim or interest. The Debtors believe that the Plan meets this requirement of equal treatment. To the extent that the Bankruptcy Court finds that the Plan does not satisfy such requirement, the Bankruptcy Court may deny Confirmation of the Plan.

Issues or disputes relating to classification and/or treatment may delay Confirmation and consummation of the Plan, and may increase the risk that the Plan will not be confirmed or consummated.

3. *Claims Estimation*

The Debtors reserve the right to object to or seek to estimate the amount or classification of any Claim or Equity Interest except any such Claim or Equity Interest that is deemed Allowed under the Plan or except as otherwise provided in the Plan. There can be no assurance that any estimated Claim amounts set forth in this Disclosure Statement are correct. The actual Allowed amount of Claims will likely differ in some respect from the estimates set forth herein, or in any exhibit attached hereto, including the Plan. The estimated amounts are subject to certain risks, uncertainties, and assumptions. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, the actual Allowed amount of Claims may differ in some respect from the estimates set forth herein, or in any exhibit attached hereto, including the Plan.

C. *Certain Tax Considerations*

There are a number of income tax considerations, risks, and uncertainties associated with consummation of the Plan. Interested parties should read carefully the discussions set forth in Section IX of this Disclosure Statement regarding certain U.S. federal income tax consequences of the transactions proposed by the Plan to the Debtors and the Liquidating Trust and to certain Holders of Claims and Equity Interests in the Debtors who are entitled to vote to accept or reject the Plan.

IX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

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

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

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

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

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, EACH HOLDER IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DISCLOSURE STATEMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY HOLDER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON A HOLDER UNDER THE TAX CODE; (B) SUCH DISCUSSION IS INCLUDED HEREBY BY THE DEBTORS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE DEBTORS OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN OR THE PLAN; AND (C) EACH HOLDER SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

A. U.S. Federal Income Tax Consequences to the Debtors and the Liquidating Trust

1. *Taxation of the Liquidating Trust and the Liquidating Trust*

The Liquidating Trust is a grantor trust and as such, it is not subject to tax, but rather the grantors of the trust recognize the income of the trust as their interests appear. The contributions of the claims to the Liquidating Trust in exchange for the Liquidating Trust units is a taxable exchange measured by the value of the interest received reduced by the basis of the claim contributed. An unimpaired creditor is expected to receive 100% of its claim and therefore should recognize that amount as income depending upon whether it has written off the receivable. Typically accrual basis tax payers recognized the income when they rendered their services, and the recognition gives them a basis equal to their claim, thus the receipt of the Liquidating Trust interest or the case on the redemption of the unit is not taxable. If the claim holder had written off the claim as a bad debt or is a cash basis tax payer, the receipt of the Liquidating Trust unit will be taxable to the amount of the claim and the receipt of the cash on liquidation of the unit will not be taxable.

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

The U.S. federal income tax consequences to Holders of Allowed Claims and Equity Interests in the Debtors arising from the Distributions to be made in satisfaction of their Claims and Equity Interests pursuant to the Plan may vary, depending upon, among other things: (a) the type of consideration received by the Holder of a Claim or Equity Interest in the Debtors in exchange for such Claim or Equity Interest; (b) the nature of such Claim or Equity Interest; (c) whether the Holder has previously claimed a bad debt or worthless security deduction in respect of such Claim or Equity Interest; (d) whether such Claim constitutes a security; (e) whether the Holder of such Claim or Equity Interest in the Debtors is a citizen or resident of the United States for tax purposes, or otherwise subject to U.S. federal income tax on a net income basis; (f) whether the Holder of such Claim or Equity Interests in the Debtors reports income on the accrual or cash basis; and (g) whether the Holder of such Claim or Equity Interests in the Debtors receives Distributions under the Plan in more than one taxable year. For tax purposes, the modification of a Claim may represent an exchange of the Claim for a new Claim, even though no actual transfer takes place. In addition, where gain or loss is recognized by a Holder, the character of such gain or loss as long-term or short-term capital gain or loss or as ordinary income or loss will be determined by a number of factors, including the tax status of the Holder, whether the Claim or Equity Interest constitutes a capital asset in the hands of the Holder and how long it has been held or is treated as having been held, whether the Claim was acquired at a market discount, and whether and to what extent the Holder previously claimed a bad debt deduction with respect to the underlying Claim or Equity Interest. A Holder who purchased its Claim from a prior Holder at a market discount may be subject to the market discount rules of the Tax Code, as described below.

1. *Accrued but Unpaid Interest*

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

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

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

2. *Market Discount*

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

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

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

Claims were considered to be held by the Holder (unless the Holder elected to include market discount in income as it accrued).

C. Information Reporting and Backup Withholding

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

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

D. Importance of Obtaining Your Own Professional Tax Assistance

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

X. FEASIBILITY OF THE PLAN AND BEST INTERESTS OF CREDITORS

A. Feasibility of the Plan

Section 1129(a)(11) of the Bankruptcy Code requires that a debtor demonstrate that confirmation of a plan of reorganization is not likely to be followed by liquidation or the need for further financial reorganization. For purposes of determining whether the Plan meets this requirement, the Bankruptcy Court should consider that the objective of the Plan is to fund and implement a Liquidating Trust.

B. Acceptance of the Plan

A condition to Confirmation, the Bankruptcy Code requires that each Class of Claims or Equity Interests that is Impaired, but still receives a Distribution under the Plan vote to accept the Plan, except under certain circumstances set forth in Section 1129(b) of the Bankruptcy Code.

A class is impaired unless the plan of reorganization leaves unaltered the legal, equitable and contractual rights of the holder of such claim. Pursuant to Sections 1126(c) and 1126(d) of the Bankruptcy Code, and except as otherwise provided for in Section 1126(e) of the Bankruptcy Code: (i) an impaired class of claims has accepted the plan of reorganization if the holders of at least two-thirds (2/3) in dollar amount and more than half (1/2) in number of the voting allowed claims have voted to accept the plan of reorganization and (ii) an impaired class of interests has accepted the plan of reorganization if the holders of at least two-thirds (2/3) in amount of the allowed interests of such class have voted to accept the plan. Thus, Holders of Claims in Class 3 and Class 4 will have voted to accept the Plan only if two-thirds (2/3) in amount and a majority in number of the Claims actually voting in each Class cast their ballots in favor of acceptance. Holders of Claims who fail to vote are not counted as either accepting or rejecting a plan.

Holders of Claims in Class 1 and Class 2 are Unimpaired by the Plan, and such Holders are conclusively presumed to have accepted the Plan and will not be entitled to vote to accept or reject the Plan.

A vote may be disregarded if the Bankruptcy Court determines, after notice and a hearing, that acceptance or rejection was not solicited or procured in good faith or in accordance with the provisions of the Bankruptcy Code.

C. Best Interests Test

As noted above, even if a plan of reorganization is accepted by each class of claims and interests, the Bankruptcy Code requires a bankruptcy court to determine that such plan of reorganization is in the best interests of all holders of claims or interests that are impaired by the plan and that have not accepted the plan. The “best interests” test, as set forth in Section 1129(a)(7) of the Bankruptcy Code, requires a bankruptcy court to find either that all members of an impaired class of claims or interests have accepted the plan or that the plan will provide a member who has not accepted the plan with a recovery of property of a value, as of the effective date of the plan, that is not less than the amount that such holder would recover if the debtor were liquidated under chapter 7 of the Bankruptcy Code.

To calculate the probable distribution to holders of each impaired class of claims and interests if a debtor were liquidated under chapter 7, a bankruptcy court must first determine the aggregate dollar amount that would be generated from the debtor’s assets if its chapter 11 case was converted to a chapter 7 case under the Bankruptcy Code. This “liquidation value” would consist primarily of the proceeds from a forced sale of the debtor’s assets by a chapter 7 trustee.

The amount of liquidation value available to unsecured creditors would be reduced first, by the claims of secured creditors to the extent of the value of their collateral and, second, by the costs and expenses of liquidation, as well as by other administrative expenses and costs of both the chapter 7 case and the chapter 11 case. Costs of liquidation under chapter 7 of the Bankruptcy Code would include the compensation of a trustee, as well as of counsel and other professionals retained by the trustee, asset disposition expenses, all unpaid expenses incurred by the debtor in its chapter 11 case (such as compensation of attorneys, financial advisors, and accountants) that are allowed in the chapter 7 case, litigation costs, and claims arising from the operations of the debtor during the pendency of the chapter 11 case. The liquidation itself would trigger certain priority payments that otherwise would be due in the ordinary course of business. Those priority claims would be paid in full from the liquidation proceeds before the balance would be made available to pay general unsecured claims or to make any distribution in respect of equity security interests. The liquidation would also prompt the rejection of a large number of executory contracts and unexpired leases and thereby significantly enlarge the total pool of unsecured claims by reason of resulting rejection damages claims.

Once the bankruptcy court ascertains the recoveries in liquidation of secured creditors and priority claimants, it must determine the probable distribution to general unsecured creditors and equity security holders from the remaining available proceeds in liquidation. If such probable distribution has a value greater than the distributions to be received by such creditors and equity security holders under the plan, then the plan is not in the best interests of creditors and equity security holders.

D. Liquidation Analysis

The Liquidation Analysis is set forth on Exhibit B hereto (the “**Liquidation Analysis**”).

E. Application of the “Best Interests” of Creditors Test to the Liquidation Analysis and Valuation

While it is impossible to determine with any specificity the value each Holder of an Impaired Claim will receive as a percentage of its Allowed Claim, the Debtors believe that the Plan described in this Disclosure Statement implies a greater or equal recovery to Holders of Claims in Impaired Classes than the recovery available in a chapter 7 liquidation. The Debtors believe that a forced liquidation of the Debtors would materially impair the value available to Creditors to an amount materially less the amounts due to them. The Debtors could also be liquidated under chapter 7 of the Bankruptcy Code. However, in a liquidation under chapter 11, the assets could be sold in an orderly fashion over a more extended period of time than in a liquidation under chapter 7, thus resulting in a potentially greater recovery for Holders of Claims against or Equity Interests in the Debtors. Conversely, to the extent the Debtors’ businesses incur operating losses, the Debtors’ efforts to liquidate the assets over a longer period of time could result in a lower net distribution to Creditors than they would receive through chapter 7 liquidation. Nevertheless, because there would be no need to appoint a chapter 7 trustee and to hire new professionals, a chapter 11 liquidation might be less costly than a chapter 7 liquidation

and thus, provide larger net distributions to Holders of Claims against or Equity Interests in the Debtors than in chapter 7 liquidation.

Accordingly, the Debtors believe that the Plan satisfies the “best interests” test of Section 1129 of the Bankruptcy Code.

F. Confirmation Without Acceptance of All Impaired Classes: The “Cramdown” Alternative

In the event that either Class 3 or Class 4 does not vote to accept the Plan, the Debtors may seek Confirmation of the Plan pursuant to the “cramdown” provisions of the Bankruptcy Code. Specifically, Section 1129(b) of the Bankruptcy Code provides that a plan of reorganization may be confirmed even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. A bankruptcy court may confirm a plan of reorganization at the request of the debtors, if the plan of reorganization “does not discriminate unfairly” and is “fair and equitable” as to each impaired class that has not accepted the plan. A plan of reorganization does not discriminate unfairly within the meaning of the Bankruptcy Code if a dissenting class is treated equally with respect to other classes of equal rank. The Debtors believe that the Plan does not discriminate unfairly with respect to the Claims in Class 3 and Equity Interests in Class 4.

A plan of reorganization is fair and equitable as to a class of unsecured claims that rejects such a plan if the plan of reorganization provides: (i) for each holder of a claim that is a member of the rejecting class to receive or retain, on account of that claim, property that has a value, as of the effective date of the plan, equal to the allowed amount of such claim or (ii) that the holder of any claim or interest that is junior to the claims of such class will not receive or retain, on account of such junior claim or interest, any property at all.

A plan of reorganization is fair and equitable as to a class of equity interests that rejects such a plan if the plan of reorganization provides: (i) that each holder of an interest that is a member of the rejecting class receive or retain, on account of that interest, property that has a value, as of the effective date of the plan, equal to the greatest of (a) the allowed amount of any fixed liquidation preference to which such holder is entitled, (b) any fixed redemption price to which such holder is entitled, or (c) the value of such interest; or (ii) that the holder of any interest that is junior to the interests of such class will not receive or retain, on account of such junior interest, any property at all.

The Debtors believe that they will meet the “fair and equitable” requirements of Section 1129(b) of the Bankruptcy Code with respect to Holders of Claims and Equity Interests in Class 3 and Class 4, and that the Plan satisfies the foregoing requirements for nonconsensual Confirmation with respect to Class 3 and Class 4.

XI. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe that the Plan affords Holders of Claims and Equity Interests in Class 3 and Class 4 the potential for the greatest realization on the Assets and, therefore, is in

the best interests of such Holders. If, however, the requisite acceptances are not received or the Plan is not confirmed and consummated, certain restructuring alternatives may exist including, but not limited to, (a) formulation of an alternative plan or plans of reorganization or (b) liquidation of the Debtors under chapter 7 or chapter 11 of the Bankruptcy Code.

A. Alternative Plan(s) of Reorganization

If the requisite acceptances to confirm the Plan are not received from the Holders entitled to vote to accept or reject the Plan, or if the Plan is not confirmed by the Bankruptcy Court, the Debtors could formulate and propose a different plan of reorganization. Such alternative plan might involve either a reorganization and continuation of the Debtors' businesses or an orderly liquidation of the Assets.

The Debtors believe that the Plan enables Creditors to realize the greatest possible value under the circumstances and has the greatest likelihoods of consummation.

B. Liquidation under Chapter 7 or Chapter 11

If no plan of reorganization, including the Plan, is confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code, pursuant to which a trustee would be elected or appointed to liquidate the Assets for distribution in accordance with the priorities established by the Bankruptcy Code. It is impossible to predict precisely how the proceeds of the liquidation would be distributed to the respective Holders of Claims against or Equity Interests in the Debtors.

The Debtors believe that, in a liquidation under chapter 7, additional administrative expenses involved with the appointment of a trustee or trustees and attorneys, accountants, and other professionals to assist such trustees would cause a substantial diminution in the value of the Estates. The assets available for distribution to Creditors would be reduced by such additional expenses and by Claims, some of which would be entitled to priority, arising by reason of the liquidation and from the rejection of Unexpired Leases and other Executory Contracts in connection with the cessation of operations and the failure to realize the greater going concern value of the Assets.

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RECOMMENDATION AND CONCLUSION

For all of the reasons set forth in this Disclosure Statement, the Debtors believe that Confirmation and consummation of the Plan are preferable to all other alternative restructuring options. Consequently, the Debtors urge all Holders of Claims in Class 3 and Equity Interests in Class 4 to vote to ACCEPT the Plan, and to complete and return their ballots so that they will be RECEIVED by the Voting Agent on or before 5:00 p.m. (prevailing Eastern Time) on the Voting Deadline.

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Dated: August 15, 2014